RUIXIN INTERNATIONAL HOLDINGS LIMITED
瑞鑫國際集團有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 724)

Annual Report
2023

Contents

Corporate Information

EXECUTIVE DIRECTORS
Ms. Li Yang *(Chairman)*
Mr. Huang Hanshui
Mr. Yang Junjie

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Ho Chi Fai
Mr. Zhang Jue
Mr. Leung Ka Tin

AUDIT COMMITTEE
Mr. Ho Chi Fai *(Chairman)*
Mr. Zhang Jue
Mr. Leung Ka Tin

REMUNERATION COMMITTEE
Mr. Zhang Jue *(Chairman)*
Mr. Ho Chi Fai
Mr. Leung Ka Tin

NOMINATION COMMITTEE
Ms. Li Yang *(Chairman)*
Mr. Ho Chi Fai
Mr. Zhang Jue

INVESTMENT COMMITTEE
Mr. Zhang Jue *(Chairman)*
Mr. Ho Chi Fai
Mr. Leung Ka Tin

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE*
Ms. Li Yang *(Chairman)*
Mr. Huang Hanshui

COMPANY SECRETARY
Ms. Tsang Man Sze

AUDITOR
SHINEWING (HK) CPA Limited
Registered Public Interest
Entity Auditor

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Room A, 10th Floor,
Times Media Centre
133 Wan Chai Road
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
PO Box HM1022
Hamilton HM DX
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

SHARE LISTING
The Stock Exchange of Hong Kong Limited
Stock Code: 724

WEBSITE
www.irasia.com/listco/hk/ruixin

* Other members of the ESG Committee are the external consultant and employees of the Group.

Results Overview and Financial Highlights

RESULTS OVERVIEW

For the year ended 31 December 2023 (the "Reporting Period"), Ruixin International Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") reported revenue of approximately HK$74.0 million, representing a decrease of 61.6% as compared with approximately HK$192.7 million for the year ended 31 December 2022 (the "Corresponding Period").

Loss for the Reporting Period increased to approximately HK$74.9 million from approximately HK$58.2 million for the Corresponding Period. Loss attributable to owners of the Company was approximately HK$74.9 million for the Reporting Period as compared with approximately HK$58.2 million for the Corresponding Period. The increase in the loss for the Reporting Period was mainly due to, among others, the increase in the operating loss and imputed interest expenses. The increase in the operating loss for the Reporting Period was mainly due to, among others, (i) the decrease in revenue mainly due to the rapid advancement in the industry, the weakening of the worldwide economic environment, many orders were lost as the Group's products were unable to meet the new specifications of its customers; (ii) the turn from gross profit to gross loss mainly due to inventory impairment recognised for the Reporting Period; and (iii) one-off expenses in administrative costs to safeguard the disclosure of the Group's knowhow to its competitors.

The imputed interest expenses on convertible notes and shareholder loans (the "Non-cash Items") arose as a result of accounting treatment under the provisions of the applicable accounting standards and were of non-cash nature. Before the Non-cash Items, the Group made a loss of approximately HK$55.0 million for the Reporting Period, as compared with a loss of approximately HK$41.0 million for the Corresponding Period.

FINANCIAL HIGHLIGHTS

	2023	2022
	HK$'000	HK$'000
Revenue	**74,031**	192,741
Gross (loss)/profit	**(10,317)**	4,885
Loss for the year	**(74,915)**	(58,178)
Imputed interest expenses on convertible notes	**(17,502)**	(15,692)
Imputed interest expenses on loans from a substantial shareholder	**(2,387)**	(1,516)
Loss for the year before imputed interest expenses on convertible notes and loans from a substantial shareholder	**(55,026)**	(40,970)

Management Discussion and Analysis

BUSINESS AND FINANCIAL REVIEW

The electronic products business reported a drop of approximately 61.6% in revenue to approximately HK$74.0 million in the Reporting Period from approximately HK$192.7 million in the Corresponding Period. The decrease in revenue was mainly due to the weakening of the overall global economic environment, the worldwide tariff protection issue, the increase in interest rate and the rapid advancement and development in the industry, many orders were lost as the Group's products were unable to meet the new specifications requirement of our customers. As a result, gross loss of approximately HK$10.3 million was recorded and inventory impairment of approximately HK$ 12.9 million has to be made for the Reporting Period.

As at 31 December 2023 and the date of this report, the principal amount of the convertible notes (the "Convertible Notes") that remains outstanding is HK$158.4 million (the "Outstanding Convertible Notes") convertible into 158,400,000 ordinary shares of HK$0.10 each at a conversion price of HK$1.00 per share and the maturity date is 31 January 2025. As part of the measures to improve its financial position, the Company entered into the deed of further variation with the holder of the Outstanding Convertible Notes (the "Noteholder") on 11 August 2022 to alter certain terms and conditions of the Outstanding Convertible Notes (the "Alteration of Terms"). The Alteration of Terms has become effective on 10 November 2022. For details about the Alteration of Terms and its financial impact, please refer to note 25 to the consolidated financial statements and the annual report of the Company for the year ended 31 December 2022 (the "2022 Annual Report"). The Company will continue to seek further extension of the maturity date of the Outstanding Convertible Notes.

As set out in the 2022 Annual Report, the Company, through one of its indirect wholly-owned subsidiaries in Hong Kong, has signed a loan agreement in 2021 with Mr. Li Weimin ("Mr. Li", a substantial shareholder (as defined in the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) of the Company) for an unsecured and non-interest bearing loan of HK$20 million for a term of two years (the "2021 HK Shareholder Loan"). As at the date of this report, the amount of the 2021 HK Shareholder Loan received by the Company is approximately HK$10.4 million and the amount that remains outstanding is approximately HK$9.6 million (the "Remaining 2021 HK Shareholder Loan"). Subsequent to the Reporting Period, the Company has received a letter of undertaking dated 28 March 2024 from Mr. Li (the "Letter of Undertaking"), pursuant to which, the schedule for granting the Remaining 2021 HK Shareholder Loan has been further revised to by June 2024 for the remaining second drawdown of approximately HK$3.6 million and by December 2024 for the third drawdown of HK$6.0 million (the "Revised Schedule"). Subsequent to the Reporting Period, the maturity date of the 2021 HK Shareholder Loan has been extended by another two years to 30 March 2026. The Company will continue to seek further extension of the Hong Kong shareholder loans from Mr. Li.

Ruixin International Engineering Vietnam Company Limited ("RIEV") has signed a loan agreement each in 2021 (the "2021 Vietnam Shareholder Loan", together with the 2021 HK Shareholder Loan, the "2021 Shareholder Loans") and 2023 (the "2023 Vietnam Shareholder Loan", together with the 2021 HK Shareholder Loans, the "Shareholder Loans") with Mr. Li for an unsecured and non-interest bearing loan of VND5.0 billion (equivalent to approximately HK$1.6 million) for a term of one year, respectively. As far as the Company is aware, RIEV has received the full amount of the 2021 Vietnam Shareholder Loan by January 2023. As at the date of this report, total amount of the 2023 Vietnam Shareholder Loan received by RIEV is approximately VND2.4 billion (equivalent to approximately HK$0.8 million) and the amount that remains outstanding is approximately VND2.6 billion (equivalent to approximately HK$0.8 million). According to Mr. Li based on the latest communication, he expects to advance the remaining 2023 Vietnam Shareholder Loan by December 2024. Subsequent to the Reporting Period, the maturity dates of the 2021 and 2023 Vietnam Shareholder Loan have been extended for another year to 18 February 2025 and 15 January 2025, respectively. RIEV will continue to seek further extension of the Vietnam shareholder loans from Mr. Li.

The Group incurred a loss of approximately HK$74.9 million for the Reporting Period, and had net current liabilities of approximately HK$23.1 million, net liabilities of approximately HK$175.8 million and bank balances and cash of approximately HK$7.2 million as at 31 December 2023. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The Company's auditor expressed a disclaimer of opinion on the consolidated financial statements of the Group for the Reporting Period. According to the Company's auditor, because of the potential interaction of multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements, it is not possible to form an opinion on the consolidated financial statements (the "Disclaimer of Opinion"). In all other respects, in the opinion of the Company's auditor, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

However, as at 31 December 2023, if the current portion of shareholder loans and the remunerations payable to the chairman of the Company (as included in other payables and accruals) were excluded from current liabilities, net current liabilities of the Group would be reduced to approximately HK$2.6 million. With the support of shareholder loans and the proposed equity fund raising, the Group believes that it will be able to cover its debt and payables due within one year. Despite the expanded and sharp drop in revenue and the significant increase in loss, net cash used in operating activities drop substantially by approximately 53.1% year-on-year to approximately HK3.8 million for the Reporting Period. Moreover, as at 31 December 2023, the Group had no bank borrowings, and the Outstanding Convertible Notes, the shareholder loans and the remunerations payable to the chairman of the Company accounted for approximately 92.1% of total liabilities. Excluding the Outstanding Convertible Notes, the shareholder loans and the remunerations payable to the chairman of the Company, net liabilities of the Group would be reduced to approximately HK$2.9 million. As the Noteholder is a substantial shareholder of the Company and providing shareholder loans to support its continuous operation, the Company believes that the Noteholder will not request the Company to redeem the Outstanding Convertible Notes and repay the shareholder loans upon maturity causing the Company insolvent. Furthermore, the Company believes that the chairman of the Company will not demand payment for the remunerations payable to her causing the Company insolvent.

Nonetheless, the Company believes that the Group's bank balances and cash of approximately HK$7.2 million as at 31 December 2023 are on the low side, albeit an improvement from approximately HK$6.4 million as at 31 December 2022. To improve its liquidity, the Group has signed the shareholder loan agreements with Mr. Li. However, economic uncertainties and the Covid-19 pandemic have affected the transfer of shareholder loans. During the Reporting Period, total amount of shareholder loans received by the Group was approximately HK$5.9 million. Subsequent to the Reporting Period, the amount of shareholder loans received by the Group was approximately HK$1.9 million. As at the date of this report, Mr. Li has transferred part of the 2021 Shareholder Loans in the amount of approximately HK$12.0 million to the Group.

Apart from the shareholder loans, the Company has made a request to its bank in Hong Kong for a commercial loan but its request has been declined by the bank probably due to the loss-making position of the Group. To improve the financial position and support future development of the Group, the Company's financial advisor (the "FA") has been assisting the Company in exploring avenues to raise funds by equity financing. As at the date of this report, the Company has not been able to raise equity funds on acceptable terms probably due to the Group's financial position and market conditions. As informed by the FA and announced by the Company on 21 June 2023, Mr. Li has formally appointed professional advisers to explore ways and means to enhance the liquidity position and business prospect of the Company. In addition to continuing to provide financial support towards the business operation of the Company, Mr. Li has been soliciting not less than five potential investors to invest in the Company. Based on the proposals received by Mr. Li thus far, it is expected that the amount of equity fund raising from the potential investors will be sufficient to settle a substantial amount of the Company's debt and provide the Company with additional working capital for its business operation. However, while discussions with the potential investors are still on going, no legally binding term sheets and/or agreements have been entered into as at the date of this report. Subject to availability and market conditions, the board (the "Board") of directors (the "Director(s)") of the Company hopes to conduct equity fund raising on acceptable terms by 31 December 2024. The Company is also in continuous discussion with the Noteholder on partial conversion of the Outstanding Convertible Notes. However, the Noteholder is advised of the likelihood that the conversion of the Outstanding Convertible Notes may render the Noteholder be obliged to make a general offer for the Company's shares as required under the Hong Kong Code on Takeovers and Mergers.

Based on the information currently available to the Board, the Directors and the audit committee of the Company (the "Audit Committee") are of the view that with the amount of shareholder loans received subsequent to the Reporting Period, the grant of the Remaining 2021 HK Shareholder Loan according to the Revised Schedule and the proposed equity fund raising, the Group will have sufficient working capital to meet its financial obligations as they fall due for the next twelve months from the end of the Reporting Period. Accordingly, the consolidated financial statements for the Reporting Period have been prepared on a going concern basis. However, the Company wishes to highlight that the successful outcome of the aforementioned is subject to multiple uncertainties, as amid the economic uncertainties, the progress in the grant of the Remaining 2021 HK Shareholder Loan, internally generated cash flows and the outcome of the proposed equity fund raising will affect the liquidity and going concern of the Group.

As reported in the 2022 Annual Report, the Company understands from Mr. Li that economic uncertainties and the Covid-19 pandemic have affected and delayed his business projects and cash flows in Vietnam, and accordingly the transfer of shareholder loans to the Group. The Group will maintain continuous communication with Mr. Li in respect of the remaining Shareholder Loans. According to Mr. Li based on the latest communication and the Letter of Undertaking, he remains committed to the remaining Shareholder Loans and expects to advance the Remaining 2021 HK Shareholder Loan according to the Revised Schedule. However, amid the current uncertain economic environment, there may be further delays in the grant of the Remaining 2021 HK Shareholder Loan, and internally generated cash flows may not turn out to be supportive given the high uncertainty faced by the Group's electronic products business. Furthermore, as the Group is currently registering net liabilities and loss making, there may be concerns among investors about the Company's viability and sustainability, which may reflect in the current low share price of the Company. Under such circumstances, the Company may or may not succeed in its proposed equity fund raising, even if the Company is willing to raise funds at prevailing market price or a discount.

The Audit Committee has critically reviewed the management's position and basis concerning the Disclaimer of Opinion and agreed with the management's position and basis, including on matters involving management's substantial judgements. The auditor reported to and discussed with the Audit Committee about going concern and the Disclaimer of Opinion with details as set out in note 1 to the consolidated financial statements and the Independent Auditor's Report on pages 57 to 59 of this report. If the uncertain economic environment is not too volatile, the Group manages to improve its electronic products business or succeed in seeking sufficient and profitable new business and the Company is able to receive the Remaining 2021 HK Shareholder Loan according to the Revised Schedule, succeed in the proposed equity fund raising and obtain more funds from Mr. Li or other sources before the annual results announcement for the year ending 31 December 2024 to ensure that the Group will have sufficient working capital to meet its financial obligations as they fall due for at least the next twelve months from 31 December 2024, the Directors believe that the Disclaimer of Opinion could be removed in the next year's consolidated financial statements. Irrespective of the outcome of the aforementioned, the Group will continue to seek other source of funding to improve its cash and financial position. For more details about the going concern basis of the Group and the Disclaimer of Opinion, please refer to the paragraphs headed "Going Concern Basis" in the Corporate Governance Report on pages 27 and 28 of this report, note 1 to the consolidated financial statements and the Independent Auditor's Report on pages 57 to 59 of this report.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group mainly finances its business operations with internally generated cash flows and other sources.

As at 31 December 2023, the Group had bank balances and cash of approximately HK$7.2 million (2022: HK$6.4 million). The Group's current ratio (measured as total current assets to total current liabilities) was 0.4 times (2022: 1.3 time).

Management Discussion and Analysis

As at 31 December 2023, the Company had outstanding zero coupon convertible notes due on 31 January 2025 with an aggregate principal amount of HK$158.4 million (2022: HK$158.4 million) and a conversion price of HK$1.00 (2022: HK$1.00) per share.

As at 31 December 2023, the Group had no outstanding bank borrowings (2022: nil) and loans from a substantial shareholder of approximately HK$28,812,000 (2022: HK$25,863,000) which is unsecured, non-interest bearing and repayable on maturity. The gearing ratio, which is calculated by total interest bearing borrowings to total equity, was nil as at 31 December 2023 and 2022.

As at 31 December 2023, the Group had no capital expenditure commitments (2022: nil).

SIGNIFICANT INVESTMENTS

The Group did not have any significant investments during the Reporting Period.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group did not have any material acquisitions or disposals of subsidiaries and associated companies during the Reporting Period.

CHARGE ON GROUP'S ASSETS

As at 31 December 2023, the Group did not have any assets pledged (2022: nil).

FOREIGN EXCHANGE EXPOSURES

The Group mainly earns revenue and incurs costs in Hong Kong dollars, U.S. dollars and Renminbi ("RMB"). The management is aware of the possible exchange rate exposure resulted from the fluctuation of RMB against the Hong Kong dollars and will closely monitor its impact on the performance of the Group to determine if any hedging policy is necessary. With regard to the U.S. dollars, foreign exchange exposure would be minimal so long as the Hong Kong SAR Government's policy to peg the Hong Kong dollars to the U.S. dollars remains in effect.

CONTINGENT LIABILITY

Details of the contingent liability of the Group are set out in note 34 to the consolidated financial statements.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2023, the Group had 22 (2022: 34) full time employees in Hong Kong, the People's Republic of China (the "PRC" or "China") and Vietnam. Total staff costs (including Directors' remuneration) for the Reporting Period amounted to approximately HK$18.0 million (2022: HK$18.0 million). The employees (including Directors) are remunerated with reference to the qualification, experience, responsibility and performance of the individual, the performance of the Group and the market practices. Apart from the basic remuneration package, the mandatory provident fund scheme, the central provident scheme in the PRC and the state pension scheme in Vietnam, the Company also operated a share option scheme (which has expired on 7 June 2022) based on which the Board, at its discretion, grant options to eligible employees of the Group.

FUTURE OUTLOOK

The global economic recovery from the Covid-19 pandemic, the war in Ukraine and the cost-of-living crisis is proving surprisingly resilient, according to the International Monetary Fund (the "IMF"). The global economy begins the final descent toward a soft landing, with inflation declining steadily and growth holding up. But the pace of expansion remains slow, and turbulence may lie ahead. The IMF projected global growth to remain at 3.1% in 2024 before rising modestly to 3.2% in 2025. The forecast for 2024-25 is, however, below the historical (2000-19) average of 3.8%, with elevated central bank policy rates to fight inflation, a withdrawal of fiscal support amid high debt weighing on economic activity, and low underlying productivity growth. Inflation is falling faster than expected in most regions, in the midst of unwinding supply-side issues and restrictive monetary policy. Global headline inflation is expected to fall to 5.8% in 2024 and 4.4% in 2025. World trade growth is projected at 3.3% in 2024 and 3.6% in 2025, below its historical average growth rate of 4.9%. Rising trade distortions and geoeconomic fragmentation are expected to continue to weigh on the level of global grade. Risks to global growth are broadly balanced and the downside may include commodity price spikes from geopolitical shocks, supply disruptions or more persistent underlying inflation prolonging tight monetary conditions, deepening property sector woos in China, and a disruptive turn to tax hikes and spending cuts.

Management Discussion and Analysis

China's economy grew by 5.2% in 2023, beating the official target of around 5.0% and outpacing growth of 3.0% in 2022 when the country was hit by wide-spread Covid-19 lockdowns. However, the post-Covid recovery has been perceived as subdued, weighed down probably by a prolonged property downturn, high local government debt, weak demand and heightened geopolitical tensions. While the 2023 growth was helped by a low base effect, economists believe that it may be more challenging to meet a growth target of around 5.0% this year. The IMF projected China's growth to slow to 4.6% in 2024 and 4.0% in 2025 amid the ongoing weakness in the property sector and subdued external demand. Over the medium term, growth is projected to gradually decline further and is projected at 3.5% in 2028 amid headwinds from weak productivity and population aging. The IMF cautioned that uncertainty surrounding the outlook is high, particularly given the existing large imbalances and associated vulnerabilities. Deeper-than-expected contraction in the property sector could further weigh on private demand and worsen confidence, amplify local government fiscal strains, and result in disinflationary pressures and adverse macro-financial feedback loops. Greater-than-expected weakening of external demand, tightening of global conditions, and increased geopolitical tensions also pose considerable downside risks. (Reference is made to IMF documents and reports, and reports in Financial Times and South China Morning Post.)

According to the performance of the electronic products business in the Reporting Period together with the remarkable changes happened in the products requirements for our customers, it is expected that the coming year will be very uncertain for the electronic products business to sustain if the Group is incapable to upgrade the products to cope with the semiconductor market requirement. While the Group's electronic products business is facing high uncertainty, the Company has been seeking and exploring business opportunities in Vietnam to improve the prospect of the Group.

EXECUTIVE DIRECTORS

Ms. Li Yang ("Ms. Li"), aged 31, was appointed as an executive Director and the chairman of the Board (the "Chairman") on 22 January 2020. Ms. Li graduated from the University of Sussex in 2015 with a bachelor's degree in law. She obtained a Master of Laws degree in international corporate governance and financial regulation from the University of Warwick in 2016. Ms. Li worked as a paralegal at a large law firm in the PRC from November 2017 to May 2019. She was also the chairman of RIEV, a subsidiary of the Company in Vietnam, from June 2018 to August 2019 and she is currently a director of certain subsidiaries of the Company in Hong Kong. Ms. Li is the daughter of Mr. Li Weimin, a substantial shareholder (as defined in the Listing Rules) of the Company.

Mr. Huang Hanshui ("Mr. Huang"), aged 53, was appointed as an executive Director on 9 March 2010. Mr. Huang holds a Master of Business Administration (MBA) degree from the National University of Singapore and a Bachelor of Arts degree from Xiamen University. Mr. Huang has over 28 years of experience in various areas, including financial and compliance management, equity research, strategic management, human resources services and sales & marketing. Prior to joining the Company, he worked as an equity analyst in Nomura Securities and Standard & Poor's. Mr. Huang is currently the chief financial officer of the Company and a director of certain subsidiaries of the Company.

Mr. Yang Junjie ("Mr. Yang"), aged 47, was appointed as an executive Director on 24 June 2019. Mr. Yang graduated from the Party School of Luohe Municipal Committee of Henan Province* (河南省漯河市委黨校) with a diploma in computer science in July 1996 and was awarded the degree of Executive Master of Business Administration at the Euro-China International Business College in July 2009. He worked as a department manager in CITIC Logistics Company Limited* (中信物流有限公司) ("CITIC Logistics") from April 1999 to January 2006. He was assigned by CITIC Logistics to serve as the deputy general manager of Ningbo Lingxin Logistics Company Limited* (寧波菱信物流有限公司), being a company held as to 40% by CITIC Logistics, from January 2006 to December 2013. The Company indirectly held 90% of the entire equity interest in CITIC Logistics from November 2011 to December 2012. Mr. Yang was the manager of Vietex Company Limited (越南快運有限公司*), being a company indirectly held as to 49% by Mr. Li Weimin and his associate(s) (as defined under the Listing Rules), from April 2015 to March 2017. Mr. Yang was the legal representative and general manager of RIEV from March 2017 to August 2019 and he was the chairman of RIEV from August 2019 to August 2022.

* *For identification purpose only*

Biographical Details of Directors

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Chi Fai ("Mr. Ho"), aged 67, was appointed as an independent non-executive Director on 15 January 2004. Mr. Ho graduated from the Hong Kong Polytechnic University in 1979 with a Higher Diploma in Accountancy. Prior to joining the Company, he had over 20 years of experience working in an international bank with particular expertise in money market operations and accounting and was the financial controller of a computer manufacturer and an electronic components manufacturer.

Mr. Zhang Jue ("Mr. Zhang"), aged 38, was appointed as an independent non-executive Director on 20 February 2016. Mr. Zhang obtained a bachelor's degree with a major in Financial Management from Shanghai University of Finance and Economics in 2007 and a Master's degree of Accounting from Tsinghua University in 2015. Mr. Zhang has over 16 years of experience in various areas, including investment, financial management, market research and auditing. Mr. Zhang worked as a senior manager from December 2012 to December 2013 and as the financial controller from December 2013 to June 2014 in China New Town Development Company Limited, the shares of which is listed on the main board of the Stock Exchange (stock code: 1278). From December 2012 to June 2017, he served as a vice president in Beijing Black Eagle Fu Cheng Investment Management Co. Ltd. *（北京黑鷹富成投資管理有限公司）and/or its related companies. Since July 2017, he served as a vice general manager of Beijing Qingkong Xinye Investment Management Co. Ltd. *（北京青控新業投資管理有限公司）. Mr. Zhang is currently an independent non-executive director of Golden Ponder Holdings Limited, the shares of which is listed on the main board of the Stock Exchange (stock code: 1783), a director of CCL Cold Storage Logistics Co., Ltd. *（北京中冷物流股份有限公司）and Shanghai Shaohua Culture Communication Co. Ltd.*（上海韶華文化傳播股份有限公司）, the shares of which are quoted on the National Equities Exchange and Quotations of the PRC (stock code: 835382 and 871677, respectively).

Mr. Leung Ka Tin ("Mr. Leung"), aged 70, was appointed as an independent non-executive Director on 1 November 2022. Mr. Leung holds a Diploma in Management Studies, and has over 35 years of management experience in banking, treasury operation, project finance, telecommunication, corporate finance, logistics and human resources. He was a member of the senior management teams in various financial institutions, including FPB Asia Limited, Nedcor (Asia) Limited, BfG: Finance Asia Limited, and Delta Asia Financial Group, as well as of companies in the logistics and telecommunication sectors, including EAS Da Tong Group and Trident Telecom Ventures Limited. Mr. Leung's extensive experience covers both professional management and entrepreneurship, and he has a thorough understanding of the manufacturing market. From March 2010 to February 2012, Mr. Leung worked as a Project Director for SSC Mandarin Group Limited, a corporate financial advisory firm. From January 2012 to May 2013, Mr. Leung was a consultant for Chun On Management Limited, and in September 2012 became a consultant for Galaxy Master Fund SPC. Mr. Leung worked as an independent non-executive director for a number of companies listed on the Stock Exchange: Narnia (Hong Kong) Group Company Limited (stock code: 8607) from January 2019 to September 2019; Rentian Technology Holdings Limited ("Rentian Technology") (stock code: 885) from May 2019 to March 2020; Evershine Group Holdings Limited (stock code: 8022) from January 2021 to March 2021; and PanAsialum Holdings Company Limited (stock code: 2078) from February 2017 to March 2023. Mr. Leung was also the executive director of National Agricultural Holdings Limited (stock code: 1236) from 4 October 2019 to 21 October 2019. Mr. Leung is currently an independent non-executive director of China Apex Group Limited (formerly known as KEE Holdings Company Limited) (stock code: 2011) since February 2016, which is listed on the Stock Exchange.

* *For identification purpose only*

Report of the Directors

The Board presents their report and the audited consolidated financial statements of the Company and its subsidiaries for the Reporting Period.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries as at 31 December 2023 are set out in note 35 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income on pages 60 and 61 of this report.

The Board does not recommend the payment of final dividend for the Reporting Period (2022: nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the past five financial years is set out on page 138 of this report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in note 27 to the consolidated financial statements.

CONVERTIBLE NOTES

Details of movements in the convertible notes of the Company during the Reporting Period are set out in note 25 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the Reporting Period are set out in the consolidated statement of changes in equity and note 29 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company did not have any reserves available for distribution, as computed in accordance with the Companies Act 1981 of Bermuda (2022: nil). The Company's share premium account of approximately HK$2,374,265,000 (2022: HK$2,374,265,000) could be distributed in the form of fully paid bonus shares.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the bye-laws of the Company ("Bye-law(s)") or the laws in Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company ("Shareholder(s)").

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

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 17 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the largest customer and the five largest customers of the Group accounted for 91.2% and 96.8%, respectively, of the total revenue of the Group for the Reporting Period.

The aggregate purchases attributable to the largest supplier and the five largest suppliers of the Group accounted for 73.1% and 99.2%, respectively, of the total purchases of the Group for the Reporting Period.

None of the Directors, their associates or any Shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in the five largest customers or suppliers.

DIRECTORS

The Directors during the Reporting Period and up to the date of this report were:

Executive Directors

Ms. Li Yang
Mr. Huang Hanshui
Mr. Yang Junjie

Independent non-executive Directors

Mr. Ho Chi Fai
Mr. Zhang Jue
Mr. Leung Ka Tin

Pursuant to Bye-law 87, Ms. Li Yang and Mr. Ho Chi Fai will retire by rotation at the forthcoming annual general meeting of the Company (the "2024 AGM") and, being eligible, will offer themselves for re-election at the 2024 AGM.

None of the Directors being proposed for re-election at the 2024 AGM has a director service contract with the Company which is not determinable by the Company within one year without payment of compensations, other than statutory compensation.

Save as disclosed above, there is no other information regarding Directors that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Reporting Period.

Report of the Directors

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or their respective associates had an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' remuneration and those of the five highest paid individuals in the Group are set out in notes 15 and 16 to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2023, none of the Directors, the chief executive of the Company (the "Chief Executives") or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO), or which had to be recorded in the register required to be kept under Section 352 of the SFO, or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and neither the Directors nor the Chief Executives, or any of their spouses or children under the age of 18, had any rights to subscribe for the equity or debt securities of the Company, or had exercised any such rights.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2023, the register of substantial Shareholder maintained by the Company pursuant to Section 336 of the SFO shows that the following Shareholder had notified the Company of relevant interests in the issued share capital of the Company.

Long positions in the shares and underlying shares of the Company:

Name of substantial Shareholder	Capacity	Number of shares and underlying shares held	Percentage of shareholding
Mr. Li Weimin (note)	Beneficial owner	181,686,357	216.25%

Note: Mr. Li is interested in 181,686,357 shares, consisting of (i) an interest in 23,286,357 shares beneficially owned and held in his own name; and (ii) a derivative interest in 158,400,000 conversion shares to be allotted and issued upon full conversion of the outstanding convertible notes issued to him by the Company with an aggregate principal amount of HK$158,400,000.

Save as disclosed above, the Company had not been notified any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO as at 31 December 2023.

SHARE OPTION SCHEME

At the Company's annual general meeting held on 8 June 2012, the Company terminated the old share option scheme and adopted a new share option scheme which has expired on 7 June 2022. Details are set out in note 28 to the consolidated financial statements.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business were entered into or existed during the Reporting Period.

Report of the Directors

CONNECTED TRANSACTION

During the Reporting Period, there were no connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent Shareholders' approval requirements under the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float as required under the Listing Rules as at the date of this report.

AUDITOR

SHINEWING (HK) CPA Limited will retire and, being eligible, will offer themselves for re-appointment as auditor of the Company at the 2024 AGM.

On behalf of the Board

Li Yang
Chairman

Hong Kong, 28 March 2024

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance. During the Reporting Period, the Company has applied the principles of and complied with the code provisions ("Code Provision(s)") set out in the Corporate Governance Code (the "CG Code") contained in Appendix C1 of the Listing Rules except for the following deviations:

Under the Code Provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The duties and responsibilities of the chief executive were shared among the members of the Board during the Reporting Period. In view of the size of operation of the Group, the Board considers that it will be suitable for implementing the Company's strategies under this arrangement. The Board shall review this arrangement from time to time to ensure appropriate and timely action is taken to meet changing circumstances.

The Directors will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making process are regulated in a proper and prudent manner.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises a balanced composition of Directors who possess a wide spectrum of relevant skills and experience, including three executive Directors and three independent non-executive Directors. All Directors are expressly identified in all corporate communications. The biographical details of each Director are set out on pages 11 to 12 of this report. The Board has established five Board committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee, the Investment Committee and the Environmental, Social and Governance ("ESG") Committee (together the "Board Committees").

During the Reporting Period, the attendance of the Directors at the Board meetings, Audit Committee meetings, Remuneration Committee meetings, Nomination Committee meeting, Investment Committee meetings, ESG Committee meeting, the Company's annual general meeting held on 5 June 2023 ("2023 AGM") is given below and their respective responsibilities are discussed later in this report.

	No. of meetings attended/held						
	2023 AGM	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meeting	Investment Committee meetings	ESG Committee meeting
Executive Directors							
Ms. Li Yang	1/1	5/5	N/A	N/A	1/1	N/A	1/1
Mr. Huang Hanshui	1/1	5/5	N/A	N/A	N/A	N/A	1/1
Mr. Yang Junjie	1/1	5/5	N/A	N/A	N/A	N/A	N/A
Independent non-executive Directors							
Mr. Ho Chi Fai	1/1	5/5	2/2	2/2	1/1	2/2	N/A
Mr. Zhang Jue	1/1	5/5	2/2	2/2	1/1	2/2	N/A
Mr. Leung Ka Tin	1/1	5/5	2/2	2/2	N/A	2/2	N/A

The Board is accountable to Shareholders for the performance and activities of the Company and is primarily responsible for setting directions, formulating strategies, monitoring performance and managing risks of the Group. The day-to-day management, operation and administration of the Company are delegated to the management executives while certain key matters such as making recommendation of dividend or other distributions and appointment of Directors are reserved for the approval by the Board.

The Board held meetings from time to time whenever necessary. Notice of at least fourteen days has been given to all Directors for all regular board meetings and the Directors can include matters for discussion in the agenda if necessary. Agenda and accompanying board papers in respect of regular Board meetings are sent to all Directors within reasonable time before the meeting. Minutes of Board meetings and meetings of the Board Committees are kept by the secretary of the meetings and all Directors have access to board papers and related materials, and are provided with adequate information on a timely manner, which enable the Board to make an informed decision on matters placed before it.

In case a Director has a material interest in the subject matter to be considered by the Board, a Board meeting should be held and such Director must abstain from voting and not being counted towards the quorum in respect of the subject matter of the meeting.

All Directors are regularly updated on governance and regulatory matters. There is an established procedure for Directors to obtain independent professional advice at the expense of the Company in discharge of their duties.

During the Reporting Period, the Board complies at all times with the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors and one of them has appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each independent non-executive Director an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company is of the opinion that the independent status of them remains intact as at 31 December 2023.

DIRECTORS' TRAINING

Under the Code Provision C.1.4 of the CG Code, all directors should participate in continuous development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant. The Directors are continuously updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. The Company has provided timely technical updates, including the briefing on the amendments on the Listing Rules and the news release published by the Stock Exchange to the Directors. Continuous briefing and seminars on professional development for Directors are arranged where necessary. Up to the date of this report, all Directors have attended in-house seminars on regulatory and corporate governance matters and the Company has received from each of the Directors the confirmation on continuous professional training, as recorded in the table below:

	Seminars or trainings on regulations and updates	Reading guides and papers relating to regulations and directors' duties
Executive Directors		
Ms. Li Yang	✓	✓
Mr. Huang Hanshui	✓	✓
Mr. Yang Junjie	✓	✓
Independent Non-Executive Directors		
Mr. Ho Chi Fai	✓	✓
Mr. Zhang Jue	✓	✓
Mr. Leung Ka Tin	✓	✓

DIRECTORS' INSURANCE

The Company has arranged appropriate insurance cover in respect of legal action against the Directors.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman is responsible for the leadership and effective running of the Board and ensuring that all significant and key issues are discussed and where required, timely and constructively resolved by the Board.

The chief executive officer of the Company (the "CEO") was delegated with the authority and responsibility to manage the Group's business in all aspects effectively, implement major strategies, make day-to-day decision and coordinate overall business operation. During the Reporting Period, the duties and responsibilities of the CEO were shared among the members of the Board. In view of the size of operation of the Group, the Board considers that it will be suitable for implementing the Company's strategies under this arrangement. The Board shall review this arrangement from time to time to ensure appropriate and timely action is taken to meet changing circumstances.

APPOINTMENT, RE-ELECTION AND REMOVAL

Each of the executive Directors is engaged on a service contract. Each of the independent non-executive Directors (except Mr. Ho Chi Fai) is engaged with an appointment letter from the Company for a fixed term of three years, which will continue thereafter until terminated by either party by giving not less than one month notice in writing to the other party, and his/her term of office is subject to retirement by rotation and re-election in accordance with the Bye-laws and the Listing Rules.

According to the Bye-laws, one-third of the Directors shall retire from office by rotation at each annual general meeting. Any director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election at that meeting.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Bye-laws. The Nomination Committee is responsible for reviewing the Board composition, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors.

NOMINATION COMMITTEE

The Nomination Committee currently comprises three members, namely, Ms. Li Yang (the chairman of the Nomination Committee), an executive Director, Mr. Ho Chi Fai and Mr. Zhang Jue, independent non-executive Directors.

The Board adopted the board diversity policy (the "Board Diversity Policy") in accordance with the requirements set out in the Listing Rules. Such policy aims to achieve diversity on the Board in supporting the attainment of its strategic objectives and its sustainable development. Selection of candidates on the Board will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The Company targets to maintain a Board with difference gender, and gender diversity is achieved in respect of the Board. The Company is conscious of gender diversity when considering potential successors to the Board to achieve gender diversity. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The primary duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and to identify individuals suitably qualified to become board members. It is also responsible for assessing the independence of independent non-executive Directors and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors. The Nomination Committee will also review the Board Diversity Policy to ensure its effectiveness. The recommendations of the Nomination Committee are then put forward for consideration and adoption, where appropriate, by the Board.

During the Reporting Period, one Nomination Committee meeting was held to review the structure, size and composition of the Board, the retirement and re-appointment arrangement of the Directors in the 2023 AGM, and review the effectiveness of the Board Diversity Policy. The terms of reference of the Nomination Committee are consistent with the terms set out in the relevant section of the CG Code.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee to ensure that there are formal and transparent procedures for setting policies on the remuneration of Directors. The Remuneration Committee currently comprises all independent non-executive Directors, namely, Mr. Zhang Jue (the chairman of the Remuneration Committee), Mr. Ho Chi Fai and Mr. Leung Ka Tin.

The Company has adopted the model to make recommendations to the Board to determine the remuneration packages of Directors and senior management.

During the Reporting Period, two Remuneration Committee meetings were held to review the remuneration packages of the Directors and make recommendations to the Board for the remuneration package of a renewed executive Director. The Remuneration Committee ensures that no Director is involved in deciding his own remuneration. The terms of reference of the Remuneration Committee are consistent with the terms set out in the relevant section of the CG Code.

AUDIT COMMITTEE

The Audit Committee currently comprises all independent non-executive Directors, namely, Mr. Ho Chi Fai (the chairman of the Audit Committee), Mr. Zhang Jue and Mr. Leung Ka Tin.

The primary duties of the Audit Committee include to make recommendations to the Board for appointment, reappointment and removal of the Company's external auditor, to review and monitor its independence and objectivity, and to develop and implement policy on the engagement of non-audit services by the Company's external auditor. Apart from monitoring the integrity of financial statements, the Audit Committee also oversees the Company's financial reporting system, risk management and internal control systems.

During the Reporting Period, two Audit Committee meetings were held to review the interim and final results of the Group, the financial reporting matters as well as the risk management and internal control systems of the Group. The terms of reference of the Audit Committee are consistent with the terms set out in the relevant section of the CG Code.

AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about its reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 57 to 59 of this report.

For the Reporting Period, the remuneration paid/payable to the external auditor of the Company, SHINEWING (HK) CPA Limited and its affiliate company in respect of audit and non-audit services provided by them to the Group, are set out below:

	HK$'000
Audit services	953
Non-audit services:	
– Taxation services	68
– Others	24
	92
	1,045

DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy") on 24 December 2018. Under the Dividend Policy, provided that the Group is profitable and without affecting the normal operations of the Group, the Company may consider to declare and pay dividends to the Shareholders.

In deciding whether to propose any dividend payout, the Board will consider, among others, the Group's earnings performance, financial condition, investment requirements, future prospects, the interests of Shareholders, and other factors which the Board may deem relevant. According to the Dividend Policy, the declaration, form, frequency and amount of any dividend payout of the Company must be in accordance with relevant laws, rules and regulations and subject to the memorandum of association of the Company (the "Memorandum of Association"). In accordance with the Memorandum of Association, any dividends declared by the Company must be approved by an ordinary resolution of the Shareholders at an annual general meeting of the Company and must not exceed the amount recommended by the Board. Moreover, in addition to cash, the dividends may be paid up in the form of the Company's shares, by the distribution of specific assets of any kind or by distribution of any one or more of such ways.

The Board will continue to review the Dividend Policy from time to time and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time. The Dividend Policy shall in no way constitute a legally binding commitment by the Company in respect of its future dividend and/or in no way obligate the Company to declare a dividend at any time or from time to time.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of the Directors, all the Directors confirmed that they had complied with the required standards as set out in the Model Code for the Reporting Period.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as below:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual applicable to employees of the Company and Directors; and

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The terms of reference of the corporate governance functions of the Board are consistent with the terms set out in the relevant section of the CG Code.

RESPONSIBILITY FOR PREPARATION AND REPORTING OF FINANCIAL STATEMENTS

The management has regularly provided explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval. The Directors acknowledge their responsibility for preparing the financial statements and presenting a balanced, clear and understandable assessment of the Company's annual and interim reports, other financial disclosures required under the Listing Rules and reports to regulators. The statement by the auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Group is set out in the "Independent Auditor's Report" on pages 57 to 59 of this report.

GOING CONCERN BASIS

Under the Code Provision D.1.3 of the CG Code, the Directors are responsible for preparing the accounts, and where the Directors are aware of material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, this should be disclosed and discussed.

The Group incurred a loss of approximately HK$74.9 million for the Reporting Period, and had net current liabilities of approximately HK$23.1 million, net liabilities of approximately HK$175.8 million and bank balances and cash of approximately HK$7.2 million as at 31 December 2023. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

However, as at 31 December 2023, if the current portion of shareholder loans and the remunerations payable to the chairman of the Company (as included in other payables and accruals) were excluded from current liabilities, net current liabilities of the Group would be reduced to approximately HK$2.6 million. With the support of shareholder loans and the proposed equity fund raising, the Group believes that it will be able to cover its debt and payables due within one year. As at 31 December 2023, the Group had no bank borrowings, and the Outstanding Convertible Notes, the shareholder loans and the remunerations payable to the chairman of the Company accounted for approximately 92.1% of total liabilities. Excluding the Outstanding Convertible Notes, the shareholder loans and the remunerations payable to the chairman of the Company, net liabilities of the Group would be reduced to approximately HK$2.9 million. As the Noteholder is a substantial shareholder of the Company and providing shareholder loans to support its continuous operation, the Company believes that the Noteholder will not request the Company to redeem the Outstanding Convertible Notes and repay the shareholder loans upon maturity causing the Company insolvent. Furthermore, the Company believes that the chairman of the Company will not demand payment for the remunerations payable to her causing the Company insolvent.

Nonetheless, the Company believes that the Group's bank balances and cash of approximately HK$7.2 million as at 31 December 2023 are on the low side, albeit an improvement from approximately HK$6.4 million as at 31 December 2022. To improve its liquidity, the Group has signed the shareholder loan agreements with Mr. Li. However, economic uncertainties and the Covid-19 pandemic have affected the transfer of shareholder loans. During the Reporting Period, total amount of shareholder loans received by the Group was approximately HK$5.9 million. Subsequent to the Reporting Period, the amount of shareholder loans received by the Group was approximately HK$1.9 million. As at the date of this report, Mr. Li has transferred part of the 2021 Shareholder Loans in the amount of approximately HK$12.0 million to the Group. According to Mr. Li based on the latest communication and the Letter of Undertaking, he remains committed to the remaining Shareholder Loans and expects to advance the Remaining 2021 HK Shareholder Loan according to the Revised Schedule. In addition, to improve the financial position and support future development of the Group, the FA has been assisting the Company in exploring avenues to raise funds by equity financing. Subject to availability and market conditions, the Board hopes to conduct equity fund raising on acceptable terms by 31 December 2024.

Based on the information currently available to the Board, the Directors and the Audit Committee are of the view that with the amount of shareholder loans received subsequent to the Reporting Period, the grant of the Remaining 2021 HK Shareholder Loan according to the Revised Schedule and the proposed equity fund raising, the Group will have sufficient working capital to meet its financial obligations as they fall due for the next twelve months from the end of the Reporting Period. Accordingly, the consolidated financial statements for the Reporting Period have been prepared on a going concern basis.

However, the Company wishes to highlight that the successful outcome of the aforementioned is subject to multiple uncertainties, as amid the economic uncertainties, the progress in the grant of the Remaining 2021 HK Shareholder Loan, internally generated cash flows and the outcome of the proposed equity fund raising will affect the liquidity and going concern of the Group. For further details, please refer to the paragraphs headed "Business and Financial Review" in Management Discussion and Analysis on pages 4 to 7 of this report and note 1 to the consolidated financial statements.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the risk management and internal control systems and for reviewing their effectiveness. The Group emphasises the importance of sound risk management and internal control systems which are indispensable for mitigating the Group's key risk exposures. The Group's risk management and internal control systems include a defined management structure with limits of authority, and are designed for the Group to identify and manage the significant risks to achieve its business objectives. The systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risks of failure in the Group's operational systems and in the achievement of the Group's business objectives.

The Group has adopted a three-tier risk management approach to identify, assess and manage different types of risks. The Group is committed to the identification, evaluating, and management of risks associated with its business activities through ongoing assessment of a risk register, by considering the likelihood and impact of each identified risk. For any identified significant risks, the Group will evaluate its financial or operational impacts to the Group and adopt mitigation measures to manage such risks.

The Group has developed an internal control system, which covers major financial, operational and compliance controls to safeguard its assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The internal control system is reviewed on an ongoing basis by the Board and the Audit Committee annually. For any identified internal control weaknesses or defects, the Group will enhance control measures to rectify such control weaknesses or defects.

Under Code Provision D.2.5 of the CG Code, the Group should have an internal audit function. The Group has conducted an annual review for the need of setting up an internal audit department. Given the Group's simple operating structure, it was decided that the Board, supported by the Audit Committee, would be directly responsible for risk management and internal control systems of the Group.

During the Reporting Period, the Company engaged an external independent consultant to conduct an independent review on the risk management and internal control systems of the Group. Mitigation measures have been put in place to manage significant risks and no material control weaknesses or defects were found. Risk assessment report and internal control report were submitted to and approved by the Board and the Audit Committee.

The Board through the Audit Committee and the external independent consultant had conducted an annual review on the risk management and internal control systems of the Group for the Reporting Period. The review covered material controls, including financial, operational and compliance controls and risk management functions of the Group. The Board considered that the risk management and internal control systems of the Group were effective and adequate during the Reporting Period. The improvement of the systems of risk management and internal control is an ongoing process and the Board maintains a continuing commitment to strengthen the Group's control environment and processes.

Procedures and internal controls for the handling and dissemination of inside information

The Group has put in place the procedures and internal controls for the handling and dissemination of inside information. The Group complies with requirements of the SFO and the Listing Rules during the Reporting Period. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements or circulars are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

COMPANY SECRETARY

All Directors have access to the advice and services of the company secretary of the Company, Ms. Tsang Man Sze ("Ms. Tsang"), a full time employee of the Company. Ms. Tsang has undertaken sufficient hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS

The Company aims to provide its Shareholders and investors with high standard of disclosure and financial transparency. The Board is committed to provide clear and detailed information of the Group to Shareholders in a timely manner and on a regular basis through the publication of interim and annual reports and/or dispatching circulars, notices and other announcements which are placed on the websites of the Company and the Stock Exchange.

Shareholders are welcome to attend Shareholder's meeting where they are fully briefed on the Company's activities and questions can be raised to the Board and the management. The Board proposes separate resolutions for each issue to be considered and put each proposed resolution to the vote by way of a poll. Poll results will be posted on the websites of the Company and the Stock Exchange after Shareholders' meetings.

The Board reviewed the implementation and effectiveness of the shareholders' communication policy and considered it to be effective during the Reporting Period.

SHAREHOLDERS' RIGHTS

Convening a special general meeting by Shareholders

Pursuant to Bye-law 58, a special general meeting may be convened by the Board upon requisition by any shareholder holding at the date of deposit of written requisition not less than one tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. The Shareholder shall make a written requisition to the Board or the company secretary of the Company at the head office address of the Company, specifying the shareholding information of the Shareholder, his/her contact details and the proposal regarding any specified transaction/business and its supporting documents.

The Board shall arrange to hold such general meeting within two months after the receipt of such written requisition. Pursuant to Bye-law 59, the Company shall serve requisite notice of the general meeting, including the time, place of meeting and particulars of resolutions to be considered at the meeting and the general nature of the business.

If within twenty one days of the receipt of such written requisition, the Board fails to proceed to convene such special general meeting, the Shareholder shall do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

Putting forward proposals at general meetings

A Shareholder shall make a written requisition to the Board or the company secretary of the Company at the head office address of the Company, specifying the shareholding information of the Shareholder, his/her contact details and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

Putting forward enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company's head office in Hong Kong at Room A, 10th Floor, Times Media Centre, 133 Wan Chai Road, Hong Kong.

Environmental, Social and Governance Report

ABOUT THIS REPORT

This is the seventh Environmental, Social and Governance ("ESG") Report (the "ESG Report") published by the Group. The ESG Report summarises the environmental, social and governance management approaches, policies and measures of the Group and demonstrates its commitment to promoting sustainable development.

SCOPE AND REPORTING PERIOD

The ESG Report details the environmental and social performance of the Group's business operations in Hong Kong and Vietnam for the Reporting Period. For detailed information on corporate governance, please refer to pages 19 to 31 of this report.

REPORTING FRAMEWORK

This ESG Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Guide") in Appendix C2 to the Listing Rules. The Group has complied with all the "comply or explain" requirements set out in the ESG Guide. We also prepare the ESG Report in strict accordance with the following reporting principles illustrated in this ESG Guide:

- Materiality: The ESG Report outlines the ESG issues that significantly impact the Group and its stakeholders, including investors. By conducting regular materiality assessments, these material ESG issues are identified and reviewed by the Board. Please refer to the sections headed "Stakeholder Engagement" and "Materiality Assessment" for further details.

- Quantitative: To complement the quantitative data presented in the ESG Report, supplementary notes are provided to clarify any standards, methodologies, and source of conversion factors used during the calculation of emissions and energy consumption.

- Consistency: The methodologies applied to collect and calculate data in the ESG Report are ensured to be consistent with those used in previous ESG Reports, enabling meaningful comparisons over time. Any changes to the methodologies are detailed within the ESG Report.

Forward-Looking Statements

This ESG Report contains forward-looking statements based on the current expectations, estimates, projections, beliefs, and assumptions of the Group about the businesses and markets in which the Company and its subsidiaries operate. The forward-looking statement is not a guarantee of future performance and is subject to market risk, uncertainties, and factors beyond the control of the Group. Therefore, actual outcomes and returns may differ from the assumptions and statements in this ESG Report.

REVIEW AND APPROVAL

The Board acknowledges its responsibility for ensuring the integrity of the ESG Report. To the best of their knowledge, this ESG Report addresses all relevant material issues and fairly presents the ESG performances of the Company. The ESG Report was reviewed and approved by the Board on 28 March 2024.

INFORMATION AND FEEDBACK

The Group strives for excellence and actively welcomes feedback from its stakeholders. Stakeholders may browse the Group's website at www.irasia.com/listco/hk/ruixin or contact the Group to obtain more information.

APPROACH TO ESG MANAGEMENT AND REPORTING

The Group's ESG attitude is to unceasingly improve the disclosure transparency and the undertaking of ESG responsibilities. Consequently, an ESG Report is published annually by the Group for public review in order to demonstrate the Group's transparency and responsibility in ESG matters. The Group seeks to be a responsible corporate citizen and have faith in that transparency and accountability are vital factors for building trust with its stakeholders. The Board is committed to contributing to the sustainable development of society and the environment, and is therefore responsible for evaluating and determining the risks in relation to ESG areas at the Group level. The Board formulated a clear vision and key strategies and guided management to ensure that ESG risks are identified and mitigated, and proper ESG reporting measures and systems are in place.

ESG GOVERNANCE STRUCTURE

The Board holds the ultimate responsibility on monitoring the Group's ESG issues, including ESG management approach, strategy, and policies. In order to better manage the Group's ESG performance and identify potential risks, the Board conducts regular materiality assessment with the assistance of the ESG committee of the Company (the "ESG Committee") to evaluate and prioritise material ESG-related issues with reference to the opinions of its stakeholders.

The ESG Committee, including core members from different departments, incorporates sustainable governance strategies with "top-down" and "bottom-up" approaches and is established to facilitate the Board's oversight of ESG matters. The ESG Committee is responsible for collecting and analysing ESG data, monitoring and evaluating the Group's ESG performance, ensuring compliance with ESG-related laws and regulations and preparing ESG Report. The ESG Committee arranges regular meetings to evaluate the effectiveness of current policies and procedures and formulate appropriate solutions to improve the overall performance of ESG policies. At meetings, the ESG Committee discussed the existing and upcoming plans to monitor and manage the Group's strategic goals in terms of sustainable development, mitigate potential risks, and minimise their negative impacts on its business operations. By setting ESG-related goals and targets to minimise the environmental impacts from the Group's operation, the Group affirms its commitment in embedding sustainability into the business operation and fulfil its corporate responsibility. The ESG Committee will periodically report to the Board, assist in assessing and identifying the Group ESG risks and opportunities, evaluate the implementation and effectiveness of internal control mechanism, and review the progress of the set goals and targets.

STAKEHOLDER ENGAGEMENT

Stakeholders' feedback and expectations form a solid foundation for the Group's formulation of the sustainable development strategies and contribute to the Group's overall success. The Group maintains a sound relationship with its stakeholders and striving to identify how the risks and opportunities would affect its business development from the stakeholders' opinions.

Hence, the Group engages its stakeholders through on-going communications and collects their opinions on the ESG aspects that they consider applicable and significant. Key stakeholders include employees, shareholders and investors, customers, suppliers and business partners, government and regulatory authorities, and community etc. The Group keeps an open and transparent discussion with its stakeholders through various channels including meetings, surveys and workshops. This year the Group saw emphasis and stakeholder expectations on anti-corruption, customer services, product responsibility, supply chain management and use of resources etc. Aligned with the Group's guiding principles and values on all sides of environment, workplace and community, these important considerations have been further elaborated in the ESG Report.

In formulating operational and ESG strategies, the Group considers stakeholders' expectations through a diverse range of engagement methods and communication channels, as shown below:

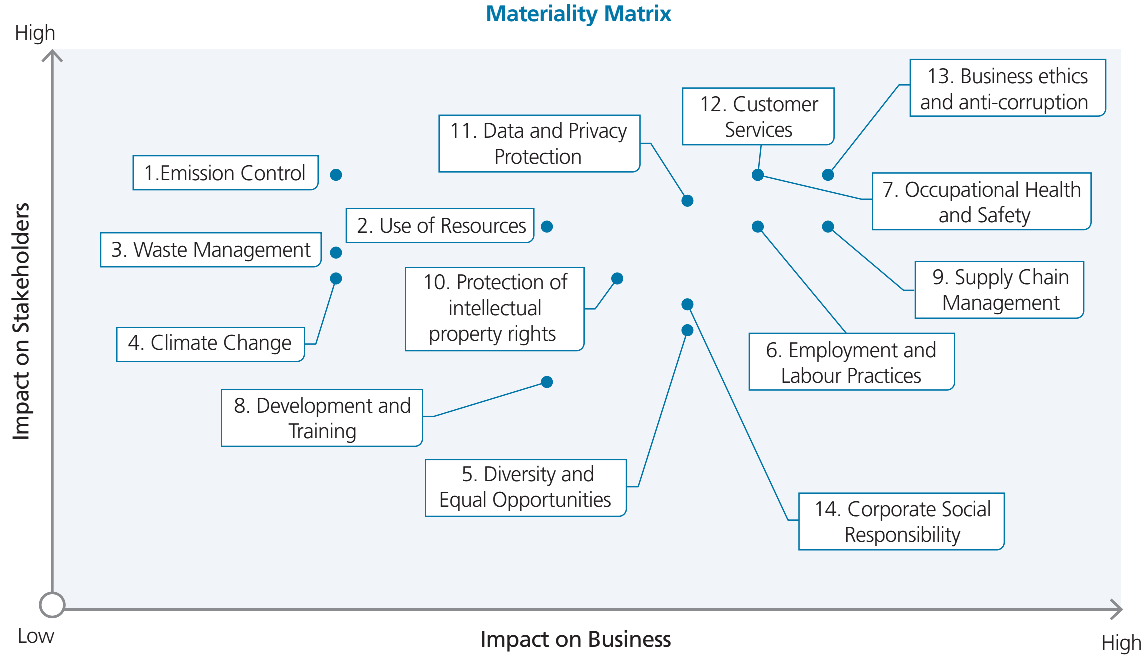
Stakeholders	Engagement Channels	Expectations
Employees	• Regular performance appraisal • Training and workshops • Internal announcement	• Remuneration and benefits • Equal opportunities • Career development • Occupational health and safety
Shareholders and investors	• Annual general meeting • Financial reports • Announcements and circulars	• Financial performance • Information transparency • Shareholder rights protection • Complaint operation
Customers	• Customer service hotline and email • Company website • Customer satisfaction survey	• Customer privacy protection • High quality customer services • Business ethic and integrity
Suppliers and business partners	• Supplier conferences and meetings • Supplier performance evaluation	• Supply chain management • Fair and open procurement • Mutual benefit
Government and regulatory authorities	• Regular performance supervision and evaluation • Written or electronic correspondences • Government press release	• Compliance with laws and regulations • Corporate governance
Community	• Community events • ESG Reports	• Community participation • Corporate social responsibility • Providing job opportunities • Environmental protection

MATERIALITY ASSESSMENT

A materiality assessment in the form of surveys was conducted during the Reporting Period, where its stakeholders evaluated the materiality of different ESG issues to the Group based on several criteria including, but not limited to direct financial implications and level of impact the activities have on the environment and society. Sustainability factors material to its business operations have been reviewed by the Board and were illustrated in a materiality matrix after consolidation with the result of the materiality assessment. The management and employees who are responsible for the key functions of the Group have participated in the materiality assessment as well as the preparation of the ESG Report, ensuring that the identified key ESG issues have been covered in the ESG Report and appropriate and effective management policies and internal control systems for ESG issues have been established and maintained, and confirmed that the disclosed contents in the ESG Report complied with the requirements of the ESG Reporting Guide.

During the Reporting Period, the Group has developed its strategies based on the materiality matrix as follows:

Materiality Matrix



A. ENVIRONMENTAL

The Group is committed to integrating the concept of environmental protection into the whole process of business operation and management, actively undertaking the environmental and social responsibilities of the enterprise, and minimising the impact on the environment while developing its business. In order to improve environmental management and practise environmentally friendly operations, the Group has established specific environmental protection guidelines for each stage of operations. By analysing past environmental performance, benchmarks in key environmental areas and industry practises, we have formulated the following environmental objectives:

Targets (Lower the indicators over the next five-year period, using 2021 as the baseline)	**2023 Progress (compared to 2021)**
Lower the GHG emissions	↓71%
Lower the Energy consumption	↓58%
Lower the Water consumption	↓95%
Lower the Non-hazardous wastes disposal	↓99%

1. EMISSIONS

The Group is committed to reducing energy consumption in its operation as it believes that improving energy efficiency is essential to reducing greenhouse gas emissions ("GHG"). During the Reporting Period, the Group complied with applicable laws and regulations, and there was no significant non-compliance issue concerning air emissions, GHG emissions, sewage discharge, land pollution and generation of hazardous and non-hazardous waste.

(a) Air Emissions and GHG Emissions

Due to its business nature, the Group's air emissions are insignificant and mainly come from the use of company's vehicle. Nevertheless, to control the air emissions from its business operation, the Group has promoted responsible consumption to its employees and educated them to switch off the engine when the vehicles are idling. All vehicles are arranged for regular maintenance and repair services to ensure fuel consumption efficiency and respective emissions complied with local emission standards.

Due to the reduction in vehicle usage, the Group's air emissions during the Reporting Period have significantly decreased. The Group's air emissions performances were as follows:

Types of air emissions	Unit	2023	2022
Nitrogen Oxides (NO_x)	kg	**1.72**	6.90
Sulphur Oxides (SO_x)	kg	**0.03**	0.03
Particulate Matter (PM)	kg	**0.13**	0.63

Table 1 – Air emissions during the Reporting Period

The principal GHG emissions of the Group were generated from fuel consumed by the vehicles (Scope 1), purchased electricity (Scope 2), and disposal of paper (Scope 3). Apart from the above measures on managing vehicles usage, the Group has also adopted energy conservation measures to achieve green office which are described in the section headed "Energy" under aspect A2. On the other hand, the Group encourages employees to use online videoconference wherever possible to reduce travel and as a result reduce GHG emissions.

Due to the reduction in the total number of vehicles owned and continued promotion of resources conservation, the Group's direct and indirect GHG emissions (Scope 1 & Scope 2) have significantly decreased by 6.8% and 21.6% respectively. We will continue practising energy conservation and emission reduction by enhancing employee environmental awareness and improving environmental management, which contributes to reducing greenhouse gas emissions.

The Group's GHG emissions performances were as follows:

Scope of GHG Emissions (note 1)	**Unit** (note 2)	**2023**	2022
Direct GHG emissions (Scope 1)	tCO_2e	**5.17**	5.55
Energy indirect GHG emissions (Scope 2)*	tCO_2e	**13.18**	16.81
Other indirect GHG emissions (Scope 3) (note 3)	tCO_2e	**0.00**	24.11
Total GHG emissions	tCO_2e	**18.36**	46.47
Total GHG emissions intensity (note 4)	tCO_2e/ employee	**0.83**	1.37

Table 2 – Total GHG emissions during the Reporting Period

Notes:

* The electricity usage in the Vietnam office was uniformly handled by the property management company, and therefore cannot be measured separately.

1. GHG emission data is presented in terms of carbon dioxide equivalent and is based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "Appendix 2: Reporting Guidance on Environmental KPIs" issued by HKEX, "Global Warming Potential Values" from the IPCC Sixth Assessment Report, 2021 (AR6).

2. tCO_2e is defined as tonnes of carbon dioxide equivalent.

3. As for other indirect emissions (Scope 3), this includes paper usage. During the Reporting Period, the Group's employees were tasked with managing their waste. As such, the Group does not have data on Scope 3 emissions.

4. During the Reporting Period, the Group had a total of 22 employees (2022: 34 employees). The data is also used for calculating other intensity data.

(b) Sewage Discharge

Due to the nature of the Group's business, water consumption is minimal. Moreover, water supply and discharge facilities are predominantly managed by the property management team. Consequently, our business activities do not generate a material amount of water discharges.

(c) Waste Management

The Group upholds a code of proper waste management and is committed to the responsible handling and disposal of all waste from its business operations. The nature of the Group's business activities did not generate a significant amount of hazardous waste, whereas the non-hazardous waste covered in the ESG Report was waste paper during the Reporting Period. In 2023, employees were expected to manage their own general waste. Consequently, the Group does not have data on general waste quantities.

Materials are reused or segregated for recycling wherever feasible. Practices include reusing single-sided papers, envelopes, and folders, in addition to routing retired electrical and electronic equipment, including computers, printers, photocopiers, kettles, and microwaves, to charitable organizations or recycling firms for proper processing. The Group's operations in Hong Kong have designated the ECO Association and the property management company for the centralized collection of recyclable waste paper. Following the office relocation in January, the Group proactively recycled a significant amount of old file papers, effectively balancing paper usage with paper recycled, resulting in a net-zero paper waste figure.

The Group's non-hazardous wastes disposal performances were as follows:

Types of waste	Unit	2023 (note 1)	2022
Paper	tonnes	0.00	4.35
General waste (note 1)	tonnes	0.00	0.70
Total non-hazardous wastes	tonnes	0.00	5.05
Total non-hazardous wastes intensity	tonnes/ employee	0.00	0.14

Table 3 – Total non-hazardous waste produced by the Group during the Reporting Period

Notes:

1. In 2023, the quantity of paper recycled exceeded the paper purchased, as the Group undertook extensive recycling of old file papers subsequent to the office relocation. Additionally, employees independently managed their general waste, which spearheaded a shift away from office disposal compared to the previous year. Consequently, the Group lacks comprehensive data on paper usage and general waste disposal, resulting in no recorded disposal of non-hazardous waste by the Group during the Reporting Period.

(d) *Compliance*

During the Reporting Period, the Group was not aware of any incidents of non-compliance with laws and regulations that have a significant impact concerning air and GHG emissions, discharges into water or land, nor generation of hazardous and non-hazardous waste including but not limited to Air Pollution Control Ordinance and Water Pollution Control Ordinance in Hong Kong and Environment Protection Law in Vietnam.

2. *USE OF RESOURCES*

The Group observes the notion of energy conservation and green production. The main resources consumed by the Group's operations are primarily electricity, fuel and water, but do not involve a significant amount of packaging materials for finished products.

The Group upholds the principle of resources management and is committed to the proper use of all resources. The Group aims to improve its energy utilisation efficiency to achieve low-carbon operation. To reduce the ecological footprints as well as the operating costs, the Group also actively monitors and manages the use of resources. Details of energy and water consumptions and reduction initiatives are discussed in the following sections.

(a) *Energy*

With an aim to conserve energy resources and reduce carbon footprint and other emissions associated with electricity consumption, the Group supports energy efficiency. The Group has prioritised electrical equipment with better energy efficiency, utilised LED lighting system, adopted light zoning based on actual operating needs, and installed timing devices in some equipment for automatic shutdown during nonoffice hours. The Group has also formulated and educated employees about the following measures so as to achieve an environmentally friendly approach, including turning off unnecessary electrical appliances, and setting them in a sleep state during idle periods, maintaining a room temperature of 25.5°C and maintaining equipment regularly.

The Group's energy consumption performances were as follows:

Types of energy	**Unit**	**2023**	2022 (note 1)
Direct energy consumption			
Diesel (note 2)	MWh	**20.92**	22.17
Indirect energy consumption			
Electricity*	MWh	**28.74**	36.49
Total energy consumption	MWh	**49.66**	58.66
Total energy consumption intensity	MWh/ employee	**2.26**	1.73

Table 4 – Resources consumption during the Reporting Period

Notes:

* The electricity usage in the Vietnam office was uniformly handled by the property management company, and therefore cannot be measured separately.

1. As the unit kWh has been changed to MWh in electricity consumption, the FY2022 data have been restated.

2. Diesel consumption in 2023 and 2022 were 1,955 litres and 2,017.37 litres respectively, which were equivalent to approximately 20.92 MWh and 22.17 MWh respectively.

(b) *Water*

Water shortages and excessive demand can pose water stress. The Group is aware that sustainable and responsible use of water resources is a key issue globally. Though the Group does not use a significant amount of water, the Group still promotes water-saving practices in the workplace. To exemplify, the Group posts water-saving slogans in conspicuous places so as to raise awareness of water conservation. Given the geographical location of its operations, the Group did not encounter any problems in sourcing water. The successful decrease in water usage was mainly attributable to the effective implementation of water-saving policies by the Group. Additionally, the total employee turnover rate has increased during the Reporting Period.

Indicators	**Unit**	**2023**	2022
Water consumption	m^3	**5.84**	8.74
Water consumption intensity	m^3/employee	**0.27**	0.26

Table 5 – Water consumption during the Reporting Period

(c) *Paper*

The Group endeavours to enhance the usage of resources by applying the "Use Less, Waste Less" concept. The Group actively encourages green filing and records. Employees are encouraged to use their computers to review files rather than printing them. When printing is necessary, they are reminded to print on both sides of the paper whenever possible.

3. *THE ENVIRONMENT AND NATURAL RESOURCES*

Protecting nature and the environment has become an integral part of the corporate culture of a socially responsible enterprise. The Group is dedicated to reducing any adverse effects that may pose to the environment. Upholding a strong pledge, the Group executed controls on energy consumption and resources consumption.

The Group treasures employees' involvement towards the common goal. The Group therefore assigns dedicated staff to promote environmental protection measures, such as conserving energy and reducing emissions at work, delivering latest environmental information and conveying details on seminars and events held by environmental groups and policy institutions to the employees. Furthermore, the Group implements green measures together with external partners. The Group gives priority to local suppliers and suppliers with ISO 14001 environmental management system certification as long as the products and services delivered meet the requirements.

The Group shall continuously seek ways to maximise the value created, while minimising resource consumption and environmental impact so as to strive for sustainable development.

4. *CLIMATE CHANGE*

The Group recognises the importance of the identification and mitigation of significant climate-related issues, therefore closely monitors the potential impact of climate change on its business and operations. In accordance with the reporting framework developed by the Task Force on Climate-related Financial Disclosures, there are two major categories of climate-related risks, physical and transition risks. During the Reporting Period, climate-related risks have been embedded into the Group's risk register of existing risk management system, and relevant mitigation measures have also been formulated.

Physical Risks

The increased frequency and severity of extreme weather events such as typhoons, storms, heavy rains, and extreme cold or heat pose acute and chronic physical risks to the Group's business. The Group's assets may be damaged and operations may be disrupted, resulting in reduced revenue from lower productivity and higher maintenance costs. Climate change may also adversely impact its employees in terms of health and commuting and cause displacements in communities where we operate.

In response, the Group has established mitigation measures to minimise the adverse effect caused by typhoon on employees and properties. The Group assigned designated person to inspect the facilities regularly and before a typhoon to reduce the risk of casualties and property losses. The Group has also purchased insurance to cover possible losses caused by natural disasters.

Transition Risks

To achieve the global vision on carbon neutrality, the Group expects evolution of the regulatory, technological and market landscape due to climate change, including the tightening of national policies and Listing Rules and the emergence of environmentally related taxes. Stricter environmental laws and regulations may expose enterprises to higher risks of claims and lawsuits, which might incur additional compliance costs and affect the reputation of the Group.

In response to the policy and legal risks as well as the reputation risks, the Group constantly monitors any changes in laws or regulations and global trends on climate change to avoid cost increments, non-compliance fines or reputational risks due to delayed response. In addition, the Group has been taking comprehensive environmental protection measures, including GHG reduction measures, has set targets to gradually reduce the Group's energy consumption and GHG emissions in the future.

B. SOCIAL

1. *EMPLOYMENT AND LABOUR PRACTICES*

The Group believes that employees are valuable resources of an enterprise and also the foundation for long-term corporate development. As a result, the Group is committed to strictly abiding the relevant employment laws and regulations, and building a strong team of employees who share the Group's mission and vision. The Group is also devoted to providing a safe, healthy, discrimination-free, and reasonable working environment for employees. As stipulated by the Group, open recruitment, merit-based admission, and employment based on appropriate conditions are applied in the recruitment process.

(a) Remuneration, Promotion, and Dismissal

The Group aims to provide a fair and competitive remuneration package to attract and retain talents. The package, which is reviewed periodically, is a combination in the form of basic salary, incentives bonus, mandatory provident fund, and other fringe benefits which based on the employee's performance and qualification. Fair terms on working hours, holidays, termination of contract, fringe benefits and leave entitlement are stipulated on the employment contracts signed between employees and the Group. The Group also provides employees with retirement schemes in accordance with the law. The Group adopts a performance review system formally on an annual basis and upon completion of probation or as and when required. The annual performance review will form the basis for evaluating remuneration and promotions. Employees are dismissed based merely on reasonable and legitimate reasons and are provided with notification of the termination of the employment contract in writing. All remuneration and compensation are consistent with legal and regulatory requirements.

(b) Equal Opportunity

The Group takes pride in maintaining a workplace where all employees are treated with equality and respect and upholds equal employment opportunities for all employees in relation to all human resources matters including recruitment, training, promotion, transfer and benefit, regardless of gender, religiosity, pregnancy, family status, marital status, race and disability etc. The Group has set in place policy specifically prohibits any form of harassment. All employment decisions, personnel actions and programs are administered in a non-discriminatory manner consistent with the principles of equal opportunity.

(c) Supporting Health and Wellness

The Group attaches great importance to the physical and psychological health of the employees. Consequently, a pleasant working environment and a harmonious labour relationship are created under the Group's endeavors. The importance of a good work-life balance is recognised. It discourages working overtime and improves employees' work performance. The Group also regularly organises staff activities such as birthday parties, festive gatherings, and other activities for employees to further strengthen the team cohesion and promotes employees' positivity.

In addition to the legal holidays, the Group also provides employees with annual leave, sick leave, marriage leave, and funeral leave. Furthermore, the Group also provides retirement schemes, medical insurance and transport allowance for employees to secure their health and wellness.

(d) Compliance

The Group is committed to strictly complying with the relevant laws and regulations in the employment and labour process. Hence, the Group strictly observes the relevant legislations in Hong Kong and other countries where the Group operates regarding equal employment opportunities, child labour and forced labour.

During the Reporting Period, the Group was not aware of non-compliance with relevant laws and regulations in the employment and labor process including but not limited to the Employment Ordinance in Hong Kong, the Employees' Compensation Ordinance in Hong Kong, Labour Law of the People's Republic of China and the Employment Law and the Social Insurance Law in Vietnam in which the Group operates regarding equal employment opportunities, child labor and forced labor.

As at 31 December 2023, the Group had a total of 22 employees. Breakdown of its employees by gender, age group, employment type, and geographical region was as follows:

	As at 31 December 2023	As at 31 December 2022
Total number of employees	22	34
Gender		
Male	11	11
Female	11	23
Age group		
Below 34	3	15
35-54	11	11
Over 55	8	8
Employment type		
Full-time	22	34
Part-time	–	–
Geographical region		
Hong Kong	16	16
Vietnam	2	2
PRC	3	15
Canada	1	1

Table 6 – Breakdown of employees by gender, age group, employment type, and geographical region

The total turnover rate of the Group's employees in 2023 is 59.09%. Breakdown of employees' turnover rate by gender, age group and geographical region during the Reporting Period:

	2023 Turnover Rate (%)	2022 Turnover Rate (%)
Gender		
Male	**–**	27.27
Female	**59.09**	13.04
Age group		
Below 34	**4.55**	–
35-54	**45.45**	90.00
Over 55	**9.09**	25.00
Geographical region		
Hong Kong	**13.64**	37.50
Vietnam	**–**	–
PRC	**45.45**	–
Canada	**–**	–

Table 7 – Breakdown of employees turnover rate by gender, age group and geographical region

Note: Due to the very small number of employees over 55 years old, the turnover rate of that age group is very volatile and can reach high value.

2. *HEALTH AND SAFETY*

The Group strives to strictly abide by the relevant laws and regulations on occupational health and safety, and foster a safe working environment. The Group have established safety management to effectively eliminate potential safety risks.

(a) *Health and Safety Management*

The Group has spared no effort to strengthen occupational health and safety. For instance, in Hong Kong, in addition to complying with occupational safety and health laws and regulations, the Group proactively builds safe working environments to achieve the goal of "zero accidents" in the workplace. Guidelines for work safety and fire safety as well as procedure for typhoon and rainstorm are stated in the Employee Handbook in order to minimise and mitigate all safety risks.

(b) *Employee Participation*

The Group established mutual trust and earnest communication with employees in relation to occupational safety and health. Employees are required to stringently observe the Group's regulations on occupational safety and fire safety. The Group constantly enhances employees' knowledge, awareness and behaviour with regard to safety and hazard management through knowledge and experience sharing as well as training regarding the understanding of the Employee Handbook.

Employees are encouraged to report any potential health and safety risks in their workplace. Whenever an incident occurs, responsible staff shall follow up immediately and implement effective control measures. Furthermore, the Group also dispatches personnel to supervise contractors and forbids any unsafe operations.

(c) *Emergency Preparedness*

Good emergency response requires early planning and preparations. Consequently, the Group improves fire safety by the below measures:

- Post exit route maps in prominent locations in the workplace;
- Encourage employees to participate in fire drills organised by the building's management office each year;
- Ensure fire escapes are unobstructed;
- Provide sufficient firefighting equipment and conducts periodic inspections to ensure that such equipment is properly located where it can be used at all times and remains in good condition, when necessary, replacements are arranged;
- Ensure all employees have received training on the use of the firefighting equipment; and
- Place first aid kits in the workplace.

(d) *Compliance*

During the Reporting Period, there were no lost days due to work injury. The Group has achieved zero work-related fatalities in the past three years, including the Reporting Period.

During the Reporting Period, the Group was not aware of any casualties and accidents, nor was the Group aware of any non-compliance with laws and regulations in relation to workplace health and safety, including but not limited to the Occupational Safety and Health Ordinance in Hong Kong, the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations in Hong Kong, Work Safety Law of the People's Republic of China, and Labor Safety and Hygiene Law in Vietnam.

3. *TRAINING AND DEVELOPMENT*

Skilled and professionally trained employees are crucial to the Group's business growth and future success. The Group is committed to ensuring that the talents, skills and abilities of its employees are recognised and utilised. Thus, employees are encouraged to participate in personal development and job-related training courses. New employees are provided with on-the-job training and guidance, as well as supervision by experienced employees until they can work independently. The Group also frequently reviews the training and education needs of employees, supporting them to plan their career development, and encouraging them to participate in lectures, seminars, and training courses to develop their capability.

During the Reporting Period, the Group has achieved a total training hour of 46 hours.

The table below shows the employee training data by gender and employee category:

	Percentage of employees trained (%)	Average training hours (hours)
Gender		
Male	75	2.27
Female	25	1.91
Age group		
Senior Management	75	0.55
Middle Management	25	10.00
Supervisor	–	–
General employee	–	–

Table 8 – Breakdown of employees training data by gender and employee category

4. LABOUR STANDARDS

The Group is committed to strictly complying with all applicable national laws and local regulations as well as relevant labor laws and regulations in the place where it operates. The Group has also established rigorous and systematic protocol for recruitment to ensure that the employment is in compliance with relevant laws and regulations. Child labor and forced labor are prohibited in the Group. Only applicants aged 18 or above are employed.

The Group clearly explains to all applicants its stance on child labour and forced labour during the job interview to prevent any recruitment of child labour and forced labour. The identity, employment eligibility proof and academic qualification of job candidates are examined and verified thoroughly by Human Resources Department before the job is offered. In cases where any individual below the legal working age is hired, corrective actions will be taken immediately to rectify the situation, the Group will cease work of the identified person immediately and offer medical checks and treatment where appropriate. Investigation will be carried out to identify the root cause and the employment procedure will be revised immediately to plug the loophole.

During the Reporting Period, the Group was not aware of non-compliance cases in relation to labor standards laws and regulations including but not limited to the Employment of Children Regulations, the Employment of Young Persons (Industry) Regulations and Hong Kong Bill of Rights Ordinance in Hong Kong, Law of the People's Republic of China on the Protection of Minors and also the Labor Code and the Criminal Code in Vietnam.

5. SUPPLY CHAIN MANAGEMENT

The Company has formulated and adopted supplier management measures including the "Procurement/Service Cost and Payment Cycle", "Supplier Performance Evaluation Form" and "Qualified Supplier List" to establish a comprehensive life cycle management process for all types of suppliers. This meticulous approach spans procurement, payment and inspection and receipt, allowing scrutiny and assessment of suppliers' quality management level, quality assurance capability, supply capability, major customers and market evaluation. Suppliers are subject to screening and evaluation procedures before selection. Onsite audit and inspection are conducted to ensure suppliers' capability in quality assurance, safety and environmental management. The Group assigns personnel to go on-site to supervise the production and delivery, thus ensuring quality products and services for the Group's customers.

(a) *Green Supply Chain*

As a socially and environmentally responsible enterprise, the Group has been committed to optimising its procurement practices to control the social risks and taking the concept of environmental protection into consideration for its supply chain management. The Group believes in communication, cooperation and joint growth in its supplier management policy. Through strengthened cooperation with suppliers, the Group aims at enhancing their capability to supply environmentally friendly products and evaluates the performance of its suppliers annually to set out improvement roadmap.

The Group encourages its suppliers to continue to improve and meet the relevant environmental, occupational safety and health and employment laws and regulations of their countries. Imported products must satisfy local laws and regulations. During the Reporting Period, the Group had engaged 24 suppliers, which 5 of them were located in Hong Kong, 8 of them were located in PRC, and 11 of them were located in Vietnam. All of the suppliers had gone through the Group's supplier management policy mentioned above.

6. *PRODUCT RESPONSIBILITY*

(a) *Product Quality and Customer Services*

The Group is dedicated to providing high-quality products and services in line with industry standards and sustainability requirements. The Group also pursues to meet higher criteria all the time.

The Group pays attention to the reviews of customers regarding the products sold. Customers may convey their opinions or complaints via established communication channels. The Group has established the Customer Services Control Procedure to regulate the follow-up process on the customers' feedback or complaints. The Group investigates and creates reports based on the feedbacks and takes corrective measures such as recall when necessary.

If the feedback involves unqualified products, the Group will process the recall procedures stated in the Customer Services Control Procedure in order to effectively control the product quality on the market. The flaws in the products will be classified by responsible personnel, and the general manager is responsible for the oversight of the process. The conclusion of the handling and respective improvement plan will be reported and reviewed by the senior management.

The Group has arranged on-the-job training and external training in quality management for our workers to enhance their capability and ensure that they understand our quality assurance requirements to ensure product quality and to solve any present technical problems. Thus, the effectiveness of the quality control can be secured.

During the Reporting Period, the Group did not receive any products and service related complaints or recall any products.

(b) Intellectual Property and Privacy Protection

The Group also respects intellectual property right such that all designs and tools including software and hardware are properly licensed. Moreover, the Group also attaches importance to consumer data protection and privacy in a way that document containing such data and information is properly stored with restricted access.

(c) Compliance

During the Reporting Period, the Group was not aware of any material non-compliance with law relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress, including but not limited to Consumer Goods Safety Ordinance and Trade Descriptions Ordinance in Hong Kong and the Law of the PRC on Product Quality.

7. ANTI-CORRUPTION

(a) Policies and Procedures

The Group is dedicated to preserving business integrity. The Group sets out the relevant policies in the Employee Handbook to guide the employees to abide by the code of conduct. The code of conduct provides a clear definition of the provision and acceptance of interests, such as gifts and souvenirs, and ways to deal with conflicts of interest. Also, the Group specifies the ethical conduct of its employees through the internal control manuals approved by the Board. All employees are required to become acquainted with and to abide by these policies and procedures.

The Group established a whistle-blowing policy that ensures any internal or external stakeholder can raise any issue through any of its independent and accessible whistle-blowing channels. Such reports, if any, shall be transmitted directly to the executive Directors for follow-up, investigation, and reporting. Corrective measures shall be taken.

In addition, the Group is committed to providing our employees with anti-corruption training to enhance the awareness on integrity. During the Reporting Period, all our directors have attended training on anti-corruption rules in Hong Kong to ensure that the Group's awareness on the applicable laws and regulations.

(b) Compliance

During the Reporting Period, the Group was not aware of any material non-compliance with the relevant laws and regulations that would have a significant impact on the Group, including but not limited to Prevention of Bribery Ordinance and Anti-Money Laundering and Counter-Terrorist Financing Ordinance in Hong Kong, Interim Provisions on Prohibition of Commercial Bribery in PRC and Anti-Corruption Law and Cadres and State Officials Law in Vietnam. The Group had no legal case regarding corrupt practices brought against the Group or its employees concluded during the Reporting Period.

8. *COMMUNITY INVESTMENT*

The Group considers that enterprises and communities are inseparable as a whole. The Group recognises the importance of contributing to the community where it operates and believes that benefiting the community is one of its social responsibilities.

The Group encourages employees to participate in volunteer work, nurturing a culture of care and mutual support. The Group has supported the mooncakes for Charity fundraising activity of Community Chest of Hong Kong by ordering mooncakes coupons. The Group will continue to explore other means to contribute to the community and to build a healthy and sustainable society.

OUTLOOK

As influenced by the COVID-19 pandemic, the progress of our business growth was slackened due to the sluggish economic recovery in the first half of 2023. However, with the abatement of the pandemic's effects, society is witnessing a gradual restoration of normalcy. Moving forward, we remain committed to upholding emission reduction initiatives as our guiding principle for the Company's development. We are steadfast to strengthen our capabilities in social responsibility and low-carbon development, aiming to making substantial contributions to the society.

SHINEWING (HK) CPA Limited
17/F, Chubb Tower, Windsor House,
311 Gloucester Road,
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣告士打道311號
皇室大廈安達人壽大樓17樓

TO THE MEMBERS OF
RUIXIN INTERNATIONAL HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Ruixin International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 60 to 137, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

We do not express an opinion on the consolidated financial statements of the Group for the year ended 31 December 2023. Because of the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements as described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Multiple uncertainties relating to going concern

As explained in note 1 to the consolidated financial statements, as at 31 December 2023, the Group had net current liabilities of approximately HK$23,112,000, net liabilities of approximately HK$175,849,000, and incurred a net loss of approximately HK$74,915,000 and had net cash outflows from operating activities of approximately HK$3,770,000 during the year ended 31 December 2023. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Notwithstanding the abovementioned, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful outcome of the Group's plans and measures to mitigate its liquidity pressure and to improve its financial performance as set out in note 1 to the consolidated financial statements. The successful outcomes of the abovementioned plans and measures are subject to multiple uncertainties.

As a result of the multiple uncertainties, their potential interaction and the possible cumulative effect thereof, we are unable to form an opinion as to whether the going concern basis of preparation of these consolidated financial statements as adopted by the directors of the Company is appropriate. Should the Group fail to achieve the intended effects resulting from the plans and measures as mentioned in note 1 to the consolidated financial statements, it might not be able to operate as a going concern, and adjustments would have to be made to write down the carrying amounts of the Group's assets to their net realisable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements of the Group for the year ended 31 December 2023.

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND THOSE CHARGED WITH GOVERNANCE 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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (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 are responsible for overseeing the Group's financial reporting process.

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA and to issue an auditor's report, solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 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. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Pang Wai Hang.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Pang Wai Hang
Practising Certificate Number: P05044

Hong Kong
28 March 2024

Consolidated Statement of Profit or Loss

For the year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Revenue	7	**74,031**	192,741
Cost of sales		**(84,348)**	(187,856)
Gross (loss)/profit		**(10,317)**	4,885
Other income	8	**146**	925
Distribution costs		**(12,188)**	(18,070)
Administrative expenses		**(31,524)**	(27,863)
Impairment loss on property, plant and equipment	17	**–**	(115)
Impairment loss on right-of-use assets	18(a)	**(990)**	(977)
Reversal of impairment loss on trade receivables	20	**19**	435
Finance costs	9	**(20,061)**	(17,394)
Loss before taxation		**(74,915)**	(58,174)
Taxation	10	**–**	(4)
Loss for the year attributable to owners of the Company	11	**(74,915)**	(58,178)
Loss per share	14		
Basic and diluted (HK cents)		**(89.17)**	(69.25)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	2023 HK$'000	2022 HK$'000
Loss for the year	**(74,915)**	(58,178)
Other comprehensive income (expenses) for the year		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**378**	(1,388)
Total comprehensive expenses for the year attributable to owners of the Company	**(74,537)**	(59,566)

Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment	17	**92**	16
Right-of-use assets	18(a)	**–**	–
Rental deposits	21	**–**	144
		92	160
Current assets			
Inventories	19	**84**	8,495
Trade receivables	20	**46**	22,444
Prepayments, deposits and other receivables	21	**4,486**	23,122
Bank balances and cash	22	**7,182**	6,449
		11,798	60,510
Current liabilities			
Trade payables	23	**–**	2,085
Lease liabilities	18(b)	**914**	907
Other payables and accruals		**21,075**	18,927
Loans from a substantial shareholder	24	**12,921**	23,022
		34,910	44,941
Net current (liabilities) assets		**(23,112)**	15,569
Total assets less current liabilities		**(23,020)**	15,729

	Notes	2023 HK$'000	2022 HK$'000
Non-current liabilities			
Lease liabilities	18(b)	**394**	475
Loans from a substantial shareholder	24	**15,891**	2,841
Convertible notes	25	**136,544**	119,042
		152,829	122,358
		(175,849)	(106,629)
Capital and reserves			
Share capital	27	**8,402**	8,402
Reserves		**(184,251)**	(115,031)
		(175,849)	(106,629)

The consolidated financial statements on pages 60 to 137 were approved and authorised for issue by the board of directors on 28 March 2024 and are signed on its behalf by:

Director
Li Yang

Director
Huang Hanshui

Consolidated Statement of Changes In Equity

For the year ended 31 December 2023

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Contributed surplus (note a) HK$'000	Shared-based compensation reserve HK$'000	Foreign exchange reserve HK$'000	Convertible notes reserve HK$'000	Other reserve (note b) HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 January 2022	168,035	2,374,265	5,800	–	1,851	41,814	47,743	(2,742,110)	(102,602)
Loss for the year	–	–	–	–	–	–	–	(58,178)	(58,178)
Other comprehensive expenses for the year									
Exchange differences arising on translation of foreign operations	–	–	–	–	(1,388)	–	–	–	(1,388)
Total comprehensive expenses for the year	–	–	–	–	(1,388)	–	–	(58,178)	(59,566)
Capital Reduction (as defined in note 27(b))	(159,633)	–	–	–	–	–	–	159,633	–
Derecognition upon modification of terms of convertible notes (note 25)	–	–	–	–	–	(41,814)	(47,743)	89,557	–
Recognition upon modification of terms of convertible notes (note 25)	–	–	–	–	–	5,644	52,557	(5,644)	52,557
Recognition of deemed contribution on loans from a substantial shareholder (note 24)	–	–	–	–	–	–	2,982	–	2,982
As at 31 December 2022 and 1 January 2023	8,402	2,374,265	5,800	–	463	5,644	55,539	(2,556,742)	(106,629)
Loss for the year	–	–	–	–	–	–	–	(74,915)	(74,915)
Other comprehensive income for the year									
Exchange differences arising on translation of foreign operations	–	–	–	–	378	–	–	–	378
Total comprehensive income (expenses) for the year	–	–	–	–	378	–	–	(74,915)	(74,537)
Derecognition of deemed contribution on loans from a substantial shareholder upon extension	–	–	–	–	–	–	(2,466)	2,466	–
Recognition of deemed contribution on loans from a substantial shareholder (note 24)	–	–	–	–	–	–	5,317	–	5,317
As at 31 December 2023	**8,402**	**2,374,265**	**5,800**	**–**	**841**	**5,644**	**58,390**	**(2,629,191)**	**(175,849)**

Notes:

(a) The contributed surplus represents the difference between the nominal value of the shares of the former group's holding company acquired pursuant to a group reorganisation prior to the listing of the Company's shares, over the nominal value of the Company's shares issued in exchange therefore.

(b) Other reserve represents the deemed contribution from (i) the substantial shareholder of the Company in respect of the modification of terms of convertible notes in 2022 and 2018; and (ii) the loans from a substantial shareholder.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	2023 HK$'000	2022 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(74,915)**	(58,174)
Adjustments for:		
Bank interest income	**(6)**	(8)
Finance costs	**20,061**	17,394
Depreciation of property, plant and equipment	**29**	553
Impairment loss on right-of-use assets	**990**	977
Impairment loss on property, plant and equipment	**–**	115
Provision for write-down of inventories	**12,949**	11,188
Reversal of impairment loss on trade receivables	**(19)**	(435)
Reversal of write-down of inventories	**(261)**	–
Unrealised exchange loss	**394**	491
Gain on termination of lease	**(20)**	(223)
Net gain on disposals of property, plant and equipment	**–**	(100)
Write-offs of property, plant and equipment	**–**	6
Operating cash flows before working capital changes	**(40,798)**	(28,216)
(Increase) decrease in inventories	**(4,271)**	1,048
Decrease in trade receivables	**22,416**	46,021
Decrease (increase) in rental deposits, and prepayments, deposits and other receivables	**18,820**	(12,618)
Decrease in trade payables	**(2,085)**	(18,024)
Increase in other payables and accruals	**2,148**	3,699
Cash used in operations	**(3,770)**	(8,090)
Income tax paid	**–**	(4)
NET CASH USED IN OPERATING ACTIVITIES	**(3,770)**	(8,094)

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	2023 HK$'000	2022 HK$'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(104)**	(137)
Proceeds from disposals of property, plant and equipment	**–**	1,461
Bank interest received	**6**	8
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(98)**	1,332
FINANCING ACTIVITIES		
Capital element of repayment of lease liabilities	**(1,035)**	(1,761)
Interest element of repayment of lease liabilities	**(172)**	(186)
Transaction costs attributable to modification of terms of convertible notes	**–**	(875)
Loans from a substantial shareholder	**5,879**	6,683
NET CASH FROM FINANCING ACTIVITIES	**4,672**	3,861
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**804**	(2,901)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**6,449**	9,248
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(71)**	102
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash	**7,182**	6,449

1. GENERAL AND BASIS OF PREPARATION

Ruixin International Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The address of the registered office is at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda and principal place of business is at Room A, 10th Floor, Times Media Centre, 133 Wan Chai Road, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

The Company is an investment holding company and the principal activities of its subsidiaries (together with the Company hereinafter referred to as the "Group") are set out in note 35.

Basis of preparation

The directors of the Company (the "Director(s)") have given careful consideration to the going concern status of the Group in light of the fact that during the year ended 31 December 2023, the Group incurred a net loss of approximately HK$74,915,000 and had net cash outflows from operating activities of approximately HK$3,770,000. In addition, as at 31 December 2023, the Group had net current liabilities of approximately HK$23,112,000, net liabilities of approximately HK$175,849,000 and bank balances and cash of approximately HK$7,182,000, while its lease liabilities and other payables and accruals were approximately HK$914,000 and HK$21,075,000, respectively, which will be due in the coming twelve months from the end of the reporting period.

In view of such circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but are not limited to, the following:

(i) Extension of the maturity of convertible notes

As disclosed in note 25, the Group entered into a deed of further variation with the sole noteholder, Mr. Li Weimin ("Mr. Li") on 11 August 2022 that the maturity date of the outstanding convertible notes with an aggregate principal amount of HK$158,400,000 would be extended from 31 January 2022 to 31 January 2025. The alteration of terms became effective on 10 November 2022. The Group will continue to seek further extension of the maturity date of the outstanding convertible notes.

1. GENERAL AND BASIS OF PREPARATION *(Continued)*

Basis of preparation *(Continued)*

(ii) Financing through shareholder

During the year ended 31 December 2023, Mr. Li, a substantial shareholder (as defined in the Rules Governing the Listing of Securities on the Stock Exchange) of the Company, had provided financing of a total amount of approximately HK$5,879,000 in the form of shareholder loans. Subsequent to the end of the reporting period, Mr. Li has further advanced approximately HK$1,943,000 to the Group to finance the Group's working capital. The Group will continue to seek additional financing if necessary and further extension of the shareholder loans from Mr. Li.

(iii) Financing through capital market

The Group is actively seeking alternative financing and planning to raise funds through capital market, such as placement of shares and/or other sources.

Taking into account the successful implementation of measures as described above, the Directors are of the opinion that the Group will have sufficient working capital to meet its cash flow requirements in the next twelve months. The Directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether management of the Group is able to achieve its plans and measures as described above which have incorporated assumptions about future events and conditions that are subject to inherent uncertainties. Whether the Group will be able to continue as a going concern would depend upon the following:

(i) whether Mr. Li will provide continuous funding to the Group, as and when needed, to meet the Group's working capital, and further extend the repayment term of the shareholder loans upon maturity;

(ii) whether the Company can attract investors and raise equity funds on acceptable terms; and

(iii) whether the Group can successfully improve its operation and further control operating expenditures.

1. GENERAL AND BASIS OF PREPARATION *(Continued)*

Basis of preparation *(Continued)*

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the carrying amounts of the Group's assets to their net realisable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements of the Group for the year ended 31 December 2023.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(S)")

In the current year, the Group has applied, for the first time, the following new and amendments to HKFRSs and Hong Kong Accounting Standards ("HKAS(s)") issued by the Hong Kong Institute of Certified Public Accountants (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

The application of the new and amendments to HKFRSs and HKASs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(S)") *(Continued)*

Amendments to HKFRSs issued but not yet effective

The Group has not early applied the following amendments to HKFRSs, which include HKFRSs, HKASs and amendments, 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 anticipate that the application of the above amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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, regardless of whether that price is directly observable or estimated using another valuation technique.

The material accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company has:

- the power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power to affect the Group's returns.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of the subsidiaries begins when the Group obtains control over the subsidiaries and ceases when the Group loses control of the subsidiaries.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiaries.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Basis of consolidation *(Continued)*

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

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 the same.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Revenue from contracts with customers *(Continued)*

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.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

Revenue from sale of goods is recognised at the point when the control of the goods is transferred to the customers (generally on delivery of electronic products).

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Revenue from contracts with customers *(Continued)*

Principal versus agent *(Continued)*

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on 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 or loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Leasing

Definition of a lease

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.

The Group as lessee

For contracts entered into or modified on or after the date of initial application of HKFRS 16, the Group assesses whether a contract is or contains a lease, at inception of the contract or modification 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.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the Group's lease liability comprise fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Leasing *(Continued)*

Lease liabilities (Continued)

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate; or

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

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". The costs are included in the related right-of-use assets, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line item in the consolidated statement of financial position.

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

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Leasing *(Continued)*

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, HKFRS 16 "Leases" permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has used this practical expedient for the office leases.

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

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 recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the 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 on 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 and retranslation of monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the foreign exchange reserve.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as are when employee rendered the service.

Liabilities are recognised for benefits accruing to employees (such as wages and salaries, annual leave) after deducting any amount already paid.

Retirement benefits costs

Payments to state-managed retirement benefit schemes, Vietnam Social Security Scheme and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Long service payment

The Group's net obligations in respect of long service payment on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that the employees have earned in return for their services in the current and prior periods.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

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 "loss before taxation" as reported in the consolidated statement of profit or loss 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 differences 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 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 and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences associated with interests in subsidiaries, 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. Deferred tax assets arising from deductible temporary differences associated with such interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to 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 rates (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.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Taxation *(Continued)*

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 the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities, and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Current and deferred tax are recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value of inventories represents the estimated selling price in the ordinary course of business less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

In the consolidated statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are 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 for investment or other purposes.

3. 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 "Revenue from Contracts with Customers". Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities as appropriate, on initial recognition.

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. The Group's financial assets are measured at amortised cost.

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. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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

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 other than purchased or originated credit impaired financial assets (i.e. assets that are credit impaired on initial recognition), 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. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost 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. 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.

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" line item (note 8).

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets

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. The Group determines the ECL on an individual basis for customer with significant balances and significant change in credit risk and collectively by 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.

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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

***Financial assets** (Continued)*

***Impairment of financial assets** (Continued)*

Significant increase in credit risk *(Continued)*

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;
- significant increases in credit risk on other financial instruments of the same 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.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

Significant increase in credit risk *(Continued)*

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial 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 financial asset 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 'low risk'. Low risk means that the counterparty has a strong financial position and there is no past due amounts.

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (Continued)

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.

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. 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.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (Continued)

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 described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

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.

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.

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.

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(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.

Financial liabilities

The Group's financial liabilities are subsequently measured at amortised cost using the effective interest method.

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. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments (Continued)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Modification of financial liabilities

A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The Group considers that 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 liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.

The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

Non-substantial modifications of financial liabilities

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

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Convertible notes

The component parts of the convertible notes issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate of similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion, redemption or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

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.

Provisions 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. Where 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.

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the date of grant is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share-based compensation reserve).

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

Share options granted to suppliers and other eligible persons

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share-based compensation reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Impairment losses on non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated to assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Going concern basis

Although the Group had net current liabilities and net liabilities of approximately HK$23,112,000 and HK$175,849,000, respectively, as at 31 December 2023, the Group manages its liquidity risk by monitoring its current and expected liquidity requirements regularly and ensuring sufficient liquid cash to meet the Group's liquidity requirements in the short and long term. Details of the factor that may cast doubt on the Group's ability to continue as a going concern are disclosed in note 1.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Impairment on trade receivables

Loss allowances for trade receivables are based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss. During the year ended 31 December 2023, a reversal of impairment loss on trade receivables of approximately HK$19,000 (2022: HK$435,000) has been recognised. As at 31 December 2023, the aggregate carrying amount of trade receivables was approximately HK$46,000 (2022: HK$22,444,000), net of nil accumulated impairment loss (2022: approximately HK$1,356,000).

Provision for write-down of inventories

The management of the Group reviews an ageing analysis at the end of each reporting period, and makes provision for obsolete and slow-moving inventory items identified. The management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. During the year ended 31 December 2023, provision for write-down of inventories of approximately HK$12,949,000 (2022: HK$11,188,000) has been recognised. As at 31 December 2023, the carrying amount of inventories was approximately HK$84,000 (2022: HK$8,495,000), net of accumulated provision for write-down of approximately HK$6,017,000 (2022: HK$2,521,000).

Impairment loss on property, plant and equipment

Determining whether property, plant and equipment are impaired requires an estimation of the recoverable amount of the property, plant and equipment. Such estimation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. During the year ended 31 December 2023, impairment loss of approximately HK$115,000 (2023: nil) has been recognised in respect of property, plant and equipment in the consolidated statement of profit or loss. As at 31 December 2023, the carrying amount of property, plant and equipment was approximately HK$92,000 (2022: HK$16,000), net of accumulated impairment loss of approximately HK$630,000 (2022: HK$630,000).

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Impairment loss on right-of-use assets

Determining whether right-of-use assets are impaired requires an estimation of the recoverable amount of the right-of-use assets. Such estimation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. During the year ended 31 December 2023, impairment loss of approximately HK$990,000 (2022: HK$977,000) has been recognised in respect of right-of-use assets in the consolidated statement of profit or loss. As at 31 December 2023, the carrying amount of right-of-use assets was nil (2022: nil), net of accumulated impairment loss of approximately HK$1,910,000 (2022: HK$2,190,000).

Fair value measurement of convertible notes

During the year ended 31 December 2022, the fair value of convertible notes as a whole amounted to approximately HK$111,487,000 as at modification date was determined based on unobservable inputs, including expected stock price volatility, interest rates and credit risk, using valuation technique. Judgement and estimation are required in establishing the relevant valuation technique and the relevant key assumptions and inputs thereof. During the year ended 31 December 2023, no fair value of convertible notes is determined as no convertible notes were modified during the year.

Deferred taxes

As at 31 December 2023 and 2022, no deferred tax assets in relation to unused tax losses and deductible temporary difference have been recognised in the Group's consolidated statement of financial position. As at 31 December 2023 and 2022, no deferred tax asset has been recognised on tax losses and deductible temporary differences of approximately HK$342,105,000 (2022: HK$290,487,000) due to the unpredictability of future profit streams. The realisation of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more/less than expected, a material recognition/reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that 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 from prior year.

The capital structure of the Group consists of net debts, which includes lease liabilities, loans from a substantial shareholder, convertible notes and equity attributable to owners of the Company, comprising share capital and reserves, and net of bank balances and cash. The Directors review the capital structure periodically. 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 share issues as well as share options. The Directors will also consider the raise of long-term borrowings as second resource of capital when investment opportunities arise and the return of such investments will justify the cost of debts from the borrowings.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2023	2022
	HK$'000	HK$'000
Financial assets		
Financial assets at amortised cost (including bank balances and cash)	**11,508**	32,258
Financial liabilities		
Financial liabilities at amortised cost	**184,827**	163,945

(b) Financial risk management objectives and policies

The Group's major financial instruments include rental deposits, trade receivables, deposits and other receivables, bank balances and cash, trade payables, other payables and accruals, loans from a substantial shareholder and convertible notes. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, currency risk, interest rate risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. As at 31 December 2023 and 2022, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on an individual basis for customer with significant balances and significant change in credit risk and collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

For other non-traded related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL. The Directors consider rental deposits and deposits and other receivables to be low credit risk. No impairment loss is made on 12-month ECL as it has low risk of default or has not been a significant increase in credit risk since initial recognition.

Bank balances are determined to have low credit risk as at 31 December 2023 and 2022. The credit risk on bank balances is limited because the counterparties are reputable banks, and the risk of inability to pay or redeem at the due date is low. The expected credit losses were assessed to be minimal as at 31 December 2023 and 2022.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk (Continued)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting periods. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

The Group's exposure to credit risk

In order to minimise credit risk, the Group has delegated a team responsible for determination of credit limits and credit approvals and other monitoring procedures and maintained the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is drawn from the Group's own trading records to rate its customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

Internal Credit rating	**Description**	**Basis for recognising ECL**
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL – not credit impaired
Medium risk	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit impaired
High risk	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The tables below detail the credit quality of the Group's major financial assets as well as the Group's maximum exposure to credit risk.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk (Continued)

For the year ended 31 December 2023

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Trade receivables	Note	Lifetime ECL (simplified approach)	46	–	46
Deposits and other receivables	Low risk	12-month ECL	4,280	–	4,280
Bank balances	Low risk	12-month ECL	7,137	–	7,137
			11,463	–	11,463

For the year ended 31 December 2022

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Trade receivables	Note	Lifetime ECL (simplified approach)	23,800	(1,356)	22,444
Deposits and other receivables	Low risk	12-month ECL	3,365	–	3,365
Bank balances	Low risk	12-month ECL	6,349	–	6,349
			33,514	(1,356)	32,158

Note: The Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on an individual basis for customer with significant balances and significant change in credit risk and collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk (Continued)

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong (2022: Hong Kong), which accounted for 62% (2022: 88%) of the total trade receivables as at 31 December 2023.

The Group has concentration of credit risk as 62% (2022: 64%) and 100% (2022: 82%) of the trade receivables was due from the Group's largest trade debtor and the five largest trade debtors respectively.

None of the Group's financial assets are secured by collateral or other credit enhancements.

Currency risk

The functional currencies of certain subsidiaries are United States Dollar ("US$") or Renminbi ("RMB").

Several subsidiaries of the Company have sales and purchases denominated in currencies other than the respective functional currency, which expose the Group to foreign currency risk. Approximately 3% (2022: 20%) of the Group's sales and 97% (2022:89%) of the Group's purchases are denominated in currencies other than the functional currency of the group entity making the sales and purchases. The Group currently does not have a foreign currency hedging policy. The Group will monitor foreign exchange exposure and consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's material monetary assets and monetary liabilities denominated in currencies other than the functional currency of the group entity at the end of the reporting periods are as follows:

	Assets		Liabilities	
	2023	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**5,298**	6,946	**393**	1,778
US$	**77**	77	**–**	–
RMB	**32**	49	**24**	82

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to the currency risk of HK$/US$/RMB.

The following table details the Group's sensitivity to a 5% (2022: 5%) increase and decrease in exchange rates of the relevant foreign currencies against the respective reporting entity's functional currency 5% (2022: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably 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 rates.

A positive number below indicates a decrease in post-tax loss where the respective functional currencies of the reporting entity weaken 5% (2022: 5%) against the relevant foreign currencies. For a 5% (2022: 5%) strengthening of the respective functional currencies against the relevant foreign currencies, there would be an equal and opposite impact on the loss, and the balances below would be negative.

	HK$		US$		RMB	
	2023 HK$'000	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000
Profit or loss	**205**	216	**3**	3	**–**	(1)

Interest rate risk

As at 31 December 2023 and 2022, the Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (note 22).

Sensitivity analysis

The Group's bank balances are short-term in nature and the exposure of the interest rate is minimal and no sensitivity analysis to interest rate risk on this item is presented.

The Group's operating cash flows are substantially independent of changes in market interest rates. The Group currently does not have an interest rate hedging policy. The Group will monitor interest rate exposure and consider hedging significant interest rate exposure should the need arise.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) 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 cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group mainly finances its business operations with internally generated cash flows and other sources. Furthermore, the management maintains continuous communication with the Company's substantial shareholder on the grant of shareholder loans according to the loan agreements signed and the revised schedule.

The Directors believe that with the amount of shareholder loans received subsequent to the reporting period, cash flows generated from operations by the Group, the grant of shareholder loans according to the revised schedule and the loan agreements signed and the proposed equity fund raising, the Group will be able to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period.

The Directors are of the opinion that, taking into account the above measures and the Group's cash flow projection for the coming year, the Group will have sufficient working capital to meet its cash flow requirements in the next twelve months, though there remain uncertainties as mentioned in note 1.

The following tables details the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting periods.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 December 2023					
Non-derivative financial liabilities					
Other payables and accruals	19,471	–	–	19,471	19,471
Loans from a substantial shareholder	13,209	20,000	–	33,209	28,812
Convertible notes	–	158,400	–	158,400	136,544
	32,680	178,400	–	211,080	184,827
Leases liabilities	1,028	420	–	1,448	1,308

	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 December 2022					
Non-derivative financial liabilities					
Trade payables	2,085	–	–	2,085	2,085
Other payables and accruals	16,955	–	–	16,955	16,955
Loans from a substantial shareholder	24,046	3,283	–	27,329	25,863
Convertible notes	–	–	158,400	158,400	119,042
	43,086	3,283	158,400	204,769	163,945
Leases liabilities	1,027	509	–	1,536	1,382

Fair value measurements of financial instruments

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue (net of discounts and sales related taxes) arising on trading of electronic and electrical parts and components and is recognised at a point in time.

Information reported to the Directors, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on the types of goods delivered. As set out in the Company's annual report for the year ended 31 December 2022 (the "2022 Annual Report"), the Group is principally engaged in the manufacturing and trading of electronic and electrical parts and components. During the year ended 31 December 2021, the Group changed its mode of operation to trading of electronic and electrical parts and components. The Group's operation is attributable to a single reportable and operating segment under HKFRS 8 "Operating Segments" and no segment information is presented as the Group's resources are integrated and no discrete operating segment financial information is available.

(a) Geographical information

The Group's operation is mainly located in Hong Kong and the People's Republic of China (the "PRC"). However, the external customers of the Group are located world-wide, such as Hong Kong, the PRC and Asia Pacific etc.

Information about the Group's revenue from external customers is presented based on the location of customers and information about its non-current assets is presented based on the location of assets as detailed below:

	Revenue from external customers		Non-current assets	
	Year ended 31 December 2023 HK$'000	Year ended 31 December 2022 HK$'000	**As at 31 December 2023 HK$'000**	As at 31 December 2022 HK$'000
Hong Kong	**68,281**	161,717	**85**	11
Elsewhere in the PRC	**3,181**	14,875	**–**	–
Asia Pacific	**535**	9,181	**7**	5
Others	**2,034**	6,968	**–**	–
Total	**74,031**	192,741	**92**	16

Note: Non-current assets excluded financial instruments.

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	2023	2022
	HK$'000	HK$'000
Customer A	**67,500**	134,534

8. OTHER INCOME

	2023	2022
	HK$'000	HK$'000
Bank interest income	**6**	8
Net gain on disposals of property, plant and equipment	**–**	100
Sales of scrap electronic components	**15**	129
Gain on termination of lease (note 18(d))	**20**	223
Government grants (note)	**–**	432
Others	**105**	33
	146	925

Note: During the year ended 31 December 2022, the Group recognised government grants of approximately HK$432,000 (2023: nil) in respect of COVID-19-related subsidies related to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region under the Anti-epidemic Fund. There were no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.

9. FINANCE COSTS

	2023 HK$'000	2022 HK$'000
Imputed interest expenses on convertible notes (note 25)	**17,502**	15,692
Imputed interest expenses on loans from a substantial shareholder (note 24)	**2,387**	1,516
Interest expense on lease liabilities (note 18(c))	**172**	186
	20,061	17,394

10. TAXATION

	2023 HK$'000	2022 HK$'000
Current tax:		
Hong Kong Profits Tax	**–**	–
The PRC Enterprise Income Tax	**–**	4
	–	4

Under the two-tiered profits tax rates regime in Hong Kong, the first HK$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. For the years ended 31 December 2023 and 2022, Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2023 and 2022 as the Group has no assessable profits arising in Hong Kong for both reporting periods.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the subsidiary registered in the PRC is 25% from 1 January 2008 onwards.

10. TAXATION *(Continued)*

Under the Law of Vietnam on Corporate Income Tax (the "Vietnam Corporate Tax"), the tax rate of the subsidiary registered in Vietnam is 20% (2022: 20%). No provision for the Vietnam Corporate Tax has been made for the years ended 31 December 2023 and 2022 as the Vietnam subsidiary has no assessable profits for both reporting periods.

Taxation for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss as follows:

	2023	2022
	HK$'000	HK$'000
Loss before taxation	**(74,915)**	(58,174)
Tax calculated at the domestic income tax rate of 16.5% (2022: 16.5%)	**(12,361)**	(9,599)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**18**	(167)
Tax effect of expenses not deductible for tax purpose	**3,842**	3,902
Tax effect of income not taxable for tax purpose	**(16)**	(250)
Utilisation of deductible temporary differences not recognised in previous years	**(2)**	(37)
Tax effect of tax losses not recognised	**8,519**	6,155
Taxation	**–**	4

Details of deferred tax are set out in note 26.

11. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging/(crediting):

	2023 HK$'000	2022 HK$'000
Cost of inventories recognised as expenses	**71,660**	176,668
Provision for write-down of inventories (included in cost of sales)	**12,949**	11,188
Reversal of write-down of inventories (included in cost of sales)	**(261)**	–
Staff costs (note 12)	**18,014**	17,950
Depreciation of property, plant and equipment	**29**	553
Auditor's remuneration	**977**	977
Net exchange loss	**410**	604
Write-offs of property, plant and equipment	**–**	6

12. STAFF COSTS

	2023 HK$'000	2022 HK$'000
Staff costs (including Directors' and chief executive's emoluments (note 15)) comprise:		
Salaries, allowances and other benefits	**17,277**	17,141
Contributions to retirement benefits	**605**	686
Provision for other employee benefits and long service payments	**132**	123
	18,014	17,950

13. DIVIDENDS

No dividend was paid or proposed for the year ended 31 December 2023, nor has any dividend been proposed since the end of the year ended 31 December 2023 (2022: nil).

14. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to owners of the Company of approximately HK$74,915,000 (2022: HK$58,178,000) and the weighted average number of approximately 84,017,000 (2022: 84,017,000, as adjusted to reflect the effect of the Share Consolidation as defined in note 27(a)) ordinary shares in issue during the year ended 31 December 2023.

For the years ended 31 December 2023 and 2022, the diluted loss per share is the same as the basic loss per share.

The computation of diluted loss per share for the years ended 31 December 2023 and 2022 did not assume the conversion of the Company's outstanding convertible notes as the conversion of convertible notes would result in a decrease in loss per share.

15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the six (2022: six) Directors and the chief executive were as follows:

For the year ended 31 December 2023

	Executive Directors			Independent non-executive Directors			
	Li Yang (Chairman) HK$'000	Huang Hanshui HK$'000	Yang Junjie HK$'000	Ho Chi Fai HK$'000	Zhang Jue HK$'000	Leung Ka Tin (note) HK$'000	Total HK$'000
Emoluments paid or receivable in respect of a person's service as a Director, whether of the Company or its subsidiary undertakings							
Fees	12	600	12	90	90	90	894
Contributions to retirement benefits	–	–	1	–	–	–	1
	12	600	13	90	90	90	895
Emoluments paid or receivable in respect of a Director's other services in connection with the management of the affairs of the Company and its subsidiary undertakings							
Other emoluments:							
Salaries and other benefits	1,800	1,819	–	–	–	–	3,619
Contributions to retirement benefits	180	180	–	–	–	–	360
	1,980	1,999	–	–	–	–	3,979
Total emoluments	1,992	2,599	13	90	90	90	4,874

15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

For the year ended 31 December 2022

	Executive Directors			Independent non-executive Directors			
	Li Yang (Chairman) HK$'000	Huang Hanshui HK$'000	Yang Junjie HK$'000	Ho Chi Fai HK$'000	Zhang Jue HK$'000	Leung Ka Tin (note) HK$'000	Total HK$'000
Emoluments paid or receivable in respect of a person's service as a Director, whether of the Company or its subsidiary undertakings							
Fees	12	600	12	90	90	15	819
Contributions to retirement benefits	–	–	1	–	–	–	1
	12	600	13	90	90	15	820
Emoluments paid or receivable in respect of a Director's other services in connection with the management of the affairs of the Company and its subsidiary undertakings							
Other emoluments:							
Salaries and other benefits	1,800	1,834	–	–	–	–	3,634
Contributions to retirement benefits	180	180	–	–	–	–	360
	1,980	2,014	–	–	–	–	3,994
Total emoluments	1,992	2,614	13	90	90	15	4,814

Note: Mr. Leung Ka Tin was appointed on 1 November 2022.

No Director and chief executive waived or agreed to waive any emoluments for the years ended 31 December 2023 and 2022.

16. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2022: two) were Directors whose emoluments are disclosed in note 15. The emoluments of the remaining three (2022: three) individuals were as follows:

	2023 HK$'000	2022 HK$'000
Salaries, allowances and other benefits	6,426	6,056
Retirement benefits scheme contributions	18	18
	6,444	6,074

Their emoluments were within the following bands:

	Number of employees	
	2023	2022
Less than HK$1,000,000	1	1
HK$1,000,001 to HK$1,500,000	–	–
HK$1,500,001 to HK$2,000,000	–	–
HK$2,000,001 to HK$2,500,000	1	1
HK$2,500,001 to HK$3,000,000	1	1
HK$3,000,001 to HK$3,500,000	–	–
HK$3,500,001 to HK$4,000,000	–	–
	3	3

During the years ended 31 December 2023 and 2022, no emoluments were paid by the Group to the five highest paid individuals (including Directors and employees) or other Directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

17. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery HK$'000	Leasehold improvements, furniture and fixtures and others HK$'000	Total HK$'000
COST			
As at 1 January 2022	35,642	6,928	42,570
Exchange realignment	(342)	(25)	(367)
Additions	–	137	137
Write-offs	(32,525)	(4,652)	(37,177)
Disposals	(2,775)	(324)	(3,099)
As at 31 December 2022 and 1 January 2023	–	2,064	2,064
Exchange realignment	–	(17)	(17)
Additions	–	104	104
Write-offs	–	(26)	(26)
As at 31 December 2023	**–**	**2,125**	**2,125**
DEPRECIATION AND IMPAIRMENT			
As at 1 January 2022	33,641	6,821	40,462
Exchange realignment	(151)	(22)	(173)
Depreciation provided for the year	449	104	553
Impairment provided for the year	–	115	115
Eliminated on write-offs	(32,525)	(4,646)	(37,171)
Eliminated on disposals	(1,414)	(324)	(1,738)
As at 31 December 2022 and 1 January 2023	–	2,048	2,048
Exchange realignment	–	(18)	(18)
Depreciation provided for the year	–	29	29
Eliminated on write-offs	–	(26)	(26)
As at 31 December 2023	**–**	**2,033**	**2,033**
CARRYING VALUES			
As at 31 December 2023	**–**	**92**	**92**
As at 31 December 2022	–	16	16

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Plant and machinery	10% to 30%
Leasehold improvements, furniture and fixtures and others	10% to 30% or over the term of lease, whichever is shorter

During the year ended 31 December 2022, the Directors conducted a review of certain of the Group's property, plant and equipment, which have an impairment indicator and impairment loss of HK$115,000 has been recognised in respect of the property, plant and equipment. As the management expected the Group to suffer further losses, therefore the recoverable amount estimated using value-in-use was lower than the carrying amount. No further impairment loss was recognised during the year ended 31 December 2023.

18. LEASES

(a) Right-of-use assets

	2023	2022
	HK$'000	HK$'000
Warehouse	**–**	–
Offices	**–**	–
	–	–

The Group has lease arrangements for warehouse and offices. The lease terms generally ranged from one to two years (2022: ranged from one to two years). Rental are fixed over the terms of respective leases and there are no renewal or termination options granted.

Additions to the right-of-use assets for the year ended 31 December 2023 amounted to approximately HK$990,000, due to renewal of leases of offices.

Additions to the right-of-use assets for the year ended 31 December 2022 amounted to approximately HK$977,000, due to new and renewal of leases of offices and warehouse.

During the years ended 31 December 2023 and 2022, the Directors conducted a review of the Group's right-of-use assets, which have an impairment indicator. The impairment loss of approximately HK$990,000 (2022: HK$977,000) has been recognised in respect of the right-of-use assets. As the management expected the Group to suffer further losses, therefore the recoverable amount estimated using value-in-use was lower than the carrying amount.

18. LEASES *(Continued)*

(b) Leases liabilities

	2023 HK$'000	2022 HK$'000
Current	**914**	907
Non – current	**394**	475
	1,308	1,382

As at 31 December 2023 and 2022, the lease liabilities arose from lease arrangements for offices and warehouse.

Amounts payable under lease liabilities	2023 HK$'000	2022 HK$'000
Within one year	**914**	907
After one year but within two years	**394**	475
	1,308	1,382
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(914)**	(907)
Amount due for settlement after 12 months (shown under non-current liabilities)	**394**	475

Additions to the lease liabilities for the year ended 31 December 2023 amounted to approximately HK$990,000, due to renewal of leases of offices.

Additions to the lease liabilities for the year ended 31 December 2022 amounted to approximately HK$955,000, due to new and renewal of leases of offices and warehouse.

18. LEASES *(Continued)*

(c) Amounts recognised in profit or loss

	2023 HK$'000	2022 HK$'000
Interest expense on lease liabilities (note 9)	172	186

(d) Others

During the year ended 31 December 2023, the total cash outflow for leases amount to approximately HK$1,207,000 (2022: HK$1,947,000).

During the year ended 31 December 2023, the Group terminated the lease for office and derecognised right-of-use assets (after impairment) and lease liabilities of nil (2022: nil) and HK$20,000 (2022: nil) respectively, resulting in a gain on termination of lease of approximately HK$20,000 (2022: nil) being recognised.

During the year ended 31 December 2022, the Group terminated the lease for warehouse and derecognised right-of-use assets (after impairment) and lease liabilities of nil (2023: nil) and HK$223,000 (2023: nil) respectively, resulting in a gain on termination of lease of approximately HK$223,000 (2023: nil) being recognised.

19. INVENTORIES

	2023 HK$'000	2022 HK$'000
Finished goods	84	8,495

20. TRADE RECEIVABLES

The Group allows an average credit period of 30 to 120 days (2022: 30 to 120 days) to its trade customers.

	2023 HK$'000	2022 HK$'000
Trade receivables	46	23,800
Less: Accumulated impairment	–	(1,356)
	46	22,444

The Group did not hold any collateral over the trade receivables.

The following is an ageing analysis of trade receivables, net of impairment, presented based on the due date at the end of the reporting periods:

	2023 HK$'000	2022 HK$'000
Current	46	22,398
Overdue:		
– within 3 months	–	46
	46	22,444

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

20. TRADE RECEIVABLES *(Continued)*

The Group recognised lifetime ECL for trade receivables based on an individual basis for customers with significant balances and significant change in credit risk and collectively by using a provision matrix as follows:

As at 31 December 2023	Weighted average expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Individually			
Over 12 months past due	–	–	–
Collectively			
Current (not past due)	–	46	–
Less than 3 months past due	–	–	–
		46	–

As at 31 December 2022	Weighted average expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Individually			
Over 12 months past due	100	1,337	1,337
Collectively			
Current (not past due)	0.080	22,416	18
Less than 3 months past due	1.004	47	1
		23,800	1,356

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

20. TRADE RECEIVABLES *(Continued)*

The movement in the allowance for impairment of trade receivables is set out below:

	2023 HK$'000	2022 HK$'000
Balance at beginning of the year	1,356	1,915
Reversal of impairment loss	(19)	(435)
Amounts written-off as uncollectable	(1,337)	–
Exchange realignment	–	(124)
Balance at end of the year	–	1,356

21. RENTAL DEPOSITS, AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 HK$'000	2022 HK$'000
Other receivables	3,978	2,889
Prepayments	206	19,901
Deposits	302	476
	4,486	23,266
Analysed for financial reporting purpose:		
Current	4,486	23,122
Non-current	–	144
	4,486	23,266

The impairment on deposits and other receivables is assessed individually. The Group recognised 12-month ECL for deposits and other receivables with gross carrying amount of approximately HK$4,280,000 (2022: HK$3,365,000) whose credit risks are considered as low. No impairment loss is made on 12-month ECL as it has low risk of default or has not been a significant increase in credit risk since initial recognition.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Group does not hold any collateral over these balances.

22. BANK BALANCES AND CASH

As at 31 December 2023 and 2022, cash at bank carried interest at floating rates based on daily bank deposits rates.

23. TRADE PAYABLES

The following is an ageing analysis of trade payables presented based on the due date at the end of the reporting periods:

	2023 HK$'000	2022 HK$'000
Current	–	1,762
Overdue:		
– within 3 months	–	323
	–	2,085

The average credit period on purchases is 30 to 120 days (2022: 30 to 120 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

24. LOANS FROM A SUBSTANTIAL SHAREHOLDER

	2023 HK$'000	2022 HK$'000
Loans repayable on maturity, unsecured and non-interest bearing	28,812	25,863
Analysed for financial reporting purpose:		
Due within one year	12,921	23,022
Due more than one year but less than two years	15,891	2,841
	28,812	25,863

24. LOANS FROM A SUBSTANTIAL SHAREHOLDER *(Continued)*

As at 31 December 2023, the principal amount of loans from a substantial shareholder remained outstanding is HK$33,208,000 (2022: HK$27,329,000).

Imputed interest of loans from a substantive shareholder calculated at the effective interest rates ranging from 10.40% to 16.86% (2022: 6.75% to 12.94%), which was determined by an independent valuer at the inception or renewal of the loans and deemed contribution of approximately HK$5,317,000 (2022: HK$2,982,000) was recognised in other reserve in the consolidated statement of changes in equity. During the year ended 31 December 2023, the imputed interest of approximately HK$2,387,000 (2022: HK$1,516,000) was recognised and charged to the consolidated statement of profit or loss in note 9.

25. CONVERTIBLE NOTES

On 16 November 2009, the Company issued unsecured convertible notes for the partial settlement of the consideration for the acquisition of CITIC Logistics (International) Company Limited (liquidated). Details of the transaction are set out in the Company's circular dated 16 October 2009. The sole holder of the convertible notes, Mr. Li Weimin ("Mr. Li"), is a substantial shareholder of the Company.

Details of the Group's convertible notes outstanding as at 31 December 2023 and 2022 are set out below:

Date of issue	:	16 November 2009
Original principal amount	:	HK$950,400,000
Effective date of alteration	:	10 November 2022
Remaining principal amount	:	HK$158,400,000
Coupon rate	:	Nil
Conversion price	:	HK$1.00 per New Share (as defined in note 27(c))
Conversion period	:	The period commencing from the date of modification of the convertible notes and ending on the maturity date
Collaterals	:	Nil
Maturity date	:	31 January 2025

25. CONVERTIBLE NOTES *(Continued)*

Subject to the occurrence of an event of default (as defined in the terms and conditions of the convertible notes), the convertible notes may be redeemed in amounts of HK$100,000 or integral multiples thereof at the option and in the absolute discretion of the Company on any business day prior to the maturity date by giving not less than seven days notice to the holder of the convertible notes.

The convertible notes contain two components, being liability and equity components. The equity component is presented in equity under the heading of convertible notes reserve. The effective interest rate of the liability component of the convertible notes is 14.38% (2022: 14.38%) per annum. The liability and equity components of the convertible notes were measured at fair values at the date of modification and the valuation was determined by an independent valuer.

On 14 November 2014, the Company and Mr. Li entered into a deed of variation, pursuant to which it was agreed that, subject to the fulfillment of conditions precedent, (i) the maturity date of the then outstanding convertible notes with an aggregate principal amount of HK$302,400,000 would be extended from 15 November 2014 to 31 December 2016; and (ii) the original conversion price of HK$0.12 per share would be adjusted to the conversion price of HK$0.035 per share. Save for the above alterations, all other terms and conditions of the then outstanding convertible notes remained unchanged. On 9 January 2015, the relevant ordinary resolution was duly passed at the special general meeting and the extension of the maturity date and the adjustment of the conversion price of the then outstanding convertible notes became effective. For details, please refer to the announcements of the Company dated 14 November 2014, 17 November 2014 and 9 January 2015, as well as the circular of the Company dated 19 December 2014 and the Company's annual report for the year ended 31 December 2015.

Convertible notes of the Company with an aggregate principal amount of HK$42,000,000 were converted into 1,199,999,998 ordinary shares of HK$0.01 each at a conversion price of HK$0.035 per share on 4 June 2015.

On 14 December 2016, the Company and Mr. Li entered into a deed of further variation, pursuant to which it was agreed that, subject to the fulfillment of conditions precedent, the maturity date of the then outstanding convertible notes with an aggregate principal amount of HK$260,400,000 would be extended from 31 December 2016 to 31 January 2019. Save for the above alteration, all other terms and conditions of the then outstanding convertible notes remained unchanged. On 16 January 2017, the relevant ordinary resolution was duly passed at the special general meeting and the extension of the maturity date of the then outstanding convertible notes became effective. For details, please refer to the announcements of the Company dated 14 December 2016 and 16 January 2017, as well as the circular of the Company dated 29 December 2016 and the Company's annual report for the year ended 31 December 2017.

25. CONVERTIBLE NOTES *(Continued)*

On 12 November 2018, the Company and Mr. Li entered into a deed of further variation, pursuant to which it was agreed that, subject to the fulfillment of conditions precedent, (i) the maturity date of the remaining convertible notes with an aggregate principal amount of HK$158,400,000 would be extended from 31 January 2019 to 31 January 2022; and (ii) the conversion price of HK$0.035 per share would be adjusted to the conversion price of HK$0.011 per share. Save for the above alterations, all other terms and conditions of the remaining convertible notes remained unchanged. On 28 December 2018, the relevant ordinary resolution was duly passed at the special general meeting. On 31 December 2018, the extension of the maturity date and the adjustment of the conversion price of the remaining convertible notes became effective. For details, please refer to the announcements of the Company dated 12 November 2018, 28 December 2018 and 31 December 2018, as well as the circular of the Company dated 11 December 2018 and the Company's annual report for the year ended 31 December 2018.

Convertible notes of the Company with an aggregate principal amount of HK$102,000,000 were converted into 2,914,285,714 ordinary shares of HK$0.01 each at a conversion price of HK$0.035 per share on 31 December 2018.

As a result of the share consolidation in 2019 (every twenty issued and unissued ordinary shares with a par value of HK$0.01 each in the share capital of the Company were consolidated into one ordinary share with a par value of HK$0.20 each) and under the terms and conditions of the convertible notes, the conversion price of the outstanding convertible notes was adjusted from HK$0.011 per share to HK$0.22 per share with effect from the close of business in Hong Kong on 22 May 2019.

As a result of the Capital Reorganisation (as defined in note 27(c)) in 2022 and under the terms and conditions of the convertible notes, the conversion price of the outstanding convertible notes was adjusted from HK$0.22 per share to HK$2.20 per New Share (as defined in note 27(c)) with effect from the close of business in Hong Kong on 8 November 2022.

On 11 August 2022, the Company and Mr. Li entered into a deed of further variation, pursuant to which it was agreed that, subject to the fulfillment of conditions precedent, (i) the maturity date of the outstanding convertible notes with an aggregate principal amount of HK$158,400,000 would be extended from 31 January 2022 to 31 January 2025; and (ii) the adjusted conversion price of HK$2.20 per New Share would be further adjusted to the conversion price of HK$1.00 per New Share. On 7 November 2022, the relevant ordinary resolution was duly passed at the special general meeting. On 10 November 2022, the extension of the maturity date and the adjustment of the adjusted conversion price of the outstanding convertible notes became effective. For details, please refer to the announcements of the Company dated 11 August 2022, 7 November 2022 and 10 November 2022, as well as the circular of the Company dated 14 October 2022 and the 2022 Annual Report. Based on the conversion price of HK$1.00 per share, the outstanding convertible notes with an aggregate principal amount of HK$158,400,000 will be convertible into 158,400,000 ordinary shares of HK$0.10 each.

25. CONVERTIBLE NOTES *(Continued)*

The extension of the maturity date and the adjustment of the adjusted conversion price resulted in the extinguishment of the financial liability of the convertible notes and related equity component and the recognition of new financial liability and equity components. The carrying values of liability component and equity component of the convertible notes immediately before modification were approximately HK$158,400,000 and HK$41,814,000 respectively. According to a valuation report issued by an independent valuer not connected with the Group, the fair values of the new liability component and equity component immediately following the modification are approximately HK$105,843,000 and HK$5,644,000 respectively. These caused an increase of approximately HK$52,557,000 in other reserve in the consolidated statement of changes in equity, a transfer of approximately HK$47,743,000 between other reserve and accumulated losses, and a transfer of a net amount of approximately HK$36,170,000 between the convertible notes reserve and accumulated losses with no profit or loss impact during the year ended 31 December 2022.

Movements of the liability and equity components of the convertible notes for the years ended 31 December 2023 and 2022 are set out below:

	Liability component	**Equity component**	**Total**
	HK$'000	HK$'000	HK$'000
As at 1 January 2022	156,782	41,814	198,596
Derecognition of original liability/equity component upon modification of terms of convertible notes	(158,400)	(41,814)	(200,214)
Recognition of new liability/equity component upon modification of terms of convertible notes	105,843	5,644	111,487
Transaction costs attributable to modification of terms of convertible notes	(875)	–	(875)
Imputed interest charged to the consolidated statement of profit or loss (note 9)	15,692	–	15,692
As at 31 December 2022 and 1 January 2023	119,042	5,644	124,686
Imputed interest charged to the consolidated statement of profit or loss (note 9)	17,502	–	17,502
As at 31 December 2023	**136,544**	**5,644**	**142,188**

As at 31 December 2023, the principal amount of convertible notes remained outstanding is HK$158,400,000 (2022: HK$158,400,000).

26. DEFERRED TAX

As at 31 December 2023, the Group has unused estimated tax losses of approximately HK$340,831,000 (2022: HK$289,201,000). No deferred tax asset has been recognised in respect of the remaining tax losses due to the unpredictability of future profits streams. Tax losses may be carried forward indefinitely.

As at 31 December 2023, the Group has deductible temporary differences of approximately HK$1,274,000 (2022: HK$1,286,000). No deferred tax asset is recognised in respect of these deductible temporary differences as at 31 December 2023 and 2022 due to the unpredictability of future profits streams.

27. SHARE CAPITAL

	Number of shares '000	HK$'000
Authorised ordinary shares of HK$0.10 (2022: HK$0.10) each:		
As at 1 January 2022	3,000,000	600,000
Share consolidation (note a)	(2,700,000)	–
Share subdivision (note c)	5,700,000	–
As at 31 December 2022, 1 January 2023 and 31 December 2023	**6,000,000**	**600,000**
Issued and fully paid ordinary shares of HK$0.10 (2022: HK$0.10) each:		
As at 1 January 2022	840,174	168,035
Share consolidation (note a)	(756,157)	–
Capital reduction (note b)	–	(159,633)
As at 31 December 2022, 1 January 2023 and 31 December 2023	**84,017**	**8,402**

27. SHARE CAPITAL *(Continued)*

Notes:

(a) On 7 November 2022, the relevant special resolution was duly passed at the special general meeting and every ten issued and unissued ordinary shares with a par value of HK$0.20 each in the share capital of the Company were consolidated into one ordinary share with a par value of HK$2.00 each (each a "Consolidated Share") (the "Share Consolidation") with effect from 9 November 2022.

(b) On 7 November 2022, the relevant special resolution was duly passed at the special general meeting and the par value of each issued Consolidated Share was reduced from HK$2.00 to HK0.10 by cancelling the paid-up capital of the Company to the extent of HK$1.90 on each issued Consolidated Share and any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation was cancelled (the "Capital Reduction") with effect from 9 November 2022.

(c) On 7 November 2022, the relevant special resolution was duly passed at the special general meeting and each authorised but unissued Consolidated Share with a par value of HK$2.00 was subdivided into twenty new share (the "New Share(s)") of the Company with a par value of HK$0.10 each (the "Share Subdivision", and together with the Share Consolidation and the Capital Reduction, the "Capital Reorganisation") with effect from 9 November 2022. Such New Shares rank *pari passu* in all respects with each other.

28. SHARE OPTION SCHEME

The Company has adopted a share option scheme on 28 November 2002 (the "2002 Share Option Scheme") for the purpose of providing incentives or rewards to wider classes of person or entity to be the participants (the "Participants") there under for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest ("Invested Entity").

On 8 June 2012, a new share option scheme (the "2012 Share Option Scheme") was adopted by the shareholders of the Company, pursuant to an ordinary resolution passed at the annual general meeting held on 8 June 2012. The 2002 Share Option Scheme was terminated accordingly on the same day and no further options will be granted under the 2002 Share Option Scheme but in all other aspects, the provisions of the 2002 Share Option Scheme shall remain in full force and effect in respect of any options granted prior to the adoption of the 2012 Share Option Scheme and any such options shall continue to be valid and exercisable in accordance with their terms of issue. The 2012 Share Option Scheme was expired on 7 June 2022.

28. SHARE OPTION SCHEME *(Continued)*

Pursuant to the terms of the 2012 Share Option Scheme, the Directors may, at their absolute discretion, invite any person belonging to any of the following classes of Participants, to take up options to subscribe for shares:

(a) any eligible employee;

(b) any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer of the Group or any Invested Entity;

(e) any person or entity that provides research, development or technological support or services to the Group or any Invested Entity;

(f) any shareholder or any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and

(g) any ex-employee who has contributed to the development and growth of the Group and any Invested Entity.

The basis of eligibility of any of the above class of Participants to the grant of any options shall be determined by the Directors from time to time on the basis of their contribution to the development and growth of the Group and any Invested Entity based on his work experience, industry knowledge or other relevant factors, or is expected to be able to contribute to the business development of the Group and any Invested Entity based on his business connections or other relevant factors, and subject to such conditions as the Directors think fit.

The subscription price for the shares under the 2012 Share Option Scheme shall be a price determined by the Directors, but shall not be lower than the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant; (ii) the average closing price of the shares stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the shares. Options granted are exercisable at any time during a period to be notified by the Directors but limited to a maximum period of ten years after the date the options are granted. Options granted should be accepted within 28 days from the date of offer. A consideration of HK$1 is payable on acceptance of the offer of grant of an option.

28. SHARE OPTION SCHEME *(Continued)*

The maximum number of shares which may be issued upon exercise of all options to be granted under the 2012 Share Option Scheme and the other schemes shall not exceed 10% of the shares in issue at the date on which the 2012 Share Option Scheme is conditionally adopted by the Company at a general meeting of the shareholders.

The Company may, by the approval of the shareholders in general meeting, grant options beyond the 10% limit provided that the options in excess of the 10% limit are granted only to Participants specifically identified by the Company before shareholders' approval is sought.

Unless approved by the shareholders as set out herein, the total number of shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised and outstanding options) in any twelve-month period must not exceed 1% of the shares of the Company in issue. Where any further grant of options to a Participant would result in the shares issued and to be issued upon exercise of any options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the twelve-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by the shareholders in general meeting with such Participant and his associates abstaining from voting.

However, the overall limit on the number of shares which may be issued upon exercise of all options granted under all share option schemes of the Company must not exceed 30% of the shares in issue from time to time.

Unless the Directors otherwise determined and stated in the offer of the grant of options to a Participant, a Participant is not required to achieve any performance targets before any options granted under the 2012 Share Option Scheme can be exercised.

As at 31 December 2022, no shares in respect of which options had been granted and remained outstanding and exercisable under the 2002 Share Option Scheme (2023: nil). No option is granted under the 2012 Share Option Scheme during the year ended 31 December 2022. The 2012 Share Option Scheme has expired on 7 June 2022.

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 HK$'000	2022 HK$'000
Non-current asset		
Investments in subsidiaries	–	–
Current assets		
Prepayments, deposits and other receivables	21	158
Amounts due from subsidiaries (note a)	2,906	48,142
Bank balances and cash	1	2
	2,928	48,302
Current liabilities		
Amount due to a subsidiary	7,076	5,334
Other payables and accruals	7,682	7,086
	14,758	12,420
Net current (liabilities) assets	(11,830)	35,882
Total assets less current liabilities	(11,830)	35,882
Non-current liability		
Convertible notes	136,544	119,042
	(148,374)	(83,160)
Capital and reserves		
Share capital	8,402	8,402
Reserves (note b)	(156,776)	(91,562)
	(148,374)	(83,160)

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

Notes:

(a) The amounts are unsecured, interest-free and repayable on demand.

(b) Movements in the reserves during the years are as follows:

	Share premium	Contributed surplus (note i)	Convertible notes reserve	Other reserve (note ii)	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 January 2022	2,374,265	62,315	41,814	47,743	(2,780,777)	(254,640)
Loss and total comprehensive expenses for the year	–	–	–	–	(49,112)	(49,112)
Capital Reduction (note 27(b))	–	–	–	–	159,633	159,633
Derecognition upon modification of terms of convertible notes (note 25)	–	–	(41,814)	(47,743)	89,557	–
Recognition upon modification of terms of convertible notes (note 25)	–	–	5,644	52,557	(5,644)	52,557
As at 31 December 2022 and 1 January 2023	2,374,265	62,315	5,644	52,557	(2,586,343)	(91,562)
Loss and total comprehensive expenses for the year	–	–	–	–	(65,214)	(65,214)
As at 31 December 2023	**2,374,265**	**62,315**	**5,644**	**52,557**	**(2,651,557)**	**(156,776)**

Notes:

(i) The contributed surplus represents the difference between the nominal value of the shares of the Company acquired pursuant to a group reorganisation prior to the listing of the Company's shares, over the nominal value of the Company's shares issued in exchange therefore.

(ii) Other reserve represents the deemed contribution from the substantial shareholder of the Company in respect of the modification of terms of convertible notes in 2022 and 2018.

30. MAJOR NON-CASH TRANSACTIONS

During the years ended 31 December 2023 and 2022, the Group has entered the followings major non-cash transactions:

(a) During the year ended 31 December 2023, the Group entered into renewal of lease agreements in respect of offices (2022: new and renewal of lease agreements in respect of offices and warehouse) and non-cash addition of right-of-use assets of approximately HK$990,000 (2022: HK$977,000) and lease liabilities of approximately HK$990,000 (2022: HK$955,000) were recognised.

(b) During the year ended 31 December 2023, the Group recognised the deemed contribution on loans from a substantial shareholder of approximately HK$5,317,000 (2022: HK$2,982,000). Further details are set out in note 24.

(c) During the year ended 31 December 2022, the extension of the maturity date of the outstanding convertible notes and the adjustment of the conversion price resulted in extinguishment of the original financial liability and related equity component of approximately HK$158,400,000 (2023: nil) and HK$41,814,000 (2023: nil) respectively and recognition of the new financial liability and equity component of approximately HK$105,843,000 (2023: nil) and HK$5,644,000 (2023: nil) respectively. Further details are set out in note 25.

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following table details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities HK$'000	Loans from a substantial shareholder HK$'000	Convertible notes HK$'000	Total HK$'000
As at 1 January 2022	2,415	20,646	156,782	179,843
Financing cash flows:				
Outflow	(1,947)	–	(875)	(2,822)
Inflow	–	6,683	–	6,683
Non-cash changes:				
New and renewal of lease agreements (note 30(a))	955	–	–	955
Interest expenses	186	–	–	186
Gain on termination of lease (note 18(d))	(223)	–	–	(223)
Derecognition of original liability component upon modification of terms (note 30(c))	–	–	(158,400)	(158,400)
Recognition of new liability component upon modification of terms (note 30(c))	–	–	105,843	105,843
Recognition of deemed contribution (note 30(b))	–	(2,982)	–	(2,982)
Exchange alignment	(4)	–	–	(4)
Imputed interest	–	1,516	15,692	17,208
As at 31 December 2022 and 1 January 2023	1,382	25,863	119,042	146,287
Financing cash flows:				
Outflow	(1,207)	–	–	(1,207)
Inflow	–	5,879	–	5,879
Non-cash changes:				
Renewal of lease agreements (note 30(a))	990	–	–	990
Interest expenses	172	–	–	172
Gain on modification of lease (note 18(d))	(20)	–	–	(20)
Recognition of deemed contribution (note 30(b))	–	(5,317)	–	(5,317)
Exchange alignment	(9)	–	–	(9)
Imputed interest	–	2,387	17,502	19,889
As at 31 December 2023	**1,308**	**28,812**	**136,544**	**166,664**

32. RETIREMENT BENEFIT OBLIGATIONS

Retirement benefit scheme contributions

Hong Kong

The Group joins a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, the employee contributes 5% of the relevant payroll to the MPF Scheme while the Group contributes from 5% to 10% of the relevant payroll to the MPF Scheme. For those making contributions to the scheme at 5% of the employees' relevant income, it is subject to a cap of monthly relevant income of HK$30,000. Contributions to the scheme vest immediately.

The PRC and Vietnam

The Group also participates in a defined contribution retirement schemes organised by the governments in the PRC and Vietnam. All employees of the Group in the PRC and Vietnam are entitled to an annual pension equal to a fixed portion of their individual final basic salaries at their retirement date. The Group is required to contribute a specified percentage of the payroll of its employees to the retirement date. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

33. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following material transactions with related parties:

(a) The following balances were outstanding at the end of the reporting periods:

	Amounts due to related parties	
	2023	2022
	HK$'000	HK$'000
Directors' emoluments payables (included in other payables) (note i)	**13,707**	10,744
Emoluments payables to close family members of a substantial shareholder of the Company (included in other payables) (note ii)	**7,682**	5,888
Emoluments payables to close family members of a former Director (included in other payables) (note ii)	**–**	400
Principal amount of loans from a substantial shareholder (note 24)	**33,209**	27,329
Principal amount of convertible notes due to a substantial shareholder (note 25)	**158,400**	158,400

Notes:

(i) The Directors' emoluments payables were unsecured, interest-free and repayable on demand.

(ii) The emoluments payables to close family members of a substantial shareholder of the Company and a former Director were unsecured, interest-free and repayable on demand. Emoluments of approximately HK$7,580,000 (2022: HK$5,786,000) payable to Ms. Li Yang, an executive Director and the chairman of the board of Directors, was also included in Directors' emoluments payables.

(b) During the year ended 31 December 2022, remuneration of approximately HK$5,200,000 (2023: nil) were paid or payable to close family members of a former Director as the position of a director of certain subsidiaries of the Group.

(c) During the year ended 31 December 2023, remuneration of approximately HK$1,812,000 (2022: HK$1,812,000) were payable to a close family member of a substantial shareholder of the Company as an executive Director and the chairman of the board of Directors.

33. RELATED PARTY TRANSACTIONS *(Continued)*

(d) Compensation of key management personnel

The remuneration of the Directors and other members of key management during the reporting periods were as follows:

	2023 HK$'000	2022 HK$'000
Short-term benefits	4,513	4,453
Post-employment benefits	361	361
	4,874	4,814

The remuneration of Directors and key executives were determined by the remuneration committee and the board of Directors having regard to the performance of individuals and market trends.

34. CONTINGENT LIABILITY

On 15 July 2009, one of the subsidiaries of Classic Line International Limited ("Classic Line"), a former subsidiary of the Company, has been and is the subject of a judgement (in the amount of US$13.5 million) obtained in a United States court in an action in respect of damages allegedly arising out of use of fire lighters sold by the subsidiary of Classic Line. The Company is one of the co-defendants in the case. On 28 September 2009, the Company entered into an agreement to dispose of the entire equity interest in Classic Line and the disposal was completed on 31 October 2009.

Based on the legal advice received by the Company, the Directors considered that the Company has valid grounds in opposing the enforcement of any judgement of the said case against the Company, if obtained, in Hong Kong and Bermuda. Accordingly, no provision has been made in the consolidated financial statements.

35. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2023 and 2022 are as follows:

Name	Form of business structure	Place of incorporation/ registration and operations	Issued and paid-up ordinary share/ registered capital	Proportion of ownership interest and voting power held by the Company				Principal activities
				2023		2022		
				Direct %	Indirect %	Direct %	Indirect %	
Sino-Tech International (B.V.I.) Limited	Corporation	British Virgin Islands	US$2 (2022:US$2)	100	–	100	–	Investment holding
Ruixin Universal Limited	Corporation	Hong Kong	HK$1 (2022:HK$1)	–	100	–	100	Provision of management service
Fast Harvest Limited	Corporation	Hong Kong	HK$2 (2022:HK$2)	–	100	–	100	Provision of management service
LWM Management Limited	Corporation	Hong Kong	HK$1 (2022:HK$1)	–	100	–	100	Provision of management service
Sino-Tech RFID Limited (formerly known as Semtech RFID Limited)	Corporation	Hong Kong	HK$100 (2022:HK$100)	–	100	–	100	Investment holding
Super Victory Enterprises Limited	Corporation	Hong Kong	HK$2 (2022:HK$2)	–	100	–	100	Trading of electronic and electrical parts and components
Super Victory Electronics Limited	Corporation	Hong Kong	HK$1 (2022:HK$1)	–	100	–	100	Trading of electronic and electrical parts and components
東莞泰豐射頻識別有限公司 (note a)	Corporation	PRC	US$1,500,000 (2022:US$1,500,000)	–	100	–	100	Trading of electronic and electrical parts and components
Ruixin International Engineering Vietnam Company Limited (note b)	Corporation	Vietnam	US$100,000 (2022:US$100,000)	–	100	–	100	Provision of management consulting services; construction and related services and general trading

Notes:

(a) The company is a wholly owned foreign enterprise with limited liabilities in the PRC.

(b) The company is a wholly owned foreign enterprise with limited liabilities in Vietnam.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities subsisting at the end of both years or at any time during the years.

35. PRINCIPAL SUBSIDIARIES *(Continued)*

At the end of the reporting periods, the Company has other subsidiaries that are not material to the Group. A summary of these subsidiaries are set out as follows:

		Number of subsidiaries	
Principal activities	**Principal place of business**	**2023**	2022
Investment holding	British Virgin Islands	**6**	6
Inactive/not commenced business yet	Hong Kong	**1**	1

Summary of Financial Information

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years prepared on the bases set out in the note below is as follows. This summary does not form part of the audited consolidated financial statements.

RESULTS

	Year ended 31 December				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**74,031**	192,741	303,491	358,522	332,743
Loss before taxation	**(74,915)**	(58,174)	(53,926)	(56,383)	(60,282)
Net loss attributable to owners of the Company	**(74,915)**	(58,178)	(54,151)	(56,383)	(60,282)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**11,890**	60,670	112,988	220,561	241,009
Total liabilities	**(187,739)**	(167,299)	(215,590)	(269,417)	(234,588)
Non-controlling interests	**–**	–	–	–	–
	(175,849)	(106,629)	(102,602)	(48,856)	6,421

Note: The results of the Group for the years ended 31 December 2023, 31 December 2022, 31 December 2021, 31 December 2020 and 31 December 2019 have been extracted from the audited consolidated financial statements for the years ended 31 December 2023, 31 December 2022, 31 December 2021, 31 December 2020 and 31 December 2019.