TEAMWAY
International Group Holdings Limited

TEAMWAY INTERNATIONAL GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1239

2023
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zeng Wenyou (appointed on 16 August 2023)
Ms. Ngai Mei (duties suspended)
Ms. Duan Mengying (duties suspended)

Non-Executive Director

Mr. Lee Hung Yuen (appointed on 3 January 2024)

Independent Non-Executive Directors

Mr. Chow Ming Sang
Dr. Tsang Hing Bun (appointed on 1 January 2023)
Mr. Chow Wai Hung Enzo
(appointed on 3 January 2024)
Mr. Poon Lai Yin Michael
(resigned on 1 November 2023)
Mr. Chan Ka Leung Kevin (resigned on 1 January 2023)

AUDIT COMMITTEE (THE "AUDIT COMMITTEE")

Dr. Tsang Hing Bun *(Chairman)*
(appointed on 1 January 2023)
Mr. Chow Ming Sang
Mr. Chow Wai Hung Enzo
(appointed on 3 January 2024)
Mr. Poon Lai Yin Michael
(resigned on 1 November 2023)

NOMINATION COMMITTEE (THE "NOMINATION COMMITTEE")

Mr. Chow Wai Hung Enzo *(Chairman)*
(appointed on 3 January 2024)
Mr. Chow Ming Sang
Dr. Tsang Hing Bun (appointed on 1 January 2023)
Mr. Poon Lai Yin Michael
(resigned on 1 November 2023)

REMUNERATION COMMITTEE (THE "REMUNERATION COMMITTEE")

Dr. Tsang Hing Bun *(Chairman)*
(appointed on 1 January 2023)
Mr. Chow Ming Sang
Mr. Chow Wai Hung Enzo
(appointed on 3 January 2024)
Mr. Poon Lai Yin Michael
(resigned on 1 November 2023)

COMPANY SECRETARY

Mr. Chang Chi Wai Stanley

AUDITORS

Prism Hong Kong and Shanghai Limited
Certified Public Accountant
Registered Public Interest Entity Auditor
Units 1903A–1905, 19/F, 8 Observatory Road
Tsim Sha Tsui, Kowloon, Hong Kong

PRINCIPAL BANKERS

Bank of China Limited
Bank of China (Hong Kong) Limited
China Minsheng Banking Corp., Ltd.
Chongqing Rural Commercial Bank Co., Ltd
DBS Bank Ltd.
Industrial and Commercial Bank of China Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited
PO Box 1350, Windward 3, Regatta Office Park
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

REGISTERED OFFICE

Ocorian Trust (Cayman) Limited
PO Box 1350, Windward 3, Regatta Office Park
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1604, 16/F, Tower 6
The Gateway, Harbour City
Tsim Sha Tsui, Kowloon, Hong Kong

STOCK CODE

01239

COMPANY WEBSITE

www.teamwaygroup.com

On behalf of the board (the "**Board**") of directors (the "**Director(s)**") of Teamway International Group Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I am pleased to present all shareholders of the Company (the "**Shareholders**") the annual report of the Company for the year ended 31 December 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is an investment holding company, and through its subsidiaries, is principally engaged in the business of (i) design, manufacturing and sale of packaging products and structural components in The People's Republic of China (the "**PRC**"); (ii) trading of filtration media, equipment and related accessories for air purification; (iii) design, manufacturing, sale and marketing of rosewood home furniture and (iv) property investment.

Packaging Products and Structural Components Business

Revenue

Most of the Group's customers under the packaging products and structural components business are leading consumer electrical appliance manufacturers in the PRC.

An analysis of revenue by products is as follows:

	Year ended 31 December			
	2023		2022	
	RMB'000	***%***	*RMB'000*	*%*
Packaging products				
Air conditioners	**86,200**	**25.6**	94,344	24.5
Washing machines	**82,405**	**24.5**	87,054	22.7
Televisions	**68,968**	**20.5**	88,896	23.1
Refrigerators	**52,355**	**15.5**	45,614	11.9
Information technology products	**20,402**	**6.0**	31,797	8.3
Water heaters	**9,321**	**2.8**	19,525	5.1
Others	**1,950**	**0.6**	3,573	0.9
Structural components				
For air conditioners	**15,022**	**4.5**	13,569	3.5
Total	**336,623**	**100**	384,372	100

During the current year, the revenue by product type remained relatively stable with the revenue derived from the Group's products for air conditioners (including packaging products and structural components), washing machines, televisions and refrigerators being the four largest contributions to the segment revenue, amounting to approximately RMB304,950,000 or 90.6% of total segment revenue (2022: approximately RMB329,477,000 or 85.7% of total segment revenue).

Cost of sales

The following table sets out a breakdown of the cost of sales for the periods stated below:

	Year ended 31 December			
	2023		2022	
	RMB'000	**%**	*RMB'000*	%
Raw materials	**145,880**	**44.3**	245,257	74.9
Direct labour costs	**21,300**	**6.5**	27,166	8.3
Manufacturing overhead	**161,836**	**49.2**	54,908	16.8
Staff costs	**4,736**	**1.5**	4,794	1.5
Depreciation	**4,570**	**1.4**	6,114	1.8
Utilities	**28,640**	**8.7**	30,735	9.4
Processing charges	**123,160**	**37.4**	12,234	3.8
Others	**730**	**0.2**	1,031	0.3
Total	**329,016**	**100**	327,331	100

For the year ended 31 December 2023, the cost of sales amounted to approximately RMB329,016,000 increased by approximately RMB1,685,000 or 0.5% when compared to that of approximately RMB327,331,000 for the year ended 31 December 2022.

The gross profit margin for the year ended 31 December 2023 decreased to approximately 2.3% (2022: approximately 14.8%). Such decrease in gross profit margin is mainly attributable to the increase in cost of sales starting in the second quarter of 2023 due to higher production costs for partially outsourcing our production to other factories. The situation is expected to improve once our newly purchased production facilities are setup and put into production in the second quarter of 2024.

There are still many challenges ahead after the slow recovery of the post-pandemic period driven by the unstable macroeconomic environment. All we can do is trying to enhance our operating processes to achieve higher operational efficiency and cost synergy while trying to maintain our cost of sales at a similar level in the coming year.

Supply of raw materials

The Group purchases raw materials and components necessary for the manufacturing of the Group's packaging products and structural components from independent third parties. The raw materials mainly include expanded polystyrene and expanded polyolefin. The Group retains a list of approved suppliers of raw materials and components and only makes purchases from the list. The Group has established long- term commercial relationships with its major suppliers for a stable supply and timely delivery of high quality raw materials and components. The Group had not experienced any major difficulties in procuring raw materials and components necessary for the manufacture of packaging products for the year ended 31 December 2023. The Group continues to diversify its suppliers of raw materials and components to avoid over reliance on a single supplier for any type of raw materials and components.

Production capacity

The Group's two factories are capable of an annual manufacturing capacity, in aggregate, of 9,600 tonnes of packaging products and structural components. The current production capacity enables the Group to promptly respond to market demand and strengthen its market position.

Property Investment Business

For the year ended 31 December 2023, the Group's investment property, situated in Singapore at 1 Bishopsgate #04–06 Bishopsgate Residences, Singapore 247676 (registered in the Singapore Land Authority under the Land Lot No. TS24-U13661M) with a gross floor area of approximately 3,068 square feet recorded a rental income of RMB927,000.

In 2023, the red-hot Singapore rental market observed at the start of the year seems to be stabilizing. Residential private property saw a slowdown in sales activity. This was partly in reaction to property cooling measures, sustained high interest rates, and uncertain economic conditions. However, property owners exhibited resilience and did not show a strong sense of urgency to sell their properties. This was reflected in their steady high asking prices.

To improve the liquidity of the Company, the Company has listed the investment property for sale as at 31 December 2023. Since the market price of the investment property constitute significant portions of the Company's assets, the proposed sale is likely to constitute discloseable/notifiable transactions which will be subject to notifications, publications and/or shareholders' approval requirements from the listing rules before the sales can be completed.

Filtration Media and Equipment Business and Rosewood Home Furniture Business

To capture the huge potential of health-related products after the COVID-19 pandemic, the Group has started the healthcare-related business of trading of filtration media, equipment, and related accessories for air purification since April 2023 and had generated a revenue of approximately RMB3.4 million during the year. The Group has also started the rosewood home furniture business since July 2023 and is expected to provide another source of income for the Group. The Group is holding 51% shareholdings of both businesses and oversees the operations and financial performances together with our business partners of 49% shareholdings. Both of our business partners have their own specialisation and expertise in their relevant fields and our management believes that the new businesses will have good development in the long run.

Rights Issue

To improve the liquidity of the Group, the Board proposed the Rights Issue on 10 January 2024 to raise up to approximately HK$15.78 million before expenses and is expected to complete in June 2024. Details of the Rights Issue are set out in (i) the circular of the Company dated 15 March 2024; (ii) the notice of the extraordinary general meeting of the Company dated 15 March 2024; and (iii) the announcements of the Company dated 10 January 2024, 11 January 2024, 9 February 2024, 29 February 2024 and 8 March 2024.

Update on the Petition

The Company (as the 1st respondent) was served with the Petition by SFC on 8 November 2022. According to the Petition, the Company was joined for the purpose of enabling it to benefit from orders sought in the Petition, and for it to make any representations it thinks fit in the proceedings. A hearing of the Petition was held on 2 June 2023 and the court made directions for the next steps of the Petition. The Company has filed and served its Points of Defence in January 2024 and the SFC is expected to file its Points of Reply in due course. A case management conference will be held on 12 June 2024, and the parties should file and serve their respective proposed directions with brief written explanatory submissions 7 clear days before the said case management conference.

FUTURE OUTLOOK

Packaging Products and Structural Components Business

During the year ended 31 December 2023, the China economy continued to improve with a slow pace due to sluggish economic recovery and evident conservative consumption. The economic development has shifted to the domestic market due to the slow recovery after the pandemic and global turbulence and complex international relations. However, this effect on us is minimal because all of our revenue derived from the packaging products and structural components business comes from domestic sales.

Due to higher production costs for partially outsourcing our production to other factories starting in the second quarter of 2023, there was a significant decrease in gross profit margin. Looking forward, the situation is expected to be improved once our newly purchased production facilities are put into production and it is believed that the gross profit margin will return to the similar level as before coming into 2024.

The Group will continue to optimise and refine the existing utilization on cost control and allocation of resources to promote long term productivity and cost efficiency; whilst restructuring its operating processes to achieve higher operational efficiency and cost synergy amongst group companies.

Property Investment Business

In 2024, property prices are anticipated to remain high yet stable and demand should maintain at a consistent upward trend. Meanwhile, the Singapore rental market is projected to experience a gentle deceleration. However, there is a belief that even if the property prices moderate in the short term, the pricing rebound would be much faster and higher when the economy gets better.

Although concerns around inflation, the possibility of mortgage rates going up, and uncertain economic conditions remain, Singapore’s economy is projected to maintain a consistent growth trajectory and property owners may not feel the pressure to lower their asking prices for quicker transactions.

Filtration Media and Equipment Business and Rosewood Home Furniture Business

After the experience of COVID-19 in these few years, the Company started the trading of filtration media and equipment business in order to cope with the stronger demand of air purifications in the post-pandemic period.

The Rosewood Home Furniture business is another new venture that our management believes in for long term development. Rosewood furniture is high-quality with traditional style which is renowned for its durability and resistance to water and rot, making it a popular choice for far high-end customers. In addition, rosewood is known to be free from formaldehyde, a harmful chemical commonly found in furniture made from other materials.

In today’s health-oriented lifestyle, the demand for products that are safe and environmentally friendly is on the rise. With our new businesses, we are positioning ourselves as a provider of high-quality, sustainable products that meets the needs of health-conscious consumers. By offering products that are not only durable but also free from harmful chemicals, we are confident that we can attract a loyal customer base. The management believed the potential of the businesses related to the healthcare industry and would like to capture the opportunities for diversification of income for the Group.

PROSPECTS

The economies of Hong Kong and Mainland China are anticipated to continue on a slow post-pandemic recovery path in the 2024, but the prospects remain highly uncertain driven by the adverse impact of high market interest rate environment and the development of geopolitical factors. Despite the foregoing challenges, the Group will continue to pursue long-term business and profitability growth to be in line with its corporate mission and goals. The Group will continue to adopt prudent capital management and liquidity risk management to preserve adequate buffer to meet the challenges ahead.

The Management believed that diversification of income source can promote long term development for the Group. Moving forward, the Group will continue to diversify income streams whilst trying to improve the performance of our current business at the same time. During the year, the Group started the trading of filtration media and equipment business and the rosewood home furniture business in PRC and expected to generate positive results in the long run.

With the uncertain geopolitical and macroeconomic conditions, the management foresees that there is full of challenges and will use their best endeavors to enhance operation efficiency while trying to maintain a stable performance of our business.

FINANCIAL REVIEW

Financial results

For the year ended 31 December 2023, the Group recorded the revenue of approximately RMB340,918,000, representing a decrease of 11.5% when compared to that of approximately RMB385,163,000 for the year ended 31 December 2022.

Loss attributable to owners of the Company was approximately RMB68,295,000 for the year ended 31 December 2023 when compared to loss of approximately RMB49,601,000 for the year ended 31 December 2022.

The increase in loss for the year ended 31 December 2023 was mainly attributable to the increase in cost of sales starting in the second quarter of 2023 due to higher production costs for partially outsourcing our production to other factories before our newly purchased production facilities are ready to be put into production.

Basic and diluted loss per share were RMB36.85 cents respectively (2022: RMB30.12 cents (restated) respectively).

Liquidity and financial resources

As at 31 December 2023, bank balances and cash of the Group amounted to approximately RMB19,290,000 of which approximately 57.7% was denominated in Hong Kong dollars ("**HK$**"), approximately 0.5% was denominated in United States Dollars ("**US$**"), approximately 2.2% was denominated in Singapore Dollars ("**SGD**") and the rest was denominated in Renminbi ("**RMB**") (2022: approximately RMB33,265,000 of which approximately 48.7% was denominated in HK$, approximately 0.3% was denominated in US$, approximately 5.6% was denominated in SGD and the rest was denominated in RMB).

As at 31 December 2023, the Group's bank borrowing of approximately RMB33,000,000 (2022: approximately RMB10,000,000) had variable interest rates and was repayable within two years (2022: one year), which was secured by the Group's buildings and prepaid land lease payments. As at 31 December 2023 and 2022, all of the bank borrowings were denominated in RMB.

As at 31 December 2023, the Group's other borrowings of (i) approximately RMB23,201,000 (2022: approximately RMB22,697,000) had fixed interest rate at 6.5% per annum, was repayable on demand and was denominated in US$; (ii) approximately RMB168,740,000 (2022: RMB161,938,000) had fixed interest rate at 2% per annum, was repayable on 31 May 2025, was unsecured and was denominated in US$; and (iii) approximately RMB226,780,000 (2022: RMB221,453,000) had fixed interest rate at 18% per annum, was repayable on demand, which was secured by the entire issued share capital of a wholly-owned subsidiary of the Company and was denominated in HK$.

Capital Structure

As at 31 December 2023, a total of 197,282,636 shares with par value of HK$0.16 each are in issue.

On 15 May 2023, the Company allotted and issued 130,434,783 shares (the "**Share Subscriptions**") with par value of HK$0.092 each in the share capital of the Company in relation to the share subscriptions dated 26 April 2023 pursuant to the general mandate granted at the annual general meeting of the Company dated 15 June 2022.

On 27 November 2023, the Board put forward to the shareholders of the Company (the "**Shareholders**") a proposal of share consolidation (the "**Share Consolidation**") on the basis that every four (4) issued existing ordinary shares with par value of HK$0.04 each in the share capital of the Company be consolidated into one (1) consolidated share with par value of HK$0.16 each. Pursuant to the resolution passed by the Shareholders at the extraordinary general meeting of the Company on 27 November 2023, the Share Consolidation became effective on 28 November 2023.

Details of the Share Subscriptions have been disclosed in the announcements of the Company dated 26 April 2023 and 15 May 2023. Details of the Share Consolidation have been disclosed in (i) the announcements of the Company dated 13 October 2023, 27 October 2023 and 31 October 2023; (ii) the circular of the Company dated 3 November 2023; (iii) the notice of the extraordinary general meeting of the Company dated 3 November 2023; and (iv) the poll results of the extraordinary general meeting of the Company dated 27 November 2023.

Acquisitions, disposals and significant investment

Save as disclosed in this report, for the year ended 31 December 2023, there was no material acquisition, disposal or significant investment by the Group.

Capital expenditure

Capital expenditure of the Group mainly includes the purchase of property, plant and equipment and right-of-use assets. For the year ended 31 December 2023, capital expenditure of the Group amounted to approximately RMB8,767,000 (2022: approximately RMB5,215,000).

Pledge of assets

The Group had pledged (i) assets of buildings and right-of-use assets to the bank in the amount of approximately RMB22,502,000 as at 31 December 2023 (2022: approximately RMB6,265,000; and (ii) the entire issued share capital of a wholly-owned subsidiary of the Company to the lender as at 31 December 2023 and 2022.

Segment information

Details of segment information of the Group for the year ended 31 December 2023 are set out in Note 5 to the consolidated financial statements.

Human resources and training

As at 31 December 2023, the Group has 491 employees (2022: 598 employees). Total employee benefit expenses amounted to approximately RMB51,425,000 (2022: approximately RMB55,896,000). The Group has a management team (including product design and development team) with extensive industry experience. The Group has adopted an employee-focused management concept to involve the Group's staff in the management and development of the Group. The Group has implemented a strict selection process for hiring its employees and a number of initiatives to enhance the productivity of its employees. The Group conducts regular performance reviews for its employees. The remuneration, promotion and salary increments of the employees are assessed according to their performance, professional and working experience, and prevailing market practices. In addition, the Group has implemented training programs for employees in various positions.

Gearing ratio

As at 31 December 2023, the gearing ratio was 1.42 (2022: 1.19), which was measured on the basis of the Group's total borrowings divided by total assets.

Foreign exchange risk

Business transactions of the Group are mainly denominated in HK$ and RMB. Accordingly, the Directors consider that the Group is not exposed to significant foreign currency risk.

The Group currently does not have a foreign currency hedging policy. However, the Group's management monitors foreign exchange exposure. In the view of the fluctuation of RMB in recent years, the Group will consider hedging significant foreign currency exposure should the need arise.

Capital commitment

As at 31 December 2023, the Group had no capital commitment (2022: Nil).

Contingent liabilities

As at 31 December 2023, the Group had no material contingent liabilities (2022: Nil).

APPRECIATION

Lastly, on behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to our Shareholders, customers, suppliers and business partners for their unremitting support, and the management team and all our staff for their contributions.

On behalf of the Board

Zeng Wenyou
Executive Director

Hong Kong, 22 March 2024

CORPORATE GOVERNANCE PRACTICES

The Company recognises the value and importance of achieving high corporate governance standards to enhance corporate performance, transparency and accountability and to earn the confidence of Shareholders and the public. The Board strives to adhere to the principles of corporate governance and adopt sound corporate governance practices to meet the legal and commercial standards by focusing on areas such as internal control, fair disclosure and accountability to all Shareholders.

For the year ended 31 December 2023, the Company has adopted the code provisions (the "**Code Provision(s)**") set out in the Corporate Governance Code (the "**CG Code**") contained in the Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Board periodically reviews the corporate governance practices of the Company to ensure its continuous compliance with the CG Code. The Company was in compliance with the applicable Code Provisions for the year ended 31 December 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted terms as contained in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as the Company's code of conduct regarding securities transactions and dealings by the Directors. Each of the existing Directors, upon specific enquiries by the Company, confirmed that they have complied with the Model Code during the year ended 31 December 2023.

BOARD OF DIRECTORS

Members of the Board of Directors

As at the date of this annual report, the Board comprised the following Directors, (i) executive Directors, Mr. Zeng Wenyou, Ms. Ngai Mei (duties suspended) and Ms. Duan Mengying (duties suspended); (ii) non-executive Director, Mr. Lee Hung Yuen; and (iii) independent non-executive Directors, Mr. Chow Wai Hung Enzo, Dr. Tsang Hing Bun and Mr. Chow Ming Sang.

The biographies of all Directors are set out in the section headed "Biographical Details of Directors" in this annual report. All Directors have the relevant experiences for effectively carrying out their respective duties.

In accordance with Rule 3.10 of the Listing Rules, the Company has already appointed three independent non-executive Directors and at least one of them has accounting expertise to assist the management in formulating development strategies of the Group, and to ensure that the preparation of the financial reports and other mandatory reports by the Board are in strict adherence to appropriate standards in order to protect the interests of the Shareholders and the Company. The Company has received annual confirmation of independence from each of the independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules, and believes that, for the year ended 31 December 2023 and up to the date of this annual report, they were independent to the Company in accordance with the relevant requirements of the Listing Rules.

Responsibilities of Directors

All newly-appointed Directors receive comprehensive and formal training on the first occasion of their appointments to ensure that they have a proper understanding of the businesses and development of the Group and are fully aware of their responsibilities under the statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and corporate governance policies of the Company.

To facilitate the Directors to discharge their responsibilities, they are continuously updated with regulatory developments, business and market changes and the strategic development of the Group.

Supply of and Access to Information

In respect of regular Board meetings, and so far, as practicable in all other cases, an agenda accompanied by the relevant Board papers are sent to all Directors in a timely manner and before the intended date of a Board meeting.

All Directors are entitled to have access to Board papers, minutes and related materials.

The Operation of the Board

The Board supervises the management of the business and affairs of the Company. The Board's primary duty is to ensure the viability of the Company and that it is managed in the best interests of the Shareholders as a whole while taking into account the interests of other stakeholders. The Group has adopted internal guidelines in setting forth matters that require the Board's approval. Apart from its statutory responsibilities, the Board is also responsible for formulating the development targets and objectives, material acquisitions and disposals, material capital investment, dividend policies, the appointment and removal of directors and senior management, remuneration policies and other major operation and financial issues of the Company. The powers and duties of the Board include convening Shareholders' meetings and reporting the Board's work at Shareholders' meetings, implementing resolutions passed at Shareholders' meetings, determining business plans and investment plans, formulating annual budget and final accounts, formulating proposals for profit distributions and for the increase or reduction of registered capital as well as exercising other powers, functions and duties as conferred by the memorandum and articles of association of the Company (the "**Articles of Association**"). Daily business operations and administrative functions of the Group are delegated to the management.

Delegation by the Board

The management, consisting of executive Directors along with other senior executives, is delegated with responsibilities for implementing the strategy and direction as adopted by the Board from time to time, and conducting the day-to-day operations of the Group. Executive Directors and senior executives meet regularly to review the performance of the businesses of the Group as a whole, co-ordinate overall resources and make financial and operational decisions. The Board also gives clear directions as to their powers of management including circumstances where management should report back, and will review the delegation arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

Code Provision A.1.1 of the CG Code stipulates that the Board shall convene meetings regularly and convene at least four board meetings every year (approximately once a quarter).

During the year ended 31 December 2023, the Board held 4 meetings. The attendance of the Directors at the Board meetings is as follows:

Directors	Meetings attended/held
Executive Directors	
Mr. Zeng Wenyou (appointed on 16 August 2023)	0/1
Ms. Ngai Mei (duties suspended)	4/4
Ms. Duan Mengying (duties suspended)	4/4
Independent Non-Executive Directors	
Mr. Chow Ming Sang	3/4
Dr. Tsang Hing Bun (appointed on 1 January 2023)	4/4
Mr. Poon Lai Yin Michael (resigned on 1 November 2023)	3/4
Mr. Chan Ka Leung Kevin (resigned on 1 January 2023)	0/0

In general, notices of meetings of the Board are sent to all Directors through email or fax before the dates of meetings. In order to enable the Directors to consider the issues to be approved in the meetings with adequate time, the notices of regular Board meetings are sent to all Directors 14 days prior to the convening of the meeting while prior notification of the convening of ad hoc board meetings are made to all Directors in due course. In order to provide all Directors with a full picture of the latest operating conditions of the Company, the management representatives of the Company will report the latest operating conditions of the Company and the implementation of the issues resolved in the last Board meeting to all the Directors before the convening of the meeting.

CORPORATE GOVERNANCE DUTIES

The Board is responsible for performing the corporate governance duties as set out in the Code Provision D.3.1. During the year ended 31 December 2023, the Board had reviewed and discussed the corporate governance policy of the Group and was satisfied with the effectiveness of the corporate governance policy of the Group.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Code Provision A.6.5 of the CG Code provides that Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

During the year, all Directors were provided with regular updates on the Group's business and operation and information which covered topics including but not limit to the CG Code, the disclosure and compliance of inside information, updates and changes in relation to legislative and regulatory requirements in which the Group conducts its business for their study and reference. During the year, all Directors had participated in continuous professional development to develop and refresh their knowledge and skills pursuant to the CG Code. All Directors (being Mr. Zeng Wenyou, Ms. Ngai Mei, Ms. Duan Mengying, Dr. Tsang Hing Bun, Mr. Poon Lai Yin Michael, Mr. Chan Ka Leung Kevin and Mr. Chow Ming Sang received regular briefings and updates from the company secretary of the Company on the Group's business, operations and corporate governance matters, studied publications, books and other reading materials or attended seminars or workshops delivered by professionals, which are relevant to their duties and responsibilities.

COMMITTEES UNDER THE BOARD

The Audit Committee, the Remuneration Committee and the Nomination Committee were established under the Board. These committees perform supervision and control of the Company based on their written terms of reference.

Audit Committee

The Company established the Audit Committee on 10 June 2011 with written terms of reference in compliance with the Code Provisions of the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee consists of three independent non-executive Directors, namely, Dr. Tsang Hing Bun (an independent non-executive Director appointed on 1 January 2023 with the appropriate professional qualifications as required under Rule 3.10(2) of the Listing Rules who serves as Chairman of the Audit Committee), Mr. Poon Lai Yin Michael (resigned on 1 November 2023) and Mr. Chow Ming Sang (appointed on 21 June 2019).

The written terms of reference of the Audit Committee are in line with the Code Provisions of the CG Code and the latest version of such terms of reference are available upon request, on the Company's website and the Stock Exchange's website.

During the year ended 31 December 2023, the Audit Committee had considered, reviewed and discussed areas of concerns during the audit process, the compliance of company policy, the internal control procedures and the corporate governance of the Group and had approved the annual audited financial statements and the interim financial statements, respectively. There is no disagreement between the Board and the Audit Committee regarding the selection and appointment of the external auditors.

The Audit Committee had held 2 meetings during the year ended 31 December 2023.

The attendance of the members of the Audit Committee at the Audit Committee meeting is as follows:

Directors	**Meetings attended/held**
Dr. Tsang Hing Bun *(Chairman)* (appointed on 1 January 2023)	2/2
Mr. Chow Ming Sang	2/2
Mr. Poon Lai Yin Michael (resigned on 1 November 2023)	1/2

Nomination Committee

The Company established the Nomination Committee pursuant to a resolution of the Directors passed on 10 June 2011. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and management of the Board's succession, and to ensure that the candidates to be nominated as Directors are experienced and high caliber individuals. The Nomination Committee consists of three independent non-executive Directors, namely, Mr. Poon Lai Yin Michael (resigned on 1 November 2023), Dr. Tsang Hing Bun (appointed on 1 January 2023) and Mr. Chow Ming Sang (appointed on 21 June 2019). Mr. Poon Lai Yin Michael was the Chairman of the Nomination Committee and he was resigned on 1 November 2023.

The written terms of reference of the Nomination Committee are in line with the Code Provisions of the CG Code and the latest version of such terms of reference are available upon request, on the Company's website and the Stock Exchange's website.

The Nomination Committee shall meet at least once every year for reviewing the structure, size and composition of the Board and assessing the independence of the independent non-executive Directors and other related matters.

The Nomination Committee had held 3 meetings during the year ended 31 December 2023.

The attendance of the members of the Nomination Committee at the Nomination Committee meeting is as follows:

Directors	**Meeting attended/held**
Mr. Chow Ming Sang	3/3
Dr. Tsang Hing Bun (appointed on 1 January 2023)	3/3
Mr. Poon Lai Yin Michael *(Chairman)* (resigned on 1 November 2023)	2/3

During the year ended 31 December 2023, the Nomination Committee had reviewed the structure, size and composition of the Board and the retirement and re-appointment arrangement of the Directors at the Company's forthcoming annual general meeting.

Board Diversity Policy

The Board has adopted a board diversity policy in accordance with the requirement set out in the CG Code (the "**Board Diversity Policy**") and discussed all measurable objectives set for implementing the policy. The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

The Nomination Committee will monitor the implementation of the Board Diversity Policy and review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

Remuneration Committee

The Company established the Remuneration Committee pursuant to a resolution of the Directors passed on 10 June 2011 in compliance with the Code Provisions of the CG Code. The Company has adopted the Code Provisions to make recommendations to the Board to determine the remuneration packages of individual executive Directors and the members of senior management. The primary duties of the Remuneration Committee include: (i) reviewing the terms of the remuneration package of each Director and member of senior management, and making recommendations to the Board regarding any adjustment thereof; and (ii) reviewing and evaluating the performance of individual executive Directors for determining the amount of bonus (if any) payable to them. The Remuneration Committee comprises three independent non-executive Directors, namely Mr. Poon Lai Yin Michael (resigned on 1 November 2023), Dr. Tsang Hing Bun (appointed on 1 January 2023) and Mr. Chow Ming Sang (appointed on 21 June 2019). Dr. Tsang Hing Bun is the Chairman of the Remuneration Committee.

The written terms of reference of the Remuneration Committee adopted by the Board are in line with the Code Provisions of the CG Code and the latest version of such terms of reference are available upon request, on the Company's website and the Stock Exchange's website. The Remuneration Committee shall meet at least once every year for reviewing the remuneration policies.

The Remuneration Committee had held 3 meetings during the year ended 31 December 2023.

The attendance of the members of the Remuneration Committee at the Remuneration Committee meeting is as follows:

Directors	**Meeting attended/held**
Dr. Tsang Hing Bun *(Chairman)* (appointed on 1 January 2023)	3/3
Mr. Chow Ming Sang	3/3
Mr. Poon Lai Yin Michael (resigned on 1 November 2023)	2/3

During the year ended 31 December 2023, the Remuneration Committee reviewed the existing remuneration policies of the Company.

Further particulars regarding Directors' and chief executive's remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in Note 9 and Note 10 to the audited consolidated financial statements. As the members of the Board coincide with the members of the senior management of the Group and the remuneration of Directors have been disclosed, no disclosure about the remuneration payable to members of senior management could be made.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Ms. Ngai Mei, Mr. Zeng Wenyou, Mr. Chow Ming Sang, Ms. Duan Mengying, Dr. Tsang Hing Bun, Mr. Lee Hung Yuen and Mr. Chow Wai Hung Enzo were appointed for an initial term of one year commencing from 28 February 2017, 16 August 2023, 21 June 2019, 30 January 2020, 1 January 2023, 3 January 2024 and 3 January 2024 respectively. All of their appointments are renewable automatically for successive term of one year each commencing from the next day after the expiry of the then current term of appointed and subject to termination by either party upon giving not less than 3 months' prior written notice to the other party.

In accordance with Article 108(a) of the Articles of Association, at each annual general meeting, at least one third of the Directors shall retire from office by rotation. Each director shall retire at least once every three years and such Directors shall include those who have been assumed the longest term of office since their last election or re-election. In accordance with article 112 of the Articles of Association, any Director appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting. Mr. Zeng Wenyou will retire from office as executive Director, Mr. Lee Hung Yuen will retire from office as non-executive Director and Mr. Chow Wai Hung Enzo will retire from office as independent non-executive Directors at the forthcoming annual general meeting of the Company and be eligible to offer themselves for re-election.

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

All Directors acknowledge their responsibility for preparing the accounts and the consolidated financial statements of the Company for the year ended 31 December 2023. The auditors to the Company acknowledge their reporting responsibilities in the independent auditors' report on the consolidated financial statements for the year ended 31 December 2023. Save as disclosed in this report, the Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

COMPANY SECRETARY

The company secretary of the Company, Mr. Chang Chi Wai Stanley ("**Mr. Chang**"), appointed on 17 May 2019, is responsible for facilitating the process of Board meetings, as well as communications among Board members, with Shareholders and the management of the Company. Mr. Chang is a member of The Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). He holds a bachelor's degree in economics from Simon Fraser University in Canada. He possesses extensive experience in the area of accounting, finance, internal control and corporate governance.

During the year ended 31 December 2023, Mr. Chang undertook not less than 15 hours of professional training to update his skills and knowledge in compliance with Rule 3.29 of the Listing Rules.

AUDITORS' REMUNERATION

Remuneration to the external auditors of the Company amounted to HK$850,000 for the provision of annual audit services for the year ended 31 December 2023.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for establishing, maintaining and monitoring a sound and effective system of internal control and risk management of the Group. The Group's risk management and internal control system is designed to safeguard the shareholders' investment and the Group's assets against misappropriation and unauthorised disposition, to identify and manage key risks that may impact the Group's performance and to ensure strict compliance with relevant laws and regulations. However, systems of risk management and internal control, no matter how well designed and operated, can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate, the risk of failure to achieve business objectives.

The Board has established process on an ongoing basis for identifying, evaluating and managing the significant risks faced by the Group and this process includes enhancing the systems of risk management and internal control from time to time in response to the changes to the business environment or regulatory guidelines.

In addition, the Group has engaged an independent professional advisor to assist the Board and the Audit Committee in ongoing monitoring of the risk management and internal control systems of the Group and in performing the internal audit functions for the Group. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken.

Report on review of risk management and internal control systems is submitted to the Audit Committee and the Board at least once a year. During the year ended 31 December 2023, the Board, through the Audit Committee, had performed annual review of the effectiveness and adequacy of the systems of risk management and internal controls of the Group covering all material controls in area of financial, operational and compliance controls and risk management functions. No material internal control aspects of any significant problems were identified. The Board and the Audit Committee considered that (i) the key areas of the Group's risk management and internal control systems are reasonably implemented during the year; and (ii) there were adequate staff with appropriate and adequate qualifications and experience, resources for accounting, internal audit and financial reporting functions, and adequate training programmes had been provided during the year. The Board will regularly review their adequacy and effectiveness.

COMMUNICATION WITH SHAREHOLDERS

The Company endeavors to maintain an on-going dialogue with the Shareholders and in particular, through annual general meetings or other general meetings to communicate with the Shareholders and encourage their participation.

The Company will ensure that there are separate resolutions for separate issues proposed at the general meetings.

The Company will continue to maintain an open and effective investor communication policy and to update investors on relevant information on the Group's business in a timely manner, subject to relevant regulatory requirements.

GENERAL MEETINGS WITH SHAREHOLDERS

The Company's annual general meeting provides a useful platform for direct communication between the Board and Shareholders. Separate resolutions are proposed on each substantially separate issue at the general meetings.

During the year ended 31 December 2023, the Company held 2 general meetings, which was the annual general meeting (the "**2022 AGM**") held on 23 June 2023 and the extraordinary general meeting held on 27 November 2023.

The attendance record of the Directors at the general meetings during the year ended 31 December 2023 is set out below:

Directors	**Meetings attended/held**
Executive Directors	
Mr. Zeng Wenyou	1/1
Ms. Ngai Mei	1/1
Ms. Duan Mengying	1/1
Independent Non-Executive Directors	
Mr. Poon Lai Yin Michael	1/1
Dr. Tsang Hing Bun	2/2
Mr. Chow Ming Sang	2/2

The Company's external auditors also attended the 2022 AGM.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting

Pursuant to article 64 of the Articles of Association, extraordinary general meetings of the Company (the "**EGM(s)**") shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid-up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s), as a result of the failure of the Board to convene the EGM(s), shall be reimbursed to the requisitionist(s) by the Company.

Putting enquiries to the Board

To ensure effective communication between the Board and the Shareholders, the Company has adopted a Shareholders' communication policy (the "**Policy**") on 16 March 2012. Under the Policy, the Company's information shall be communicated to the Shareholders mainly through general meetings, including annual general meetings, the Company's financial reports (interim reports and annual reports), and its corporate communications and other corporate publications on the Company's website and the Stock Exchange's website. Shareholders may at any time make a request for the Company's information to the extent that such information is publicly available. Any such questions shall be first directed to the company secretary of the Company at the Company's principal place of business in Hong Kong at Suite 1604, 16/F., Tower 6, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong.

Putting forward proposals at Shareholders' meeting

The number of Shareholders necessary for putting forward a proposal at a Shareholders' meeting shall be any number of Shareholders representing not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings at the date of the request. Any such proposals shall be first directed to the company secretary of the Company at the Company's principal place of business in Hong Kong at Suite 1604, 16/F., Tower 6, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and the Shareholders, investors and other stakeholders. These include the annual general meeting, the annual and interim reports, notices, announcements and circulars and the Company's website at www.teamwaygroup.com.

During the year ended 31 December 2023, there had been no significant change in the Company's constitutional documents.

PERMITTED INDEMNITY

The Company has arranged appropriate insurance covers in respect of any possible legal action against the Directors and officers of the Group and the insurance coverage is reviewed on an annual basis.

EXECUTIVE DIRECTORS

Mr. Zeng Wenyou (曾文佑) ("Mr. Zeng"), aged 60, is an Executive Director of the Company since 16 August 2023. Mr. Zeng has extensive experience in investment and management in various business sectors including technology and iron ore industry. He is currently the Life Honorary President of the Xiamen Technology and Economy Advancement Association (廈門市科技經濟促進會) and the director of White Pigeon Online (Xiamen) Network Technology Co., Ltd (白鴿在綫(廈門)網絡科技有限公司). He is also the major investor of Phil. Youbang Mining Int'l Corp. (菲律賓友邦礦業國際有限公司) and has been serving as the chairman of the board of directors since 2007. Mr. Zeng is experienced in risks management, and is knowledgeable in information technology including IT consultation for the insurance industry, data processing as well as the big data consolidated AI risks management system.

Ms. Ngai Mei (魏薇) ("Ms. Ngai"), aged 41, is an Executive Director of the Company since 28 February 2017. Ms. Ngai also holds directorship in various subsidiaries of the Company. Ms. Ngai graduated from Manchester Metropolitan University, UK and has more than 10 years working experience in corporate management and merger and acquisition. She once worked in China Minsheng Banking Corporation Limited ("**CMBC**"), during which time she participated in the CMBC Initial Public Offerings, was responsible for overall planning of overseas investor relations and participated in various large roadshows cooperated closely with investment banks, financial public relation and related professional teams. She also joined the acquisition of Asia Commercial Bank and participated in the license application of CMBC's Hong Kong Branch. Ms. Ngai was also responsible for investor relations and corporate financing of Hong Kong listed companies, leading a number of financing projects.

Ms. Duan Mengying (段夢穎) ("Ms. Duan"), aged 37, is an Executive Director of the Company since 30 January 2020. Ms. Duan joined the Company as the Chief Financial Officer on 1 April 2017. She has over 10 years of experience in auditing, accounting and financial management. Ms. Duan is well versed in accounting and financial management, especially in the areas of mergers and acquisitions, initial public offerings, group financing projects, forecasting and formulating of financial strategies, and in assessing new business opportunities for growth and profit potential. Ms. Duan obtained her Bachelor degree in accountancy and her Master degree in business information system from City University of Hong Kong. She is a member of the Hong Kong Institute of Certified Public Accountants.

NON-EXECUTIVE DIRECTOR

Mr. Lee Hung Yuen (李鴻淵) ("Mr. Lee"), aged 53, is a Non-Executive Director of the Company since 3 January 2024. Mr. Lee has over 25 years of experiences in business development and investment in China. Mr. Lee has been engaged in the manufacture and sale of electronic light-emitting diode lighting products since 1995. Mr. Lee has been a director of Jiangxi Province Yifeng Wanguo Mining Company Limited since November 2007, a company incorporated in PRC which conducts underground mining of non-ferrous polymetallic mineral resources in Jiangxi Province in PRC. Mr. Lee is currently the managing director of Longmax Holding (HK) Limited since 2006, a private company engaging in investment in the manufacturing field. Mr. Lee was a non-executive director of Goldstone Capital Group Limited (stock code: 1160) from 8 December 2021 to 11 October 2022 and a non-executive director of Wanguo International Mining Group Limited (stock code: 3939) from 12 June 2012 to 29 September 2021.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chow Ming Sang (周明笙) ("Mr. Chow"), aged 51, is an independent Non-Executive Director of the Company since 21 June 2019, and is a member of the Nomination Committee, Audit Committee and Remuneration Committee of the Company. Mr. Chow obtained his bachelor degree of Business Administration in Accounting from The Hong Kong University of Science and Technology in 1995. Mr. Chow is a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a Certified Internal Auditors. Mr. Chow has over 27 years working experience in various industries in auditing, corporate governance and risk management advisory. He worked at Ernst & Young (China) Advisory Limited from January 2007 to September 2018 and he was the advisory partner of Ernst & Young (China) Advisory Limited since 2007 and was responsible for managing the Risk Advisory sub-service line's strategic growth and development in various regions of Mainland China since 2011. From 2014 to 2016, Mr. Chow became the Committee member of The Internal Controls General Standards Committee* of The Ministry of Finance of the People's Republic of China (中華人民共和國財政部企業內部控制標準委員會委員), the only Hong Kong resident and Big Four partner being appointed as a committee member.

Mr. Chow was the general manager of the Risk and Control Department of 泰禾集團 (Tahoe Group*) (the shares of which are listed on the Shenzhen Stock Exchange with stock code 000732) from September 2018 to June 2019, overseeing the company's risk management and corporate governance of all business sectors like residential, commercial, hotel, education, insurance, medical, estate management and ageing care. Since December 2023, Mr. Chow has been an independent director of 牧原食品股份有限公司 (Muyuan Foods Co., Ltd.*, the shares of which are listed on the Shenzhen Stock Exchange with stock code 002714). Mr. Chow is currently the managing director of 北京信實安業管理諮詢有限公司 (Beijing Xinshi Anye Management Consulting Co., Ltd*) where he provides capital market related advisory services to companies mostly in Mainland China.

Mr. Chow has been an independent non-executive director in a number of Hong Kong listed companies, namely China Maple Leaf Educational Systems Limited (Stock code: 1317) since 1 March 2024, China Modern Dairy Holdings Ltd. (Stock code: 1117) since 1 July 2021, Redco Healthy Living Company Limited (Stock code: 2370, trading in shares of which have been suspended since 29 March 2023) since 14 March 2022, and China Rundong Auto Group Limited (previous stock code: 1365, the shares of which were delisted with effect from 31 October 2022) from 18 December 2020 to 31 August 2022, the shares of these companies are/were listed on the main board of the Stock Exchange.

Dr. Tsang Hing Bun (曾慶賓) ("Dr. Tsang"), aged 44, is an independent Non-Executive Director of the Company since 1 January 2023, and is the Chairman of the Remuneration Committee and the Audit Committee and a member of the Nomination Committee of the Company. Dr. Tsang holds a Bachelor Degree of Social Science from the Chinese University of Hong Kong and a Master of Science Degree in Finance from City University of Hong Kong. He obtained the Triple Award of Doctor of Business Administration from Universidad Católica San Antonio de Murcia, VERN University and Brittany University in 2023. He has more than 20 years of experience in audit, accounting, corporate finance and compliance. Dr. Tsang is a member of The Hong Kong Institute of Certified Public Accountants, an associate member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute. He is also a financial risk manager granted by Global Association of Risk Professionals.

Dr. Tsang has been a non-executive director of Sino Oil and Gas Holdings Limited (stock code: 702), a company listed on the main board of The Stock Exchange since August 2020, and a non-independent non-executive director of hmvod Limited (stock code: 8103), a company listed on the GEM Board of the Stock Exchange since July 2022 and an executive director of Jimu Group Limited (stock code: 8187), a company listed on the main board of the Stock Exchange since April 2022. He had been an executive director of Carry Wealth Holdings Limited (stock code: 643) from July 2022 to January 2023 and Kingkey Intelligence Culture Holdings Limited (stock code: 550) from September 2015 to September 2023 respectively. Both companies are listed on the main board of the Stock Exchange.

Mr. Chow Wai Hung Enzo（周偉雄）("Mr. W. Chow"), aged 49, is an independent Non-Executive Director since 3 January 2024, and is the Chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee of the Company. Mr. W. Chow was graduated from the City University of Hong Kong in 1997 with a Bachelor of Laws (Hons) degree and received Postgraduate Certificate in Laws in 1998. Having received professional training for 2 years, Mr. W. Chow was admitted as a solicitor of the High Court of the Hong Kong Special Administrative Region (HKSAR) in 2000. Mr. W. Chow worked as a Government Counsel in the Department of Justice, Government of the HKSAR between 2000 and 2005, handling amongst others land and town planning disputes and related judicial review cases concerning the HKSAR Government. Mr. W. Chow was admitted as a barrister-at-law of the HKSAR in 2006 and since then has been in private practice, focusing on civil litigation, until now. Mr. W. Chow was appointed by the Judiciary of the HKSAR as a Deputy District Judge for the period from 4 October 2021 to 22 October 2021. In the meantime, Mr. W. Chow is currently a Legal Advisor to the Chinese Medicine Council of Hong Kong.

DIRECTORS' REPORT

The Directors present the annual report and the audited consolidated financial statements for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the Company's subsidiaries as at 31 December 2023 are set out in Note 1 to the audited consolidated financial statements in this annual report. During the year, the Group deployed additional resources to expand its operation to (i) trading of filtration media, equipment and related accessories for air purification and (ii) design, manufacturing, sales and marketing of rosewood home furniture. In prior year, the Group presented separate segment information as it operated in two segments which are design, manufacturing, sales of packaging products and structural components and property investment.

BUSINESS REVIEW

Details of (i) business review and (ii) future development of the Group's business are set out respectively in the sections headed "Business review" and "Future outlook" under "Letter from the Board" of this annual report from pages 3 to 9.

Principal Risks and Uncertainties

Our Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to our Group's businesses. The followings are the key risks and uncertainties identified by our Group.

Market Risks

Market risk is the risk that deteriorates profitability or affects ability to meet business objectives arising from the movement in market prices, like foreign exchange rates, interest rates and equity prices. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Business Risk

Performance of our Group's core business will be affected by various factors, including but not limited to the economic conditions of PRC and Hong Kong and the performance of Hong Kong and Singapore property market, which would not be mitigated even with careful and prudent investment strategy and strict control procedures.

Manpower and Retention Risk

The Group may face the risk of not being able to attract and retain key personnel and talents with appropriate and required skills, experience and competence which would meet the business objectives of the Group. The Group will provide attractive remuneration package to suitable candidates and personnel, but may lead to the increment of labor cost.

Foreign Exchange Rates Risk

As part of the Group's assets and liabilities were denominated in HK$, US$ and SGD, in view of the potential RMB exchange rate fluctuations, our Group will continue to closely monitor the exposure and take any actions when appropriate.

Liquidity Risk

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. In managing liquidity risk, the Group's management closely monitors cash flows and maintains an adequate level of cash and cash equivalent to ensure the ability to finance the Group's operations and reduce the effects of fluctuation in cash flows.

The financial risk management policies and practices of the Group are set out in Note 32 to the audited consolidated financial statements.

There may be other risks and uncertainties in addition to those shown below which are not known to our Group or which may not be material now but could turn out to be material in the future.

Environmental Policies and Performance

The Group is committed to the long term sustainability of the environment and communities in which it operates. As a responsible corporation, the Group has complied with all relevant laws and regulations regarding environmental protection, health and safety, workplace conditions and employment and incorporates environmental friendly practices into its daily course of business to achieve efficient use of resources, water and energy saving and waste reduction.

In accordance with Rule 13.91 and the Environmental, Social and Governance ("**ESG**") Reporting Guide contained in Appendix 27 of the Listing Rules applicable to the financial year ended 31 December 2023, the Company's ESG report will be available on our website and the website of the Stock Exchange within four months after the end of the financial year ended 31 December 2023.

Compliance with the Relevant Laws and Regulations

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with the applicable rules and regulations. To the best knowledge of the Directors, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the year ended 31 December 2023. There was no material breach of or non-compliance with the applicable laws and regulations by the Group for the year ended 31 December 2023.

Relationship with Suppliers, Customers and other Stakeholders

The Group understands the success of the Group's business depends on the support from its key stakeholders, including employees, customers, suppliers, banks, regulators and Shareholders. During the year ended 31 December 2023, there were no material and significant dispute between the Group and its key stakeholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2023 and financial position of the Group as at 31 December 2023 are set out in the audited consolidated financial statements on pages 37 to 108 in this annual report.

The Directors do not recommend the payment of any dividends for the year ended 31 December 2023 (2022: Nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results, assets, liabilities and equity of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Company, is set out on page 108 of this annual report. This summary does not form part of the audited consolidated financial statements.

DIVIDEND POLICY

The Board resolved on 15 March 2019 to adopt a policy on payment of dividends. The Board may from time to time determine and pay to the Company's shareholders such interim dividends as it considers appropriate. The Board may recommend the payment of special dividends and final dividends which are required to be approved by an ordinary resolution of shareholders of the Company in general meetings of an amount not exceeding the amount recommended by the Board.

It is the policy of the Company to allow its shareholders to participate in the Company's profits whilst to retain adequate reserves for future growth. The Company may pay dividends twice a year, being interim dividends and final dividends. The Board may also declare and pay special dividends in addition to such dividends if it considers appropriate. The Board will continue to review this dividend policy from time to time and reserves the right to amend or modify this dividend policy when the Board may deem necessary and this dividend policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

In determining/recommending the frequency, amount and form of any dividend in any financial year/period, the Board shall consider the following factors:

(a) the interest of the shareholders;

(b) statutory and regulatory restrictions;

(c) the actual and expected financial results of the Group;

(d) economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group;

(e) the Group's business strategies, including future cash commitments and investment needs to sustain the long-term growth aspect of the business;

(f) the possible effects on the Group's credit-worthiness, the financial covenants to which the Group is subject and any restrictions on the payment of dividends that may be imposed by the Group's lenders;

(g) the current and future operations, liquidity position and capital requirements of the Group; and

(h) any other factors that the Board deems appropriate.

The dividend payout ratio will vary from year to year. There is no assurance that dividends will be paid in any particular amount for any given period.

FORM OF DIVIDEND

Subject to compliance of the Company's applicable laws and regulations, Memorandum and Articles of Association of the Company, the financial reporting standards the Group has adopted and the Companies Laws of the Cayman Islands, dividends may be paid in cash or be satisfied wholly or partly in the form of allotment of shares of the Company. The Board may also consider the issuance of bonus shares on a basis permitted by the applicable laws and regulations.

USE OF PROCEEDS FROM THE PLACING AND PUBLIC OFFER

The Company was successfully listed on the Main Board of the Stock Exchange on 18 November 2011 by way of placing and public offer (the "**Placing and Public Offer**").

The proceeds received by the Company from the Placing and Public Offer, after deducting the relevant costs of the Placing and Public Offer, amounted to approximately HK$44,500,000 in total. As at 31 December 2023, the Group had used up all the net proceed, of which (i) approximately HK$2,700,000 had been used for the repayment of bank loan; (ii) approximately HK$2,900,000 had been used as general working capital; (iii) approximately HK$29,000,000 was used for acquiring, remodifying and upgrading of plant and machines; and (iv) approximately HK$9,900,000 was used for acquiring and remodifying of mould.

USE OF PROCEEDS FROM THE SHARE SUBSCRIPTIONS

The proceed received by the Company from the Share Subscriptions, after deducting the relevant costs of the Share Subscriptions, amounted to approximately HK$12,000,000 in total. The Company intended to use the net proceeds as general working capital of the Group.

As at 31 December 2023, the Company has used up the proceeds from Share Subscriptions as general working capital.

USE OF PROCEEDS FROM THE RIGHTS ISSUE AND PLACING

On 7 September 2020, the Company completed a rights issue of 198,772,264 rights shares and a placing of 113,740,000 new shares. The proceed received by the Company after deducting the relevant costs amounted to approximately HK$50 million. The Company intended to use the net proceeds for repayment of the Group's outstanding borrowings.

As at 31 December 2023, the Company has used approximately HK$49.34 million of the proceeds for repayment of the Group's outstanding borrowings. The remaining balance of the net proceeds is expected to be utilised on or before 31 December 2024.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted terms as contained in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") (the "**Model Code**") as the Company's code of conduct regarding securities transactions and dealings by the Directors. Upon specific enquiries of all existing Directors, each of them confirmed that they have complied with the Model Code during the year ended 31 December 2023.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions (the "**Code Provision(s)**") set out in the Corporate Governance Code (the "**CG Code**") contained in the Appendix 14 to the Listing Rules.

The Board periodically reviews the corporate governance practices of the Company to ensure its continuous compliance with the CG Code. The Company was in compliance with the applicable Code Provisions for the year ended 31 December 2023.

AUDIT COMMITTEE

As at the date of this report, the Audit Committee consists of three independent non-executive Directors, namely, Dr. Tsang Hing Bun (an independent non-executive director with the appropriate professional qualifications as required under rule 3.10(2) of the Listing Rules who serves as chairman of the Audit Committee), Mr. Chow Ming Sang and Mr. Chow Wai Hung Enzo.

The audit committee has reviewed the accounting principles and practices adopted by the Group with the management and the Company's external auditors and discussed risk management, internal control and financial reporting matters (including the review of the annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2023).

The figures in respect of the Group's consolidated results for the year ended 31 December 2023 as set out in this report have been agreed by the Company's external auditors to the amounts set out in the Company's audited consolidated financial statements for the year ended 31 December 2023.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 14 to the audited consolidated financial statements in this annual report.

RESERVES

Details of the movements of reserves of the Group during the year ended 31 December 2023 are set out in the consolidated statement of changes in equity in page 40.

Movements in the distributable reserves of the Company and the Group during the year ended 31 December 2023 are set out in Note 33 to the audited consolidated financial statements and in the consolidated statement of changes in equity in page 40.

BANK BORROWINGS

Details of bank borrowings of the Group are set out in Note 24 to the audited consolidated financial statements in this annual report.

REMUNERATION POLICY

The Group determines its employee salaries with reference to the prevailing market salary rate of respective locations, experience as well as performance of such employees. In order to motivate the Group's employees and retain talent, the Group has adopted the employee incentives such as bonus sharing arrangement. The employee incentives are available to the Group's employees who are considered qualified for such incentives by the management members of the Group based on their performances in the year under review.

The Directors and senior management of the Company receive compensation in the form of fees, salaries, allowances, benefits in kind or discretionary bonuses relating to the performance of the Group. The Group also reimburses the Directors and senior management of the Company for expenses which are necessarily and reasonably incurred for providing services to the Group or discharging their duties in relation to the operations of the Group. When reviewing and determining the specific remuneration packages for the executive Directors and senior management, the Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment elsewhere in the Group and desirability of performance-based remuneration.

Details of the remuneration of Directors and chief executive are set out in Note 9 to the audited consolidated financial statements in this annual report.

RETIREMENT SCHEMES

The Group participates in defined contribution retirement plans which cover the Group's eligible employees in the PRC and a Mandatory Provident Fund Scheme for the employee(s) in Hong Kong. Particulars of these retirement plans are set out in Note 3.2 to the audited consolidated financial statements in this annual report.

SHARE OPTION SCHEME

The share option scheme (the "**Scheme**") adopted by the Company on 11 June 2011 for a period of ten years was expired, and no option has been granted, outstanding, cancelled, lapsed or exercised by the Company under the Scheme. The Company currently has no other share option schemes.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographies of Directors and senior management of the Company are set out in the section headed "Biographical Details of Directors" in this annual report.

DIRECTORS AND SERVICE CONTRACTS

The Directors during the year and up to the date of this annual report were as follows:

Executive Directors
Mr. Zeng Wenyou
Ms. Ngai Mei (duties suspended)
Ms. Duan Mengying (duties suspended)

Non-Executive Director
Mr. Lee Hung Yuen (appointed on 3 January 2024)

Independent Non-Executive Directors

Mr. Chow Ming Sang
Dr. Tsang Hing Bun (appointed on 1 January 2023)
Mr. Chow Wai Hung Enzo (appointed on 3 January 2024)
Mr. Chan Ka Leung Kevin (resigned on 1 January 2023)
Mr. Poon Lai Yin Michael (resigned on 1 November 2023)

As at 31 December 2023, none of the Directors has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

The Directors consider that those related party transactions disclosed in Note 29 to the audited consolidated financial statements fall under the definition of "connected transaction" or "continuing connected transaction" (as the case may be) in Chapter 14A of the Listing Rules but are exempt from any of the reporting, annual review, announcement or independent shareholders' approval requirements under the Listing Rules.

COMPETING INTERESTS

None of the Directors or their respective close associates was interested in any business apart from the Group's businesses, which competes or is likely to compete, either directly or indirectly, with the Group's business as at the date of this report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board confirmed that it has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and based on the confirmations received, the Company considers that the independent non-executive Directors remain to be independent.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2023, the interests and short positions of each Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO, which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in the Ordinary Shares of the Company:

Name of Director	Capacity/ Nature of Interest	Number of Shares held	Approximate percentage of the Company's total issued share capital
Mr. Zeng Wenyou	Beneficial owner	19,565,212	9.92%

Save as disclosed above, as at 31 December 2023, none of the Directors is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and none of the Directors, the chief executive of the Company nor their associates (as defined in the Listing Rules) had any other interests or short positions in the shares of the Company, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or the chief executive of the Company is taken or deemed to have under such provisions of the SFO); or (ii) were required to be entered into the register maintained by the Company, pursuant to Section 352 of Part XV of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange, pursuant to the Model code for Securities Transaction by Directors of Listed Issuers contained in the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section of "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" above, at no time during the year ended 31 December 2023 was the Company, any of its holding companies, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors or their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' LONG POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors, as at 31 December 2023, as recorded in the register required to be kept by the Company under Section 336 of the SFO, the following persons (except the Directors and chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long Positions in Shares and Underlying Shares

Name of shareholders	Capacity/ Nature of Interest	Number of Shares held	Approximate percentage of the Company's total issued share capital
Mr. Wang Yang	Beneficial owner	15,535,000	7.87%
Grand Luxe Limited *(Note 1)*	Beneficial owner	14,665,000	7.43%
Mr. Chen Tianhao	Beneficial owner	13,907,500	7.05%
Mr. Lee Hung Yuen *(Note 2)*	Beneficial owner	13,043,483	6.61%

Notes:

1. Mr. Xu Gefei beneficially held the entire issued share capital of Grand Luxe Limited which in turn, beneficially held 14,665,000 Shares.

2. Mr. Lee Hung Yuen was appointed as a Non-Executive Director of our Company on 3 January 2024.

Save as disclosed above, as at 31 December 2023, no person had registered an interest or short position in the securities or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' INTEREST IN CONTRACTS AND CONNECTED TRANSACTIONS

Save as disclosed in this annual report, none of the Directors had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2023.

KEY CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2023, sales to the Group's five largest customers accounted for approximately 86.0% (2022: approximately 88.7%) of the annual revenue and the sales to the largest customer included therein accounted for approximately 50.1% (2022: approximately 45.5%). For the year ended 31 December 2023, purchases from the Group's five largest suppliers accounted for approximately 66.7% (2022: approximately 70.9%) of the annual purchases and the purchases from the largest supplier included therein accounted for approximately 30.1% (2022: approximately 31.5%).

None of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers during the year ended 31 December 2023.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the year ended 31 December 2023, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any listed securities of the Company.

ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

Save as disclosed in this annual report, for the year ended 31 December 2023, there was no material acquisition, disposal or significant investment by the Group.

PRE-EMPTIVE RIGHTS

There are no relevant provisions for pre-emptive rights under the Articles of Association or the laws of Cayman Islands, and therefore the Company is not obliged to offer new shares on a pro-rata basis to existing Shareholders.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float as required under the Listing Rules throughout the year ended 31 December 2023 and as at the date of this annual report.

CORPORATE GOVERNANCE

The Company had adopted the Code Provisions set out in the CG Code in Appendix 14 to the Listing Rules. The Company has complied with the Code Provision of the CG Code for the year ended 31 December 2023.

AUDITORS

The Company's financial statements for the years ended 31 December 2011 to 2015 were audited by HLB Hodgson Impey Cheng Limited.

The Company's financial statements for the years ended 31 December 2016 to 2022 were audited by Zenith CPA Limited.

The Company's financial statements for the year ended 31 December 2023 were audited by Prism Hong Kong and Shanghai Limited.

Prism Hong Kong and Shanghai Limited as auditor of the Company will retire and a resolution for its re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Zeng Wenyou
Executive Director

Hong Kong, 22 March 2024

上會
栢誠

Prism Hong Kong and Shanghai Limited
Units 1903A - 1905, 19/F, 8 Observatory Road, Tsim Sha Tsui, Hong Kong
T : +852 2774 2188 F : +852 2774 2322

TO THE SHAREHOLDERS OF TEAMWAY INTERNATIONAL GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Teamway International Group Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") set out on pages 37 to 108, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

EMPHASIS OF MATTER

Material uncertainty related to going concern

We draw attention to note 2 to the consolidated financial statements, which indicated that the Group incurred a net loss of RMB68,756,000 for the year ended 31 December 2023 and, as of that date, the Group had net current liabilities of RMB122,053,000 and net liabilities of RMB198,422,000. These conditions, along with other matters as set forth in note 2 of the consolidated financial statements, indicate that material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

TO THE SHAREHOLDERS OF TEAMWAY INTERNATIONAL GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2022 were audited by another auditor who expressed an unqualified opinion on those statements on 24 March 2023.

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter	How our audit addressed the key audit matter
Expected credit losses for trade receivables	
The carrying value of the Group's trade receivables (net of impairment) as at 31 December 2023 amounted to RMB92,758,000, representing approximately 29% of the Group's total assets as at 31 December 2023, and an accumulated loss allowance for the trade receivables carried as at 31 December 2023 was RMB1,936,000. The loss allowance for the impairment of trade receivables is maintained to reduce the Group's trade receivables to their estimated recoverable amounts. Management evaluates the estimated loss allowance based on historical repayment behavior of debtors, ageing profile as well as experience with collection trends, and current economic and business conditions and future economic outlook. The management's continued refinement of the impairment of trade receivables based on known customers information can provide a significant change in estimate between periods. We focused the impairment assessment of the trade receivables as a key audit matter because of the material amounts involved, the significant judgement and assumptions involved in the determination of loss allowance under the expected credit losses model. The Group's accounting policies and disclosures on trade receivables and loss allowance for expected credit losses are set out in notes 3.2, 4 and 18 to the consolidated financial statements.	In assessing the adequacy of loss allowance for the impairment on the trade receivables, we evaluated the Group credit control procedures regarding the credit granted to customers; performed testing on ageing profile to ascertain the accuracy of classification of receivables by ages; performed inquiry with management on the likehood of recoverability of the trade receivables; inspected cash receipts from customers after the reporting period; assessed the reasonableness of management's loss allowance by examining the information such as historical default data, evaluating whether the loss rate are appropriately adjusted based on the current economic conditions and forward-looking information; and examining the actual losses recorded during the current financial year as to whether there was an indication of management bias when recognising expected credit losses.

TO THE SHAREHOLDERS OF TEAMWAY INTERNATIONAL GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report, but does not included the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, and our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

TO THE SHAREHOLDERS OF TEAMWAY INTERNATIONAL GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

TO THE SHAREHOLDERS OF TEAMWAY INTERNATIONAL GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Fan Chi Hang, Stephen.

Prism Hong Kong and Shanghai Limited
Certified Public Accountants
Fan Chi Hang, Stephen
Practising Certificate Number: P06144
Hong Kong
22 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	**2023** **RMB'000**	2022 RMB'000
REVENUE	6	**340,918**	385,163
Cost of sales		**(331,758)**	(327,331)
Gross profit		**9,160**	57,832
Other income and losses, net	6	**(4,627)**	(3,636)
Impairment of trade and notes receivables		**(165)**	(450)
Impairment of loan and other receivables		**(5)**	(354)
Selling and distribution expenses		**(32,999)**	(38,287)
Administrative expenses		**(35,670)**	(25,867)
Finance costs	7	**(6,046)**	(39,387)
LOSS BEFORE TAX	8	**(70,352)**	(50,149)
Income tax credit	11	**1,596**	548
LOSS FOR THE YEAR		**(68,756)**	(49,601)
ATTRIBUTABLE TO:			
Owners of the Company		**(68,295)**	(49,601)
Non-controlling interests		**(461)**	—
		(68,756)	(49,601)
			(restated)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	13	**RMB(36.85) cents**	RMB(30.12) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
LOSS FOR THE YEAR	**(68,756)**	(49,601)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(3,309)**	(18,787)
OTHER COMPREHENSIVE LOSS FOR THE YEAR	**(3,309)**	(18,787)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(72,065)**	(68,388)
ATTRIBUTABLE TO:		
Owners of the Company	**(71,604)**	(68,388)
Non-controlling interests	**(461)**	—
	(72,065)	(68,388)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**47,966**	37,154
Investment property	15	**60,388**	59,591
Right-of-use assets	16	**8,400**	6,436
Deferred tax assets	25	**939**	939
Deposits and prepayments	19	**7**	264
Total non-current assets		**117,700**	104,384
CURRENT ASSETS			
Inventories	17	**28,575**	14,131
Trade and notes receivables	18	**138,972**	189,764
Deposits, prepayments and other receivables	19	**11,891**	4,854
Loan and interest receivable	20	**2,701**	2,641
Cash and bank balances	21	**19,290**	33,265
Total current assets		**201,429**	244,655
CURRENT LIABILITIES			
Trade payables	22	**44,343**	55,741
Other payables and accruals	23	**16,174**	17,591
Interest-bearing bank and other borrowings	24	**259,981**	254,132
Lease liabilities	16	**2,250**	784
Tax payable		**734**	737
Total current liabilities		**323,482**	328,985
NET CURRENT LIABILITIES		**(122,053)**	(84,330)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(4,353)**	20,054
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	24	**191,740**	161,938
Lease liabilities	16	**1,274**	762
Deferred tax liabilities	25	**1,055**	2,679
Total non-current liabilities		**194,069**	165,379
Net liabilities		**(198,422)**	(145,325)
EQUITY			
Equity attributable to owners of the Company			
Share capital	26	**27,082**	22,487
Reserves	27	**(233,443)**	(167,812)
		(206,361)	(145,325)
Non-controlling interests		**7,939**	–
Deficiency in assets		**(198,422)**	(145,325)

Mr. Zeng Wenyou
Director

Mr. Lee Hung Yuen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attribute to owners of the Company										
	Share capital RMB'000	Share premium account RMB'000	Special reserve RMB'000 *(note 27(c))*	Exchange fluctuation reserve RMB'000	PRC capital reserve RMB'000 *(note 27(a))*	PRC statutory reserves RMB'000 *(note 27(b))*	Shareholders' contribution RMB'000 *(note 27(d))*	Accumulated losses RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Deficiency in assets RMB'000
At 1 January 2022	**22,487**	**235,289**	**(39,934)**	**4,506**	**(8)**	**33,462**	**10,296**	**(343,035)**	**(76,937)**	**–**	**(76,937)**
Loss for the year	–	–	–	–	–	–	–	(49,601)	(49,601)	–	(49,601)
Other comprehensive loss for the year:											
Exchange differences on translation of foreign operations	–	–	–	(18,787)	–	–	–	–	(18,787)	–	(18,787)
Total comprehensive loss for the year	–	–	–	(18,787)	–	–	–	(49,601)	(68,388)	–	(68,388)
At 31 December 2022 and 1 January 2023	**22,487**	**235,289***	**(39,934)***	**(14,281)***	**(8)***	**33,462***	**10,296***	**(392,636)***	**(145,325)**	**–**	**(145,325)**
Loss for the year	–	–	–	–	–	–	–	(68,295)	(68,295)	(461)	(68,756)
Other comprehensive loss for the year:											
Exchange differences on translation of foreign operations	–	–	–	(3,309)	–	–	–	–	(3,309)	–	(3,309)
Total comprehensive loss for the year	–	–	–	(3,309)	–	–	–	(68,295)	(71,604)	(461)	(72,065)
Capital Contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	8,400	8,400
Issue of shares *(note a)*	4,595	5,973	–	–	–	–	–	–	10,568	–	10,568
At 31 December 2023	**27,082**	**241,262***	**(39,934)***	**(17,590)***	**(8)***	**33,462***	**10,296***	**(460,931)***	**(206,361)**	**7,939**	**(198,422)**

* These reserve accounts comprise the negative consolidated reserves RMB233,443,000 (2022: RMB167,812,000) in the consolidated statement of financial position.

Note:

a. On 26 April 2023, the Company entered into the subscription agreements with Mr. Zeng Wenyou and Mr. Lee Hung Yuen, pursuant to which the subscribers have agreed to subscribe for, and the Company has agreed to allot and issue, a total of 130,435,000 ordinary share of the Company at issue price of the HK$0.092 per subscription share for an aggregate amount of HK$12,000,000 (equivalent to approximately RMB10,568,000). Details of which were disclosed in the Company's announcements dated 26 April 2023 and 15 May 2023.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax:		**(70,352)**	(50,149)
Adjustments for:			
Changes in fair value of an investment property	6	**1,594**	—
Depreciation of property, plant and equipment	8	**5,440**	7,153
Depreciation of right-of-use assets	8	**1,355**	871
Finance costs	7	**6,046**	39,387
Impairment of trade and notes receivables		**165**	450
Impairment of loan and other receivables		**5**	354
Interest income	6	**(461)**	(314)
Loss on disposal of items of property, plant and equipment	6	**774**	181
Operating cash flows before working capital charges		**(55,434)**	(2,067)
(Increase)/decrease in inventories		**(14,444)**	2,934
Decrease/(increase) in trade and notes receivables		**50,627**	(21,131)
(Increase)/decrease in deposits, prepayments and other receivables		**(6,774)**	1,488
Decrease in trade payables		**(11,398)**	(1,548)
(Decrease)/increase in other payables and accruals		**(1,481)**	7,115
Cash used in operations		**(38,904)**	(13,209)
Interest paid		**(1,385)**	(669)
Income tax paid		**(28)**	(495)
Interest elements of lease liabilities		**(147)**	(103)
Net cash flows used in operating activities		**(40,464)**	(14,476)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(19,259)**	(5,216)
Proceeds from disposal of property, plant and equipment		**2,244**	294
Loans to independent third parties		**—**	(5,155)
Repayment of loan from independent third party		**—**	2,578
Interest received		**461**	257
Net cash flows used in investing activities		**(16,554)**	(7,242)

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceed from issue of shares	26	**10,568**	—
New bank and other borrowings		**36,000**	10,000
Repayment of bank and other borrowings		**(13,000)**	(12,578)
Principal portion of lease payment		**(1,398)**	(660)
Capital contribution by non-controlling interests		**8,400**	—
Interest paid		**(1,234)**	(264)
Net cash flows generated from/(used in) financing activities		**39,336**	(3,502)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(17,682)**	(25,220)
Cash and cash equivalents at beginning of year		**33,265**	52,671
Effect of foreign exchange rate changes, net		**3,707**	5,814
CASH AND CASH EQUIVALENT AT END OF YEAR		**19,290**	33,265
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	**19,290**	33,265

1. CORPORATE AND GROUP INFORMATION

Teamway International Group Holdings Limited (the "**Company**") is a limited liability company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The registered office of the Company is located at P.O. Box 1350, Windward 3, Regatta Office Park, Grand Cayman KY1-1108, Cayman Islands. The principal place of business of the Company is located at Suite 1604, 16/F, Tower 6, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "**Group**") was involved in the following principal activities:

- design, manufacturing and sale of packaging products and structural components
- trading of filtration media, equipment and related accessories for air purification
- design, manufacturing, sale and marketing of rosewood home furniture
- property investment

During the year, the Group deployed additional resources to expand its operation to (i) trading of filtration media, equipment and related accessories for air purification and (ii) design, manufacturing, sales and marketing of rosewood home furniture as described above. In prior year, the Group presented separate segment information as it operated in two segments which are design, manufacturing, sales of packaging products and structural components and property investment.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ place of operation	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Great Earn International Limited	Hong Kong	HK$1	–	100	Investment holding
Mutual Power International Limited	Hong Kong	HK$1	–	100	Investment holding
Peace Bright Investment Trading Limited	British Virgin Islands ("**BVI**")	US$2	100	–	Investment holding
Chongqing Guangjing Packaging Materials Co., Ltd.# (重慶光景包裝製品有限公司)*	The People's Republic of China (the "**PRC**")/ Mainland China	US$3,300,000	–	100	Design, manufacture and sale of packaging products and structural components
Sichuan Hejing Packing Materials Co., Ltd.# (四川和景包裝製品有限公司)*	The PRC/ Mainland China	RMB33,000,000	–	100	Design, manufacture and sale of packaging products and structural components
Winner Alliance Limited	BVI	US$1	100	–	Property investment
Teamway Asset Management Limited	Hong Kong	HK$5,000,000	–	100	Investment holding

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place of incorporation/ place of operation	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Percentage of equity attributable to the Company Indirect %	Principal activities
Fujian Mujing Rosewood Classical Furniture Co., Ltd.# (福建木竟紫檀古典家具有限公司)*	The PRC/ Mainland China	RMB10,000,000	–	51%	Design, manufacturing, sale and marketing of rosewood home furniture
IIECC Health Technology (Shanghai) Co., Ltd.# (艾易西健康科技(上海)有限公司)*	The PRC/ Mainland China	RMB7,122,000	–	51%	Trading of filtration media, equipment and related accessories for air purification

The English names of the Chinese entities are translation of their Chinese names and are included herein for identification purpose only.

* Registered as wholly-foreign-owned enterprises under the PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

2. BASIS OF PRESENTATION AND APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

2.1 Basis of presentation

Notwithstanding that the Group incurred net loss of RMB68,756,000 for the year ended 31 December 2023, and as of that date, the Group's net liabilities amounted to RMB198,422,000; and the current liabilities of the Group at 31 December 2023 exceed its current assets at that date by RMB122,053,000, and the Group's current liabilities at that date includes interest-bearing bank and other borrowings with the carrying amounts of RMB259,981,000, in which including RMB226,780,000 (the "**Default Loan**") has default to a single lender (the "**Lender**"), according to their scheduled repayment date. These condition indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as going concern.

2. BASIS OF PRESENTATION AND APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

2.1 Basis of presentation *(Continued)*

Given the above condition, the directors of the Company have prepared a cash flow projection for a period of fifteen months after the end of the reporting period, after taking into account of the following circumstances and measures to be implemented:

(i) in relation to the Loan for which the Group entered into an agreement with Lender on 31 March 2015, pursuant to which the Lender has agreed to provide a loan for a principal amount of HK$200 million to the Group, the outstanding principal amount as at 31 December 2023 is HK$155 million (equivalent to RMB140 million). The loan drawn down by the Group was secured by share charge over the entire issued shares of Cheng Hao International Limited, a wholly-owned subsidiary of the Company, carries interest at 18% per annum and repayable on 2 January 2023.

As disclosed in the Company's announcement dated 16 November 2022, the Securities and Futures Commission ("**SFC**") filed a petition (the "**Petition**") against the Company as the 1st respondent, alleging a series of complaints. These include the said Default Loan, a case management conference related to the Petition has been scheduled for 12 June 2024. In the light of the complexity of the matter, the legal representative expects the matter will not be resolved by 31 March 2025.

(ii) the Company obtained a letter of continuous financial support and undertaken from the substantial shareholders;

(iii) estimated sales proceed for RMB60 million from the disposal of the Group's investment property in Singapore; and

(iv) the Group is actively identifying any other possible financing options to improved the liquidity portion of the Group.

Significant uncertainties exist as to whether the Group's plans and measures as describe above will be able to be achieved by the Group and whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows in the near future, obtaining the continuous financial support from its shareholders and successful obtaining of additional new source of financial assets and when needed.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide further liabilities that might arise and to reclassify non-current assets and non-current liabilities to current assets and current liabilities, respectively. The consolidated financial statements do not include any adjustments that would result from the failure of the Group to continue as a going concern.

2. BASIS OF PRESENTATION AND APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

2.2 Application of new and amendments to HKFRSs

In the current year, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are effective for the Group's financial year beginning on 1 January 2023:

HKFRS 17 (including the October 2020 and February 2022 amendments to HKFRS 17)	*Insurance Contracts*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform — Pillar Two Model Rules*

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior periods and on the disclosures set out in these consolidated financial statements.

Impact on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 — Disclosure of Accounting Policies

The amendments to HKAS 1 and HKFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The application of the amendments has had no material impact on the Group's financial performance and positions, but has affected the disclosures of accounting policies as set out in note 3.2.

Impact on application of Amendments to HKAS 8 — Definition of Accounting Estimates

The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the consolidated financial statements of the Group.

2. BASIS OF PRESENTATION AND APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

2.2 Application of new and amendments to HKFRSs *(Continued)*

Impact on application of Amendments to HKAS 12 — Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments to HKAS 12 narrow the scope of the initial recognition exemption of deferred tax liabilities and deferred tax assets so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences, such as leases and decommissioning liabilities. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained earnings at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

The Group previously applied HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis. Upon application of the amendments, the Group has recognised a separate deferred tax asset and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

There was no impact on the consolidated statement of financial position and financial performance because the related deferred tax balances qualify for offsetting under HKAS 12. There was no impact on the opening retained earnings as at 1 January 2022. The key impact to the Group relates to the disclosures of the component of deferred tax assets and liabilities as disclosed in note 25.

Amendments to HKFRSs issued but not yet effective

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5(2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*[1]
Amendments to HKAS 1	*Non-current Liabilities with Covenants*[1]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024.
2 Effective for annual periods beginning on or after 1 January 2025.
3 Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of the amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group losses control over a subsidiary, it derecognises (i) the assets and liabilities of the subsidiary and (ii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material Accounting Policy Information

Business combinations and goodwill

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Acquisition of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs incurred to effect a business combination are recognised in profit or loss as incurred.

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests, unless as required by another standards, are measured at acquisition-date fair value except for non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material Accounting Policy Information *(Continued)*

Business combinations and goodwill (Continued)

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at each reporting date, and changes in fair value are recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. The provisional amounts recognised at the acquisition date are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit (or groups of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material Accounting Policy Information *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	Over the term of the leases, or 20 years whichever is the shorter
Leasehold improvements	20% or over the relevant lease terms whichever is shorter
Plant and machinery	10% to 20%
Office equipment	20%
Motor vehicles	20% to 40%
Moulds	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit and loss.

Construction in progress represents buildings and plant and machinery under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material Accounting Policy Information *(Continued)*

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gains or losses on the retirement or disposal of an investment properties are recognised in the statement of profit or loss in the year of the retirement or disposal.

Fair value measurement

The Group measures its investment property at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material Accounting Policy Information *(Continued)*

Leases

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease, at inception of the contract or modification date or acquisition date, as appropriate. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

(a) *Right-of-use assets*

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under HKAS 37 "Provision, Contingent Liabilities and Contingent Assets". They are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets is over the lease terms ranging from 3 to 50 years. The depreciation starts at the commencement date of the lease.

The Group applies HKAS 36 to determine whether a right-of-use assets is impaired and accounts for any identified impairment loss.

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material Accounting Policy Information *(Continued)*

Group as a lessee (Continued)

(b) *Lease liabilities (Continued)*

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material Accounting Policy Information *(Continued)*

Group as a lessor (Continued)

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling prices for inventories less all estimated costs of completion and costs necessary to make sale.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss/profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material Accounting Policy Information *(Continued)*

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle current tax liabilities and assets on a net basis.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority. Current and deferred tax is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material Accounting Policy Information *(Continued)*

Provisions (Continued)

Provisions, including those arising from the contractual obligation specified in the service concession arrangement to maintain or restore the infrastructure before it is handed over to the grantor, are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material Accounting Policy Information *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("**FVTOCI**"), and fair value through profit or loss ("**FVTPL**").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material Accounting Policy Information *(Continued)*

Financial assets (Continued)

Financial assets at amortised cost (debt instruments) (Continued)

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "Other income and losses" line item.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material Accounting Policy Information *(Continued)*

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material Accounting Policy Information *(Continued)*

Financial assets (Continued)

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular debtor, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material Accounting Policy Information *(Continued)*

Financial assets (Continued)

Significant increase in credit risk (Continued)

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material Accounting Policy Information *(Continued)*

Financial assets (Continued)

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 Leases.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material Accounting Policy Information *(Continued)*

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Modification of financial assets

A modification of a financial asset occurs if the contractual cash flows are renegotiated or otherwise modified.

When the contractual terms of a financial asset are modified, the Group assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset, after reducing gross carrying amount that has been written off.

For non-substantial modifications of financial assets that do not result in derecognition, the carrying amount of the relevant financial assets will be calculated at the present value of the modified contractual cash flows discounted at the financial assets' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial assets and are amortised over the remaining term. Any adjustment to the carrying amount of the financial asset is recognised in profit or loss at the date of modification.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material Accounting Policy Information *(Continued)*

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is 1) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, 2) held for trading, or 3) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material Accounting Policy Information *(Continued)*

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL (Continued)

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in the 'other gains and losses' line item in profit or loss.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at fair value through profit or loss are recognised in profit or loss.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material Accounting Policy Information *(Continued)*

Revenue recognition

Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

Contract assets and contract liabilities

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for an presented on a net basis.

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of goods.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material Accounting Policy Information *(Continued)*

Revenue recognition (Continued)

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income/a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Share-based payment arrangements

Equity-settled share-based payments to employees and other providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of the reporting period, the Group revises its estimates of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material Accounting Policy Information *(Continued)*

Retirement Benefit Costs

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Payments to defined contribution retirement plans are charged as an expense when employees have rendered service entitling them to the contributions.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of nonmonetary items carried at fair value, are included in profit or loss for the period.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material Accounting Policy Information *(Continued)*

Foreign currencies (Continued)

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rates of exchange prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (i.e. the translation reserve) (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Related parties

A party is considered to be related to the Group if:

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) The party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Groups is itself such a plan, the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material Accounting Policy Information *(Continued)*

Related parties (Continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The major judgements, estimates and assumptions that have the most significant effect on the amount recognised in the consolidated financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

(a) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and variable selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. The directors assess the estimations at the end of each reporting period. Details of inventories are disclosed in note 17 to the consolidated financial statements.

(b) Provision for expected credit losses on trade receivables

The Group applies basically the simplified approach in calculating expected credit losses ("**ECLs**"). An impairment analysis is performed at each reporting date using a loss rate approach to measure ECLs. The credit risk categorisation is determined based on a number of factors which include (i) debtors' ageing profit as well as experience with collection trends; (ii) historical repayment behavior of debtors; (iii) debtors' specific information available to the Group which is relevant for credit risk assessment; and (iv) current economic and business conditions and future economic outlook. The credit risk categorisation is adjusted to reflect subsequent information uncovered to an extent that such information provides evidence of conditions existed as at the year end date and forward-looking information.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(b) Provision for expected credit losses on trade receivables *(Continued)*

The assessment of correlation among historical recovery ratio, estimated repayment and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and conditions. The Group's historical credit loss experience and estimates may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade and notes receivables is disclosed in note 18 to the consolidated financial statements.

(c) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual value. The Group assesses annually the residual value and the useful lives of the property, plant and equipment. If the expectation differs from the original estimate, such difference will impact the depreciation and the amortisation charged in the year in which such estimate is changed. Details of property, plant and equipment are disclosed in note 14 to the consolidated financial statements.

(d) Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates. Details of leases are disclosed in note 16 to consolidated financial statements.

5. OPERATING SEGMENT INFORMATION

For management purpose, the Group is organised into business units based on their products and services and has two reportable segments as follows:

- design, manufacture and sale of packaging products and structural components
- trading of filtration media, equipment and related accessories for air purification
- design, manufacturing, sale and marketing of rosewood home furniture
- property investment

During the year, the Group deployed additional resources to expand its operation to (i) trading of filtration media, equipment and related accessories for air purification and (ii) design, manufacturing, sales and marketing of rosewood home furniture as described above. In prior year, the Group presented separate segment information as it operated in two segments which are design, manufacturing, sales of packaging products and structural components and property investment.

5. OPERATING SEGMENT INFORMATION *(Continued)*

	Sales of packaging products and structural components RMB'000	Trading of filtration media, equipment and related accessories for air purification RMB'000	Sales of rosewood home furniture RMB'000	Property investment RMB'000	Total RMB'000
Year ended 31 December 2023					
Segment revenue:					
Revenue from external customers	336,623	3,368	–	927	340,918
Segment results	(51,866)	(384)	(487)	(106)	(52,843)
Reconciliation:					
Interest income					461
Finance costs					(6,046)
Corporate and other unallocated expenses					(11,924)
Loss before tax					(70,352)
Other segment information					
Depreciation					
– Property, plant and equipment	5,102	3	9	–	5,114
– Right-of-use assets	122	207	239	–	568
Impairment of trade and notes receivables	165	–	–	–	165
(Reversal of impairment)/Impairment of other receivables	(27)	6	24	–	3
Fair value losses on investment property	–	–	–	1,594	1,594
Capital expenditure*	4,875	1,139	2,698	–	8,712

5. OPERATING SEGMENT INFORMATION *(Continued)*

	Sales of packaging products and structural components RMB'000	Trading of filtration media, equipment and related accessories for air purification RMB'000	Property investment RMB'000	Total RMB'000
Year ended 31 December 2022				
Segment revenue:				
Revenue from external customers	384,372	–	791	385,163
Segment results	(1,919)	(1)	974	(946)
Reconciliation:				
Interest income				314
Finance costs				(39,387)
Corporate and other unallocated expenses				(10,130)
Loss before tax				(50,149)
Other segment information				
Depreciation				
– Property, plant and equipment	6,749	–	–	6,749
– Right-of-use assets	122	–	–	122
Impairment of trade and notes receivables	450	–	–	450
Impairment of other receivables	274	–	–	274
Capital expenditure*	4,255	–	–	4,255

* Capital expenditure consists of additions to property, plant and equipment and right-of-use assets.

5. OPERATING SEGMENT INFORMATION *(Continued)*

31 December 2023	Sales of packaging products and structural components RMB'000	Trading of filtration media, equipment and related accessories for air purification RMB'000	Sales of rosewood home furniture RMB'000	Property investment RMB'000	Total RMB'000
Segment assets	222,005	9,201	11,678	60,889	303,773
Reconciliation:					
Deferred tax assets					939
Corporate and other unallocated assets					14,417
Total assets					319,129
Segment liabilities	53,973	2,494	963	340	57,770
Reconciliation:					
Interest-bearing bank and other borrowings					451,721
Deferred tax liabilities					1,055
Corporate and other unallocated liabilities					7,005
Total liabilities					517,551

5. OPERATING SEGMENT INFORMATION *(Continued)*

31 December 2022	Sales of packaging products and structural components RMB'000	Trading of filtration media, equipment and related accessories for air purification RMB'000	Property investment RMB'000	Total RMB'000
Segment assets	264,472	552	59,591	324,615
Reconciliation:				
Deferred tax assets				939
Corporate and other unallocated assets				23,485
Total assets				349,039
Segment liabilities	69,118	552	245	69,915
Reconciliation:				
Interest-bearing bank and other borrowings				416,070
Deferred tax liabilities				2,679
Corporate and other unallocated liabilities				5,700
Total liabilities				494,364

5. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

	Sales of packaging products and structural components RMB'000	Trading of filtration media, equipment and related accessories for air purification RMB'000	Sales of rosewood home furniture RMB'000	Property investment RMB'000	Total RMB'000
Year ended 31 December 2023					
Mainland China	**336,623**	**3,368**	**–**	**–**	**339,991**
Singapore	**–**	**–**	**–**	**927**	**927**
	336,623	**3,368**	**–**	**927**	**340,918**
Year ended 31 December 2022					
Mainland China	384,372	–	–	–	384,372
Singapore	–	–	–	791	791
	384,372	–	–	791	385,163

The revenue information is based on the location of the customers.

(b) Non-current assets

	2023 RMB'000	2022 RMB'000
Hong Kong	**1,063**	2,390
Mainland China	**55,310**	41,464
Singapore	**60,388**	59,591
	116,761	103,445

The non-current asset information is based on the location of the assets and excludes deferred tax assets.

5. OPERATING SEGMENT INFORMATION *(Continued)*

Information about major customers

Revenue from each single customers (including sales to a group of entities which are known to be under common control with that customer) which accounted for 10% or more of the Group's revenue that solely derived from sales of packaging products and structural components' segment for the year, is set out below:

	2023 RMB'000	2022 RMB'000
Customer A	170,746	174,962
Customer B	83,923	84,609
Customer C	N/A[1]	43,552

[1] The corresponding revenue did not contribute over 10% of the total Revenue of the Group.

6. REVENUE AND OTHER INCOME AND LOSSES, NET

	2023 RMB'000	2022 RMB'000
Revenue		
Sales of packaging products and structural components	336,623	384,372
Trading of filtration media, equipment and related accessories for air purification	3,368	—
Rental income from investment property	927	791
	340,918	385,163

Disaggregated revenue information

	2023 RMB'000	2022 RMB'000
Type of goods		
Sale of packaging product	321,601	370,803
Sale of structural components	15,022	13,569
Sale of filtration media, equipment and related accessories for air purification	3,368	—
	339,991	384,372
Geographical markets		
Mainland China	339,991	384,372
Timing of revenue recognition		
Goods transferred at a point of time	339,991	384,372

6. REVENUE AND OTHER INCOME AND LOSSES, NET *(Continued)*

Disaggregated revenue information *(Continued)*

The following table shows the movement in contract liabilities:

	2023 RMB'000	2022 RMB'000
At the beginning of the year	92	108
Decrease in contract liabilities as a result of recognising revenue from sale of packaging product during the year that was included in the contract liabilities at the beginning of the year	(92)	(108)
Increase in contract liabilities as a result of cash received	224	92
At the end of the year	224	92

Performance obligations

Sale of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within one month from delivery, extending up to four months for major customers.

An analysis of other income and gains, net is as follows:

	2023 RMB'000	2022 RMB'000
Other income and losses, net		
Interest income	461	314
Fair value losses on investment property, net	(1,594)	—
Foreign exchange differences, net	(1,941)	(3,850)
Loss on disposal of items of property, plant and equipment	(774)	(181)
Government grants *(Note)*	187	290
Others	(966)	(209)
	(4,627)	(3,636)

Note: The amount represented subsidies of RMB187,000 (2022: RMB118,000) received from certain government authorities in PRC for the Group's operation of sales of packaging products and structural components, where there are no unfulfilled conditions or contingencies relating to these grants during the year. In addition, subsidies of RMB103,000 received from the Employment Support Scheme in Hong Kong during the year ended 31 December 2022 which the Group was required to undertake not to implement redundancy in the subsidy period and to use the subsidy to pay wages of the employees, all conditions relating to these grants had been fulfilled.

7. FINANCE COSTS

	2023 RMB'000	2022 RMB'000
Interest on bank borrowings	**1,234**	264
Interest on other borrowings *(Note)*	**3,280**	38,351
Finance costs arising on discounting trade and notes receivables	**1,385**	667
Interest on lease liabilities	**147**	103
Others	**—**	2
	6,046	39,387

Note: In 2022, the amount included the interest expenses amounted of RMB 35,430,000 for the Default Loan. Since SFC filed the Petition regarding to this loan, no interest expenses were recognised.

8. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	2023 RMB'000	2022 RMB'000
Cost of inventories sold	**145,880**	245,257
Employee benefit expenses (including directors' remuneration *(note 9)*)	**51,425**	55,896
Auditors' remuneration	**854**	773
Lease payments not included in the measurement of lease liabilities	**108**	145
Depreciation of property, plant and equipment	**5,440**	7,153
Depreciation of right-of-use assets	**1,355**	871
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment property	**392**	230

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of directors) Regulation, is as follows:

	Fees	Salaries, allowances and other benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000
2023				
Executive directors				
Ms. Ngai Mei	**2,354**	**881**	**16**	**3,251**
Ms. Duan Mengying	**932**	**384**	**16**	**1,332**
Mr. Zeng Wenyou *(note (iv))*	**276**	**–**	**–**	**276**
Independent non-executive directors				
Mr. Poon Lai Yin Michael *(note (iii))*	**144**	**–**	**–**	**144**
Mr. Chan Ka Leung Kevin *(note (i))*	**1**	**–**	**–**	**1**
Mr. Chow Ming Sang	**173**	**–**	**–**	**173**
Dr. Tsang Hing Bun *(note (ii))*	**173**	**–**	**–**	**173**
	4,053	**1,265**	**32**	**5,350**
2022				
Executive directors				
Ms. Ngai Mei	3,093	–	15	3,108
Ms. Duan Mengying	1,258	–	15	1,273
Independent non-executive directors				
Mr. Poon Lai Yin Michael *(note (iii))*	165	–	–	165
Mr. Chan Ka Leung Kevin *(note (i))*	165	–	–	165
Mr. Chow Ming Sang	165	–	–	165
	4,846	–	30	4,876

Note:

(i) Mr. Chan Ka Leung Kevin resigned his position as an independent non-executive director of the Company on 1 January 2023.

(ii) Dr. Tsang Hing Bun appointed his position as independent non-executive director of the Company on 1 January 2023.

(iii) Mr. Poon Lai Yin Michael resigned his position as an independent non-executive director of the Company on 1 November 2023.

(iv) Mr. Zeng Wenyou appointed his position as executive director of the Company on 16 August 2023.

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2022: Nil).

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2022: two), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining three (2022: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	2,137	1,606
Pension scheme contributions	16	15
	2,153	1,621

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2023	2022
Nil to HK$1,000,000	3	3

There were no non-directors and non-chief executive highest paid employees being granted share option during the year (2022: Nil).

11. INCOME TAX EXPENSE

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax.

The provision for current income tax in Mainland China has been calculated at the applicable tax rate of 25% (2022: 25%) on the assessable profits of subsidiaries of the Group based on existing PRC Corporate Income Tax Law.

Singapore Corporate Income Tax has been provided at 17% (2022: 17%) on the estimated assessable profits arising in Singapore during the year.

No Hong Kong profits tax has been provided as there is no assessable profit arising in Hong Kong during the year (2022: Nil).

	2023 **RMB'000**	2022 RMB'000
Current tax — Mainland China		
Charge for the year	**1**	342
Over provision in prior years	**(11)**	—
Current tax — Singapore		
Charge for the year	**38**	47
	28	389
Deferred tax *(note 25)*	**(1,624)**	(937)
	(1,596)	(548)

The income tax credit for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss as follows:

	2023 **RMB'000**	2022 RMB'000
Loss before tax	**(70,352)**	(50,149)
Tax at domestic tax rates applicable to profits of taxable entities in the countries concerned	**(13,222)**	(8,606)
Income not subject to tax	**57**	(181)
Expenses not deductible for tax	**3,332**	8,251
Withholding tax on dividends	**(1,624)**	(12)
Over provision in prior years, net	**(11)**	—
Tax loss unrecognised	**9,872**	—
Tax credit	**(1,596)**	(548)

12. DIVIDENDS

No final dividend was proposed by the Board in respect of the year (2022: Nil).

13. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic

The calculation of basic and diluted loss per share are based on:

	2023 RMB'000	2022 RMB'000
Loss:		
Loss attributable to owners of the Company	(68,295)	(49,601)

	2023	2022
		(restated)
Shares:		
Weighted average number of ordinary shares in issue during the year, used in the basic loss per share calculation	185,311,000	164,674,000

(b) Diluted

The Group had no potential dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Moulds RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2023								
At 1 January 2023:								
Cost	36,672	2,716	59,106	1,113	5,390	14,105	5	119,107
Accumulated depreciation	(17,610)	(2,102)	(42,690)	(1,098)	(4,614)	(13,839)	–	(81,953)
Net carrying amount	19,062	614	16,416	15	776	266	5	37,154
At 1 January 2023, net of accumulated depreciation	19,062	614	16,416	15	776	266	5	37,154
Additions	350	–	3,596	167	374	–	14,772	19,259
Disposals	–	–	(2,982)	(5)	–	(31)	–	(3,018)
Transfers	–	–	7,589	–	–	–	(7,589)	–
Depreciation provided during the year *(note 8)*	(1,710)	(325)	(2,943)	(26)	(201)	(235)	–	(5,440)
Exchange realignment	–	11	–	–	–	–	–	11
At 31 December 2023, net of accumulated depreciation	17,702	300	21,676	151	949	–	7,188	47,966
At 31 December 2023:								
Cost	37,022	2,778	60,964	1,257	5,805	13,430	7,188	128,444
Accumulated depreciation	(19,320)	(2,478)	(39,288)	(1,106)	(4,856)	(13,430)	–	(80,478)
Net carrying amount	17,702	300	21,676	151	949	–	7,188	47,966
31 December 2022								
At 1 January 2022:								
Cost	33,547	1,621	61,762	1,072	5,179	12,645	2,693	118,519
Accumulated depreciation	(16,062)	(1,621)	(44,716)	(984)	(4,224)	(11,364)	–	(78,971)
Net carrying amount	17,485	–	17,046	88	955	1,281	2,693	39,548
At 1 January 2022, net of accumulated depreciation	17,485	–	17,046	88	955	1,281	2,693	39,548
Additions	–	934	802	7	62	–	3,410	5,215
Disposals	–	–	(1,276)	(2)	–	803	–	(475)
Transfers	3,125	–	2,973	–	–	–	(6,098)	–
Depreciation provided during the year *(note 8)*	(1,548)	(337)	(3,129)	(80)	(241)	(1,818)	–	(7,153)
Exchange realignment	–	17	–	2	–	–	–	19
At 31 December 2022, net of accumulated depreciation	19,062	614	16,416	15	776	266	5	37,154
At 31 December 2022:								
Cost	36,672	2,716	59,106	1,113	5,390	14,105	5	119,107
Accumulated depreciation	(17,610)	(2,102)	(42,690)	(1,098)	(4,614)	(13,839)	–	(81,953)
Net carrying amount	19,062	614	16,416	15	776	266	5	37,154

At 31 December 2023, certain of the Group's buildings with a net carrying amount of RMB17,702,000 (2022: RMB5,099,000) were pledged to secure general banking facilities granted to the Group.

15. INVESTMENT PROPERTY

	2023 **RMB'000**	2022 RMB'000
Carrying amount at 1 January	**59,591**	54,646
Net losses from a fair value adjustment *(note 6)*	**(1,594)**	—
Exchange realignment	**2,391**	4,945
Carrying amount at 31 December	**60,388**	59,591

The Group's investment property consists a residential apartment in Singapore. The directors of the Company have determined that the class of its investment property's asset is residential property, based on the nature, characteristics and risks of each property.

The Group's investment property was revalued on 31 December 2023 and 2022 based on valuations performed by APAC Appraisal and Consulting Limited, independent professionally qualified valuers. The property in Singapore was revalued at SGD11,300,000 (equivalent to RMB60,388,000) (2022: RMB59,591,000). Each year, the Group's management decides, to appoint which external valuer to be responsible for the external valuation of the Group's property. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussion with the valuer on the valuation assumptions and valuation result when the valuation is performed.

Particulars of the Group's investment property is as follows:

Location	**Use**	**Tenure**	**Attributable interest of the Group**	
			2023	2022
1 Bishopsgate #04-06, Bishopsgate Residences, Singapore 247676	Residential	Medium term lease	**100%**	100%

15. INVESTMENT PROPERTY *(Continued)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment property:

	Fair value measurement as at 31 December 2023 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Residential property	–	–	60,388	60,388

	Fair value measurement as at 31 December 2022 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Residential property	–	–	59,591	59,591

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2022: Nil).

The fair value of the investment property was determined using the comparison approach based on market comparables of similar properties and with adjustments made on factors such as location, size, age, condition and aspects of the properties. There has been no change in the valuation techniques used in prior year.

15. INVESTMENT PROPERTY *(Continued)*

Fair value hierarchy *(Continued)*

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment property:

Investment property held by the Group	Valuation techniques	Significant unobservable inputs	Range or weighted average 2023	2022	Relationship of input to fair value
1 Bishopsgate #04-06, Bishopsgate Residences, Singapore 247676	Direct comparison method	Estimated market price per square feet (RMB)	**19,443 to 20,708**	18,099 to 20,673	The higher the market price, the higher the fair value

The direct comparison method is adopted by making reference to comparable market transactions in the assessment of the fair value of the investment property. The approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors, including the transaction date, level of floor, environmental atmosphere, size of apartment and etc.

16. LEASES

The Group as a lessee

The Group has lease contracts for leasehold land and buildings used in its operations. Leases of leasehold land and buildings generally have lease terms of 50 years and 3 years respectively. Other leasehold land and buildings generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	2023 RMB'000	2022 RMB'000
As at 1 January	**6,436**	7,095
Additions	**3,289**	60
Depreciation charge	**(1,355)**	(871)
Exchange realignment	**30**	152
As at 31 December	**8,400**	6,436

At 31 December 2023, certain of the Group's right-of-use assets with net carrying amount of RMB4,800,000 (2022: RMB1,166,000) was pledged to secure general banking facilities granted to the Group.

16. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(b) *Lease liabilities*

The carrying amount of lease liabilities and the movements during the year are as follows:

	2023 RMB'000	2022 RMB'000
Carrying amount at 1 January	1,546	2,053
New leases	3,344	—
Accretion of interest recognised during the year	147	103
Payments	(1,545)	(763)
Exchange realignment	32	153
Carrying amount at 31 December	3,524	1,546
Analysed into:		
Current portion	2,250	784
Non-current portion	1,274	762
	3,524	1,546

The maturity analysis of lease liabilities is disclosed in note 32 to the consolidated financial statements.

(c) *The amounts recognised in profit or loss in relation to leases are as follows:*

	2023 RMB'000	2022 RMB'000
Interest on lease liabilities *(note 7)*	147	103
Depreciation charge of right-of-use assets (included in administrative expenses) *(note 8)*	1,355	871
Expense relating to short-term leases (included in administrative expenses) *(note 8)*	108	145
Total amount recognised in profit or loss	1,610	1,119

(d) The total cash outflow for leases is disclosed in note 28(c) to the consolidated financial statements.

16. LEASES *(Continued)*

The Group as a lessor

The Group leases its investment property (note 15) consisting of a residential property in Singapore (2022: Singapore) under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits. Rental income recognised by the Group during the year was RMB927,000 (2022: RMB791,000), details of which are included in note 6 to the consolidated financial statements.

At 31 December 2023, the undiscounted minimum payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2023 RMB'000	2022 RMB'000
Within one year	**1,125**	679
After one year but with two years	**677**	—
	1,802	679

17. INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials	**5,873**	6,077
Work in progress	**19**	22
Finished goods	**15,347**	5,436
Packaging materials and consumables	**7,336**	2,596
	28,575	14,131

18. TRADE AND NOTES RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables from sales of packaging products and structural components	**94,694**	121,806
Notes receivables	**47,039**	70,554
	141,733	192,360
Impairment	**(2,761)**	(2,596)
	138,972	189,764

18. TRADE AND NOTES RECEIVABLES *(Continued)*

An ageing analysis of the trade receivables as at the end of the reporting period, based on the delivery date and net of provisions, is as follows:

	2023 RMB'000	2022 RMB'000
Within 3 months	91,239	118,357
3 to 6 months	798	1,885
7 months to 1 year	721	42
	92,758	120,284

The movements in the loss allowance for impairment of trade and notes receivables are as follows:

	2023 RMB'000	2022 RMB'000
At beginning of year	2,596	2,146
Impairment losses	165	450
At end of year	2,761	2,596

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision for expected credit losses by grouping together trade receivables with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions. For trade receivables relating to accounts which are long overdue with significant amounts or known insolvencies, financial difficulties or non-response to collection activities, they are assessed individually for impairment allowance.

In determining the expected credit losses for notes receivables, the directors of the Company have considered the bills received by the Group with a maturity period of less than one year are assessed on 12-month ECL by reference to the external credit rating, and concluded that the credit risk inherent in the Group's outstanding notes receivables is insignificant as at 31 December 2023 and 2022.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

			Past due			
2023		Current	Less than 3 months	Over 3 to 6 months	Over 6 months	Total
Expected credit losses rate		0.63%	–	17.07%	62.31%	2.05%
Gross carrying amount	RMB'000	91,820	–	961	1,913	94,694
Expected credit losses	RMB'000	581	–	163	1,192	1,936

18. TRADE AND NOTES RECEIVABLES *(Continued)*

			Past due			
2022		Current	Less than 3 months	Over 3 to 6 months	Over 6 months	Total
Expected credit losses rate		0.59%	—	15.07%	92.10%	1.25%
Gross carrying amount	RMB'000	119,057	—	2,220	529	121,806
Expected credit losses	RMB'000	700	—	335	487	1,522

19. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2023 **RMB'000**	2022 RMB'000
Deposits	**944**	665
Prepayments	**6,994**	3,997
Other receivables	**4,283**	777
	12,221	5,439
Impairment	**(323)**	(321)
	11,898	5,118
Less: Deposits and prepayments under non-current portion	**(7)**	(264)
	11,891	4,854

None of the above assets was either past due or impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

20. LOAN AND INTEREST RECEIVABLE

	2023 **RMB'000**	2022 RMB'000
Loan receivable	**2,710**	2,650
Interest receivable	**61**	58
Impairment	**(70)**	(67)
	2,701	2,641

The Group granted a loan to an independent party is secured by company's shares, bearing interest at a rate of 12% p.a. (2022: 12% p.a.) and matured on 31 May 2024.

21. CASH AND BANK BALANCES

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB7,631,000 (2022: RMB15,107,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through bank authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rate based on daily bank deposit rates. Short term time deposits are made for period of one day depending on the immediate cash requirements of the Group, and earn interests at the respective short term time deposits rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

22. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2023	2022
	RMB'000	RMB'000
Within 3 months	**42,992**	54,110
3 to 6 months	**650**	923
7 months to 1 year	**379**	363
Over 1 year	**322**	345
	44,343	55,741

The trade payables are non-interest-bearing and are normally settled on 30 days to 90 days.

23. OTHER PAYABLES AND ACCRUALS

	2023	2022
	RMB'000	RMB'000
Contract liabilities *(note (a))*	**224**	92
Accruals	**10,573**	8,804
Other payables *(note (b))*	**5,377**	8,695
	16,174	17,591

23. OTHER PAYABLES AND ACCRUALS *(Continued)*

Notes:

(a) Details of contract liabilities as at 31 December 2023 and 2022 are as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000	1 January 2022 RMB'000
Short-term advances received from customers			
Sale of packaging product	224	92	108

Contract liabilities include short-term advances received to deliver packaging product. The increase in contract liabilities in 2023 was mainly due to the increase in short-term advances received from customers in relation to the sales of packaging product at the end of the year.

(b) Other payables are non-interest-bearing and have an average term of one month.

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2023			2022		
	Contractual interest rate (%)	Maturity	RMB'000	Contractual interest rate (%)	Maturity	RMB'000
Current						
Bank loans:						
— unsecured RMB loan	4.05	2024	3,000	–	–	–
— secured RMB loan *(note (a))*	3.45–3.65	2024	7,000	3.65	2023	10,000
Other borrowings:						
— unsecured US$ loan	6.5	On demand	23,201	6.5	On demand	22,679
— secured HK$ loan *(note (b))*	18	On demand	226,780	18	On demand	221,453
			259,981			254,132
Non-current						
Bank loans:						
— secured RMB loan *(note (a))*	3.65–3.9	2025	23,000	–	–	–
Other borrowing:						
— unsecured US$ loan	2	2025	168,740	2	2025	161,938
			191,740			161,938
			451,721			416,070

24. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

	2023 **RMB'000**	2022 RMB'000
Analysed into:		
Bank and other borrowings repayable:		
Within one year or on demand	**259,981**	254,132
In the second year	**191,740**	–
In the third to fifth years, inclusive	**–**	161,938
	451,721	416,070

Notes:

(a) The Group's bank borrowing is secured by the Group's buildings and right-of-use assets, which had an aggregate carrying value at the end of the reporting period of RMB22,502,000 (2022: RMB6,265,000). The interest rate charged on the Group's bank borrowing is one-year China Interbank Offered Rate (2022: one-year China Interbank Offered Rate).

(b) Other borrowing was secured by share charge over the entire share capital of Cheng Hao International Limited, which is a wholly-owned subsidiary of the Company incorporated in BVI.

25. DEFERRED TAXATION

The movements in deferred tax assets/(liabilities) during the year are as follows:

	Write-down of inventories RMB'000	**Withholding tax** RMB'000	**Losses available for offsetting against future taxable profits** RMB'000	**Right-of-use assets** RMB'000	**Lease liabilities** RMB'000	**Total** RMB'000
At 1 January 2022	14	(2,691)	–	–	–	(2,677)
Adjustment *(note 2)*	–	–	–	338	(338)	–
At 1 January 2022 (restated)	14	(2,691)	–	338	(338)	(2,677)
Deferred tax credited to profit or loss during the year *(note 11)*	–	12	925	(88)	88	937
At 31 December 2022 and 1 January 2023	14	(2,679)	925	250	(250)	(1,740)
Deferred tax credited to profit or loss during the year *(note 11)*	–	1,624	–	344	(344)	1,624
At 31 December 2023	**14**	**(1,055)**	**925**	**594**	**(594)**	**(116)**

25. DEFERRED TAXATION *(Continued)*

Pursuant to the PRC Enterprise Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries in Mainland China in respect of earnings generated from 1 January 2008.

The Group also has tax losses arising in Mainland China of RMB3,700,000 (2022: RMB3,700,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

26. SHARE CAPITAL

A summary of the movements in the Company's authorised and issued share capital during the years ended 31 December 2023 and 2022 are as follows:

	Number of shares '000	**Share capital** HK$'000
Authorised ordinary shares at HK$0.16 (2022: HK$0.04) per share:		
At 1 January 2022, 31 December 2022 and 1 January 2023	5,000,000	200,000
Share consolidation *(note b)*	(3,750,000)	—
At 31 December 2023	1,250,000	200,000
Issued and fully paid shares at HK$0.16 (2022: HK$0.04) per share:		
At 1 January 2022, 31 December 2022 and 1 January 2023	658,696	26,348
Issue of shares by share subscription *(note a)*	130,435	5,217
Share consolidation *(note b)*	(591,848)	—
At 31 December 2023	197,283	31,565

26. SHARE CAPITAL *(Continued)*

Notes:

a. On 26 April 2023, the Company entered into the subscription agreements with Mr. Zeng Wenyou and Mr. Lee Hung Yuen, pursuant to which the subscribers have agreed to subscribe for, and the Company has agreed to allot and issue, a total of 130,435,000 ordinary share of the Company at issue price of the HK$0.092 per subscription share for an aggregate amount of HK$12,000,000 (equivalent to approximately RMB10,568,000). Details of which were disclosed in the Company's announcements dated 26 April 2023 and 15 May 2023.

b. Pursuant to an ordinary resolution passed on 27 November 2023, every four issued existing ordinary shares with par value of HK$0.04 each in the share capital of the Company were consolidated into one consolidated share with par value of HK$0.16 each with effective on 28 November 2023.

27. RESERVES

The amounts of the Group's reserves and the movement therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements. The other reserves of the Group are summarised as follows:

(a) PRC capital reserve

Exchange differences relating to the translation of the capital contributions by the equity owner of the Group's PRC subsidiaries from foreign currency to RMB are recognised directly in the PRC capital reserve.

(b) PRC statutory reserves

As stipulated by the relevant laws and regulations for foreign investment enterprises in the PRC, the Company's PRC subsidiaries are required to maintain two statutory reserves, being an enterprise expansion fund and a statutory surplus reserve fund which are non-distributable. Appropriations to such reserves are made out of profit after tax reported in the statutory financial statements of the PRC subsidiaries while the amounts and allocation basis are decided by the directors annually but must not be less than 10% of the profit after tax, until such reserves reached to 50% of the registered capital of the relevant subsidiaries. The statutory surplus reserve fund can be used to make up their prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue. The enterprise expansion fund is used for expanding the capital base of the PRC subsidiaries by means of capitalisation issue.

(c) Special reserve

Special reserve of the Group represents the difference between the aggregate amount of considerations paid by the Group for the acquisition of CCPMCL, Chongqing Guangjing Packing Materials Co. Ltd and Sichuan Jinghong Packing Materials Co. Ltd., and the aggregate amount of paid-in capital of the aforesaid subsidiaries acquired pursuant to the corporate reorganisation undertaken during the year ended 31 December 2011. During the year, CCPMCL has been disposed, with special reserve of RMB12,500,000 has been reclassified to accumulated losses accordingly.

(d) Shareholders' contribution

On 24 October 2011, Rich Gold International Limited ("**Rich Gold**") executed a deed of release in favor of the Company, pursuant to which Rich Gold unconditionally and irrevocably released and discharged the repayment of a shareholder's loan from Rich Gold to the Company in the amount of HK$12,500,000 (equivalent to approximately RMB10,296,000) and any claim regarding such repayment. Such amount was recorded in shareholders' contributions in equity.

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets amount of RMB3,289,000 (2022: RMBnil) and lease liabilities amount of RMB3,344,000 (2022: RMBnil), respectively, in respect of lease arrangements for land and buildings.

(b) Changes in liabilities arising from financing activities

2023

	Interest-bearing bank and other borrowings RMB'000	Lease liabilities RMB'000
At 1 January 2023	416,070	1,546
Changes from financing cash flows	21,766	(1,398)
Foreign exchange movement	9,371	32
New lease	—	3,344
Interest expense	4,514	147
Interest paid classified as operating cash flows	—	(147)
At 31 December 2023	451,721	3,524

2022

	Interest-bearing bank and other borrowings RMB'000	Lease liabilities RMB'000
At 1 January 2022	350,990	2,053
Changes from financing cash flows	(2,842)	(660)
Foreign exchange movement	29,307	153
Interest expense	38,615	103
Interest paid classified as operating cash flows	—	(103)
At 31 December 2022	416,070	1,546

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2023 RMB'000	2022 RMB'000
Within operating activities	255	248
Within financing activities	1,398	660
	1,653	908

29. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group entered into the following material transactions with related parties during the year:

(a) The Group had an outstanding loan balance of RMB153,596,000 (2022: RMB150,138,000) due to Yitou (China) Limited ("**Yitou**"), a company of which Mr. Xu Gefei is a controlling shareholder. The interest expense of RMB3,344,000 (2021: RMB3,003,000) were charged at the rate of 2% per annum (2022: 2%) on a loan with a principal amount of US$21,795,000 (equivalent to RMB153,596,000) (2022: RMB150,138,000) granted by Yitou and the interest payable as at 31 December 2023 was RMB15,144,000 (2022: RMB11,800,000). Further details of the loan granted by Yitou are set out in the note 24 to the consolidated financial statements.

(b) Compensation of key management personnel of the Group:

Details of the compensation of key management personnel of the Group are set out in notes 9 and 10 to the consolidated financial statements.

30. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	2023 **RMB'000**
Financial assets	
Financial assets at amortised cost	
Trade and notes receivables	**138,972**
Loan and interest receivable	**2,701**
Financial assets included in deposits, prepayments and other receivables	**3,779**
Cash and bank balances	**19,290**
	164,742
Financial liabilities	
Financial liabilities at amortised cost	
Trade payables	**44,343**
Financial liabilities included in other payables and accruals	**5,602**
Interest-bearing bank and other borrowings	**451,721**
Lease liabilities	**3,524**
	505,190

	2022 RMB'000
Financial assets	
Financial assets at amortised cost	
Trade and notes receivables	189,764
Loan and interest receivable	2,641
Financial assets included in deposits, prepayments and other receivables	1,409
Cash and bank balances	33,265
	227,079
Financial liabilities	
Financial liabilities at amortised cost	
Trade payables	55,741
Financial liabilities included in other payables and accruals	8,786
Interest-bearing bank and other borrowings	416,070
Lease liabilities	1,546
	482,143

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of financial assets and financial liabilities recorded at amortised cost and considered their carrying amounts approximate their fair values largely due to the short term maturities of these instruments.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the directors and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the directors. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Group did not have any financial assets and liabilities measured at fair value as at 31 December 2023 and 2022.

During the year, there were no transfer of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2022: Nil).

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include loan and interest receivables, trade and notes receivables, financial assets included in deposits, other receivables, cash and bank balances, trade payables, financial liabilities included in other payables and accruals, lease liabilities, and interest-bearing bank and other borrowings.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group does not have any written risk management policies and guidelines. The board of directors reviews and agrees policies for managing each of these risks and they are summarized below.

Foreign currency risk

The carrying amounts of major foreign currency denominated monetary assets and monetary liabilities (including loan and interest receivables, trade and notes receivables, deposits and other receivables, short-term bank deposits, cash and bank balances, trade and other payables, lease liabilities, other borrowings and foreign currency denominated intra group balances) which expose the Group to foreign currency risk at the end of the reporting period are as follows:

	Assets		Liabilities	
	2023	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000
HK$	**13,839**	19,971	**235,212**	228,101
US$	**99**	97	**191,941**	184,618
SGD	**419**	1,850	**38**	55

The following table details the sensitivity to a 5% (2022: 5%) increase and decrease in the relevant foreign currencies and all other variables were held constant. 5% is the sensitivity rate used which represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2022: 5%) change in foreign currency rate. A positive (negative) number below indicates a decrease (increase) in post-tax loss for the year where functional currencies of respective group entities strengthen 5% (2022: 5%) against foreign currencies. For a 5% (2022: 5%) weakening of functional currencies of respective group entities against foreign currencies, there would be an equal and opposite impact on the result for the year.

	2023	2022
	RMB'000	RMB'000
HK$	**(11,069)**	(10,407)
US$	**(9,592)**	(9,226)
SGD	**19**	90

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	RMB'000
Trade and notes receivables*	**47,039**	**—**	**_**	**94,694**	**141,733**
Financial assets included in deposits and other receivables					
— Normal**	**5,297**	**—**	**—**	**—**	**5,297**
— Doubtful**	**—**	**—**	**—**	**—**	**—**
Cash and bank balances					
— Not yet past due	**19,290**	**—**	**—**	**—**	**19,290**
	71,626	**—**	**—**	**94,694**	**166,320**

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	RMB'000
Trade and notes receivables*	70,554	—	—	121,806	192,360
Financial assets included in deposits and other receivables					
— Normal**	1,443	—	—	—	1,443
— Doubtful**	—	—	—	—	—
Cash and bank balances					
— Not yet past due	33,265	—	—	—	33,265
	105,262	—	—	121,806	227,068

* For trade and notes receivables to which the Group applies the simplified or general approach for impairment, information is disclosed in note 18 to the consolidated financial statements.

** The credit quality of the financial assets included in deposits, prepayments and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and bank balances deemed adequate by the management to finance the Group's operations and mitigates the effects of fluctuations in cash flows. The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on contractual undiscounted payments, is as follows:

	On demand or less than 1 year RMB'000	More than 1 year RMB'000	Total undiscounted cash flows RMB'000
At 31 December 2023			
Trade payables	**44,343**	**—**	**44,343**
Other payables	**16,174**	**—**	**16,174**
Lease liabilities	**744**	**35**	**779**
Interest-bearing bank and other borrowings	**260,176**	**196,856**	**457,032**
	321,437	**196,891**	**518,328**
At 31 December 2022			
Trade payables	55,741	—	55,741
Other payables	17,591	—	17,591
Lease liabilities	855	784	1,639
Interest-bearing bank and other borrowings	254,392	169,186	423,578
	328,579	169,970	498,549

As explained in note 2 to the consolidated financial statements, the directors have adopted or plan to adopt certain measures in order to improve the Group's financial and cash flow positions and to maintain the Group's as a going concern.

Interest rate risk

The Group's cash flow interest rate risk relates primarily to the Group's bank borrowing with a floating interest rate. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

As the Group is not exposed to significant interest rate risk, the directors consider that the presentation of sensitively analysis is unnecessary.

Capital risk management

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged.

The capital structure of the Group consists of debt balance and equity balance. Debt balances consists of interest-bearing bank and other borrowings. Equity balance consists of equity attributable to owners of the parent, comprising issued share capital and reserves.

The directors review the capital structure on an on-going annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new issues and the issue of new debt.

The Group is not subject to any externally imposed capital requirements.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	72,870	72,870
Right-of-use assets	714	1,459
Deposits and prepayments	–	249
Total non-current assets	73,584	74,578
CURRENT ASSETS		
Deposits, prepayments and other receivables	415	217
Due from subsidiaries	15,310	13,141
Cash and bank balances	3,354	3,310
Total current assets	19,079	16,668
CURRENT LIABILITIES		
Due to subsidiaries	111,692	109,178
Other payables and accruals	3,703	3,576
Lease liabilities	779	784
Total current liabilities	116,174	113,538
NET CURRENT LIABILITIES	(97,095)	(96,870)
TOTAL ASSETS LESS CURRENT LIABILITIES	(23,511)	(22,292)
NON-CURRENT LIABILITY		
Lease liabilities	–	761
Total non-current liabilities	–	761
Net liabilities	(23,511)	(23,053)
EQUITY		
Share capital	27,082	22,487
Reserves *(note)*	(50,593)	(45,540)
Deficiency in assets	(23,511)	(23,053)

Mr. Zeng Wenyou
Director

Mr. Lee Hung Yuen
Director

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Exchange fluctuation reserve RMB'000	Shareholders' contributions RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2022	235,289	4,935	10,296	(281,222)	(30,702)
Loss for the year	–	–	–	(7,885)	(7,885)
Other comprehensive loss for the year	–	(6,953)	–	–	(6,953)
Total comprehensive loss for the year	–	(6,953)	–	(7,885)	(14,838)
At 31 December 2022 and 1 January 2023	**235,289**	**(2,018)**	**10,296**	**(289,107)**	**(45,540)**
Loss for the year	**–**	**–**	**–**	**(9,041)**	**(9,041)**
Other comprehensive loss for the year	**–**	**(1,985)**	**–**	**–**	**(1,985)**
Total comprehensive loss for the year	**–**	**(1,985)**	**–**	**(9,041)**	**(11,026)**
Issue of shares	**5,973**	**–**	**–**	**–**	**5,973**
At 31 December 2023	**241,262**	**(4,003)**	**10,296**	**(298,148)**	**(50,593)**

34. EVENTS AFTER THE REPORTING PERIOD

Capital Reorganisation

The Company completed a capital reorganisation which included the share consolidation, capital reduction and the share sub-division. On 14 March 2024, all the conditions precedent to the capital reorganisation have been fulfilled and the capital reorganisation became effective.

Right Issue

On 10 January 2024, the Board proposed to raise up to approximately HK$15.78 million before expenses by way of the rights issue of 197,282,636 rights shares at the subscription price of HK$0.08 per rights share on the basis of one rights share for every one adjusted share held by the qualifying shareholders on the record date (the "**Rights Issue**").

35. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 22 March 2024.

FIVE YEARS FINANCIAL SUMMARY

	Year ended 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
Revenue	**340,918**	385,163	377,405	362,833	381,486
Gross profit	**9,160**	57,832	52,954	64,563	58,265
Loss before tax	**(70,352)**	(50,149)	(41,440)	(35,227)	(47,211)
Income tax credit/(expense)	**1,596**	548	(1,954)	(3,197)	8,977
Loss for the year	**(68,756)**	(49,601)	(43,394)	(38,424)	(38,234)
Attribute to:					
Owners of the Company	**(68,295)**	(49,601)	(43,394)	(38,424)	(38,234)
Non-controlling interests	**(461)**	—	—	—	—

	As at 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS, LIABILITIES AND EQUITY					
Total assets	**319,129**	349,039	346,916	429,170	442,433
Total liabilities	**517,551**	494,364	423,853	469,102	501,413
Deficiency in assets	**(198,422)**	(145,325)	(76,937)	(39,932)	(58,980)
Attribute to:					
Owners of the Company	**(206,361)**	(145,325)	(76,937)	(39,932)	(58,980)
Non-controlling interests	**7,939**	—	—	—	—
	(198,422)	(145,325)	(76,937)	(39,932)	(58,980)