



**Prosperous Printing Company Limited**  
**萬里印刷有限公司**

(Incorporated in Hong Kong with Limited Liability)

Stock Code: 8385



**2023**  
Annual Report



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*This report, for which the directors (the “**Directors**”) of Prosperous Printing Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules governing the Listing of Securities on the GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this report misleading.*

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Lam Sam Ming (*Chairman*)  
Ms. Yao Yuan  
Ms. Chan Sau Po

### Independent non-executive Directors

Ms. Cheung Yin  
Mr. Wong Hei Chiu  
Mr. Leung Vincent Gar-Gene

## AUDIT COMMITTEE

Ms. Cheung Yin (*Chairman*)  
Mr. Wong Hei Chiu  
Mr. Leung Vincent Gar-Gene

## REMUNERATION COMMITTEE

Mr. Wong Hei Chiu (*Chairman*)  
Ms. Cheung Yin  
Mr. Lam Sam Ming

## NOMINATION COMMITTEE

Mr. Lam Sam Ming (*Chairman*)  
Mr. Wong Hei Chiu  
Ms. Cheung Yin

## RISK MANAGEMENT COMMITTEE

Mr. Lam Sam Ming (*Chairman*)  
Ms. Chan Sau Po  
Ms. Yao Yuan

## COMPANY SECRETARY

Mr. Chen Kun (*Solicitor of HKSAR*)

## AUTHORISED REPRESENTATIVES

Mr. Lam Sam Ming  
Ms. Chan Sau Po

## COMPLIANCE OFFICER

Ms. Chan Sau Po

## REGISTERED OFFICE, HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

3/F, Yip Cheung Centre  
10 Fung Yip Street  
Chai Wan  
Hong Kong

## SHARE REGISTRAR AND TRANSFER OFFICE

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

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
Hang Seng Bank Limited  
The Hongkong and Shanghai Banking Corporation Limited  
Standard Chartered Bank (Hong Kong) Limited

## AUDITOR

CWK CPA Limited  
Certified Public Accountants  
Registered Public Interest Entity Auditor  
Unit 2110-2111, 21/F, Cosco Tower  
183 Queen's Road Central  
Central  
Hong Kong

## COMPANY'S WEBSITE

[www.prosperous-printing-group.com.hk](http://www.prosperous-printing-group.com.hk)

## STOCK CODE

8385



# HIGHLIGHTS

## FINANCIAL HIGHLIGHTS

- The revenue of the Group was approximately HK\$146.2 million for the year ended 31 December 2023 representing a decrease of approximately 24.9% from approximately HK\$194.8 million for the year ended 31 December 2022. Such decrease was mainly due to decrease in sales order affected by overall global economy uncertainty.
- The gross profit was approximately HK\$34.9 million for the year ended 31 December 2023, as compared to the gross profit of approximately HK\$57.1 million for the year ended 31 December 2022. The decrease in gross profit was primarily due to the aggressive pricing policy and the decrease in the sales order due to overall global economy uncertainty.
- The net loss for the year was approximately HK\$23.0 million for the year ended 31 December 2023, as compared to the net loss of approximately HK\$59.7 million recorded for the year ended 31 December 2022. The improvement was mainly due to lower impairment loss on receivables and costs savings in distribution and administrative expenses offset by the increase in finance costs.
- The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (for the same period ended 31 December 2022: Nil)

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (the “**Board**”) of the Company, I am pleased to present the annual report of the Company for the year ended 31 December 2023 (the “**the Year**”). Unless otherwise stated, the capitalised terms used in this annual report shall have the same meaning as those used in the prospectus (“**Prospectus**”) dated 29 November 2017.

## BUSINESS REVIEW

The Group is a provider of printing products to Hong Kong-based print brokers with customers in overseas markets and to international publishers mainly located in the United States of America (the “**U.S.**”), the United Kingdom (the “**U.K.**”), Australia and Europe (excluding U.K.). The products comprise mainly books and other paper-related products. Paper and ink are the principal raw materials of the Group. The two production sites were the Shenzhen Factory and the Hong Kong Factory. Each of these factories is a self-functioning printing and production arm of the Group, and they share the printing workload allocated by the management. The Group experienced sharp decrease in revenue, and such decrease was mainly due to overall global economic uncertainty.

For significant corporate actions during Reporting Period, please refer to the sections headed “Significant Investments, Material Acquisitions and Disposals and Future Plans For Significant Investments” and “Placing and Share Consolidation” in this annual report.

## FINANCIAL REVIEW

The revenue of the Group was approximately HK\$146.2 million for the year ended 31 December 2023 representing a decrease of approximately 24.9% from approximately HK\$194.8 million for the year ended 31 December 2022. Such decrease was mainly due to decrease in sales order affected by overall global economy uncertainty. The gross profit was approximately HK\$34.9 million for the year ended 31 December 2023, as compared to the gross profit of approximately HK\$57.1 million for the year ended 31 December 2022. The decrease in gross profit was primarily due to the aggressive pricing policy and the decrease in the sales order due to overall global economy uncertainty.

## OUTLOOK

Looking forward, there are certain risks that the Group will face in further development such as challenges from the uncertainty of economies by reason of, among others, weak market demand, Russia-Ukraine conflict, the U.S.-China trade dispute, an increase in paper cost and technological advancements in publishing and new forms of information dissemination. However, the Group remains cautiously optimistic of the prospects and believe that the printing market will be sustainable in a steady and healthy way, and intend to continue to build the Group's competitive strengths so as to increase market share and profitability. The Group plans to implement the following business strategies: improving its equipment and the level of automation, expanding customer base and strengthening sales and marketing coverage, and continuing to attract and retain top talent in the industry.

# CHAIRMAN'S STATEMENT

## APPRECIATION

I would like to express my gratitude on behalf of the Group to all customers, suppliers, subcontractors, business partners and professional parties for their support to our business development. I also take this opportunity to thank the management and employees of the Group for their contribution and commitment throughout the year.

**Mr. Lam Sam Ming**  
*Chairman*

Hong Kong, 27 March 2024

# PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Lam Sam Ming (林三明) (“Mr. Lam”)**, aged 62, was appointed as our Director on 26 April 1993 and was re-designated as our executive Director on 8 September 2016. He is also the chairman and CEO of our Group and a Controlling Shareholder.

Mr. Lam is primarily responsible for the overall management and formulation of business strategy of our Group. He also oversees the overall financial and operation functions of our Group.

Mr. Lam has over 40 years of experience in the printing industry. Mr. Lam began his career in the printing industry when he was registered as an apprentice of The Hong Kong Printers Association in September 1976. Prior to founding our Group, Mr. Lam started his career in the industry when he was first employed as an apprentice by Hing Yip Printing Co. Ltd (“HYP”). He spent over 10 years with HYP between January 1983 and March 1993 and his last position at HYP was a manager of the production department.

Mr. Lam established our Group through L & L in December 1992. Since then he has been in charge of the overall business strategies and operation of our Group. Please refer to the section headed “History, Reorganisation and Corporate Structure – Our Corporate Development” in the Prospectus for further details. Currently, Mr. Lam assumes various directorships in our Group including those in Printplus, Great Wall and Century Sight. Mr. Lam is the spouse of Ms. Yao who is also our executive Director.

Mr. Lam was the sole director of Topping Shiny Limited (“**Topping Shiny**”), which was incorporated in Hong Kong, prior to its dissolution on 17 March 2017. The principal business of Topping Shiny was the provision of personalised photo albums. Topping Shiny was dissolved by way of deregistration under section 750 of the Companies Ordinance. Under this section, an application for deregistration can only be made if (a) all the members of the company agreed to such deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than 3 months immediately before the application; and (c) the company has no outstanding liabilities. Mr. Lam has not held any current or past directorships in any publicly listed companies whether in Hong Kong or overseas, during the three years immediately preceding the date of this annual report.

As at the date of this annual report, Mr. Lam is interested in 48,000,000 Shares held through First Tech, which is wholly and beneficially owned by Mr. Lam. Mr. Lam is a director of First Tech.

**Ms. Yao Yuan (姚遠) (“Ms. Yao”)**, aged 47, was appointed as our Director on 10 March 2016 and was re-designated as our executive Director on 8 September 2016.

Ms. Yao is primarily responsible for overseeing and liaising with local officials in relation to our Group’s operations in the PRC. She has over 14 years of experience in the management of printing business and operations in the PRC. Prior to joining our Group, Ms. Yao was the general manager and a majority shareholder of Royal Step (SZ) which was our Group’s customer and sub-contractor during the Track Record Period (i.e. the three years ended 31 December 2019) and was primarily responsible for the overall management of the company, from 2008 to 2015. Ms. Yao was also the director of Royal Step Printing Company Limited, a company incorporated in Hong Kong with limited liability and an Independent Third Party, from 2008 to 2015.



## PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Yao graduated from the University of Qiqihar (齊齊哈爾大學), the PRC, in July 1999 with a practicing diploma in Mechanical Design and Manufacturing (機械設計及製造). Ms. Yao is the spouse of Mr. Lam who is also our executive Director. Ms. Yao has not held any current or past directorships in any publicly listed companies whether in Hong Kong or overseas, during the three years immediately preceding the date of this annual report.

As at the date of this annual report, Ms. Yao is deemed to be interested in 48,000,000 Shares held by Mr. Lam, the spouse of Ms. Yao, through First Tech, which is wholly and beneficially owned by Mr. Lam.

**Ms. Chan Sau Po (陳秀寶) (“Ms. Chan”)**, aged 50, was appointed as our executive Director and chief financial controller of our Group on 8 September 2016.

Ms. Chan is primarily responsible for corporate financial planning, risk management, investor relations, accounting and treasury management of our Group. Ms. Chan joined our Group in February 1997 and has over 31 years of experience in accounting. Prior to joining our Group, she was employed by Stephen Law & Company, an audit firm, as Audit Senior from September 1991 to February 1997.

Ms. Chan obtained her higher diploma in accountancy from the Hong Kong Polytechnic University in 1999. Ms. Chan has not held any current or past directorships in any publicly listed companies whether in Hong Kong or overseas, during the three years immediately preceding the date of this annual report.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Ms. Cheung Yin (張延) (“Ms. Cheung”)**, aged 58, was appointed as an independent non-executive Director on 15 November 2017. She is currently a financial controller of LWH Advisory Limited, a company incorporated in Macau which is principally engaged in provision of various financial services. Ms. Cheung is also the Company Secretary and Authorised Representative for Finet Group Limited (Stock Code: 8317) and GBA Holdings Limited (Stock Code: 261). Since 18 January 2021, Ms. Cheung has been appointed an independent non-executive director of Joyas International Holdings Limited (SGX: E9L) which is listed on the Catalist of Singapore Exchange Limited. She is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant of the CPA Australia.

Ms. Cheung obtained a master’s degree in Business Administration from the University of Wales, Newport in the United Kingdom in December 2009 and a Bachelor’s degree in Business (Accountancy) from the Charles Sturt University in Australia in April 1991.

Ms. Cheung worked for Coastal Greenland Limited which is listed on the main board of the Stock Exchange as a qualified accountant for the period from April 2004 to June 2007 and senior accounting manager/accounting manager for the period from September 1995 to March 2004. She has over 31 years of experience in accounting, auditing and financial management. Save as disclosed above, Ms. Cheung has not held any current or past directorships in any publicly listed companies whether in Hong Kong or overseas during the three years preceding the date of this annual report.

## PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Wong Hei Chiu (黃禧超) (“Mr. Wong”)**, aged 57, was appointed as an independent non-executive Director on 15 November 2017. Mr. Wong has over 30 years of corporate finance and financial management experience in Hong Kong and the PRC. Mr. Wong is currently an executive director, chief financial officer and company secretary of Kingmaker Footwear Holdings Limited, a listed company on the Main Board of the Stock Exchange (Stock Code: 1170). From January 2018 to March 2019, Mr. Wong was an independent non-executive director of Vico International Holdings Limited, whose shares are listed on the Main Board of Stock Exchange (stock code: 1621).

Mr. Wong has worked as the group financial controller and company secretary of Karce International Holdings Company Limited (now known as Jimei International Entertainment Group Limited), a company listed on the Main Board of the Stock Exchange (Stock Code: 1159) from June 2000 to July 2008; and as the finance director and company secretary of Wah Lee Resources Holdings Limited (now known as Kai Yuan Holdings Limited), a company listed on the Main Board of the Stock Exchange (Stock Code: 1215) from June 1996 to December 2000. Mr. Wong was also an independent non-executive director of Hong Wei (Asia) Holdings Company Limited, a company listed on the GEM of the Stock Exchange (Stock Code: 8191), during the period from December 2013 to June 2016.

Mr. Wong obtained an Executive Diploma in Corporate Governance and Sustainability Directorship from The Hong Kong Institute of Directors and completed the Prince of Wales’ Business Sustainability Programme from the University of Cambridge Institute for Sustainability Leadership in 2019.

Mr. Wong obtained an Executive Master’s degree in Business Administration from The Chinese University of Hong Kong in November 2016 and a Bachelor’s degree in business administration from Lingnan University, Hong Kong in November 1996. He is a Certified Public Accountant (Practising), a fellow member of The Association of Chartered Certified Accountants in the United Kingdom, a fellow member of The Institute of Chartered Accountants in England and Wales and an associate member of Hong Kong Institute of Certified Public Accountants. Mr. Wong is also a fellow member of the Hong Kong Institute of Directors. Save as disclosed above, Mr. Wong has not held any current or past directorships in any publicly listed companies whether in Hong Kong or overseas during the three years preceding the date of this annual report.

**Mr. Leung Vincent Gar-Gene (梁家進) (“Mr. Leung”)**, aged 38, is an experienced finance and accounting professional. He is currently a director of Gemcoast Limited, a private company in Hong Kong principally engaged in providing financial consultancy services to its clients. He is a member of Chartered Accountants in Australia and New Zealand and is a member of its Hong Kong Council. He is also a licensed person to carry on Type 9 (asset management) regulated activity under the Hong Kong Securities and Futures Ordinance since July 2019.

Since November 2017, Mr. Leung has been and continues to serve as an independent non-executive director of Prosperous Printing Company Limited (stock code: 8385) and independent non-executive director of GBA Holdings Limited (stock code: 261) from 27 March 2023. Previously, Mr Leung was an independent non-executive director of Samson Paper Holdings Limited (now known as C&D Newin Paper & Pulp Corporation Limited) (stock code: 731) from July 2020 to January 2022.

## PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Leung obtained a bachelor of commerce degree from The University of New South Wales, Australia in March 2006. Except as disclosed above, Mr. Leung has not held any current or past directorships in any publicly listed companies whether in Hong Kong or overseas during the three years preceding the date of this annual report.

### SENIOR MANAGEMENT

Our Board is assisted and supported by our senior management team, which currently comprises four members. The following table sets forth certain information of our senior management:

| Name                   | Age | Date of joining our Group | Position                    |
|------------------------|-----|---------------------------|-----------------------------|
| Ms. Wong Wai Sze (黃慧思) | 59  | 2 August 2010             | Vice President – Management |
| Mr. Hu Min (胡民)        | 63  | 3 October 1993            | Vice President – Production |

**Ms. Wong Wai Sze (黃慧思) (“Ms. Wong”)**, aged 59, is the Vice President – Management of our Group. She is primarily responsible for overseeing our Group’s internal audit, information technology affairs, and factory inspections. Ms. Wong has over 31 years of experience in the printing and publishing industry in Hong Kong. She joined our Group in August 2010. Prior to joining our Group, Ms. Wong worked at Regent Publishing Services Limited as a director of operations from August 1991 to March 2010. Ms. Wong has not held any current or past directorships in any publicly listed companies, whether in Hong Kong or overseas, during the three years immediately preceding the date of this annual report.

**Mr. Hu Min (胡民) (“Mr. Hu”)**, aged 63, is the Vice President – Production of our Group. He is primarily responsible for overseeing our Hong Kong Factory and our Shenzhen Factory. Mr. Hu has over 28 years of experience in the printing and publishing industry in Hong Kong. Mr. Hu has not held any current or past directorships in any publicly listed companies, whether in Hong Kong or overseas, during the three years immediately preceding the date of this annual report.

### COMPANY SECRETARY

Mr. Chen Kun (“**Mr. Chen**”) has been appointed as the Company Secretary with effect from 31 December 2020. Mr. Chen is a practicing solicitor in Hong Kong and was admitted in November 2011. Mr. Chen received his Bachelor of Laws degree and the Postgraduate Certificate in Laws from the University of Hong Kong. For details, please refer to the announcement dated 31 December 2020.

### COMPLIANCE OFFICER

Ms. Chan Sau Po is the compliance officer of our Group. Please refer to the sub-section headed “*Board of Directors – Executive Directors*” above for her biographical details.



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group is a provider of printing products to Hong Kong-based print brokers with customers in overseas markets and to international publishers mainly located in the United States of America (the “U.S.”), the United Kingdom (the “U.K.”), Australia and Europe (excluding U.K.). The products comprise mainly books and other paper-related products. Paper and ink are the principal raw materials of the Group. The two production sites were the factory in Shenzhen (the “Shenzhen Factory”) and the factory in Hong Kong (the “Hong Kong Factory”).

The revenue of the Group was approximately HK\$146.2 million for the year ended 31 December 2023 representing a decrease of approximately 24.9% from approximately HK\$194.8 million for the year ended 31 December 2022. Such decrease was mainly due to decrease in sales order affected by overall global economy uncertainty. The gross profit was approximately HK\$34.9 million for the year ended 31 December 2023, as compared to the gross profit of approximately HK\$57.1 million for the year ended 31 December 2022. The decrease in gross profit was primarily due to the aggressive pricing policy and the decrease in the sales order due to overall global economy uncertainty.

## FUTURE PROSPECTS

Looking forward, there are certain risks that the Group will face in further development such as challenges from the uncertainty of economies by reason of, among others, the tightening monetary policy, the Russia-Ukraine war, the U.S.-China trade dispute, an increase in paper cost and technological advancements in publishing and new forms of information dissemination. However, we remain cautiously optimistic of the prospects and believe that the printing market will be sustainable in a steady and healthy way, and intend to continue to build the Group’s competitive strengths so as to increase market share and profitability. To achieve its goal, the Group plans to implement the following business strategies: improving its equipment and the level of automation, expanding customer base and strengthening sales and marketing coverage, and continuing to attract and retain top talent in the industry.

## FINANCIAL REVIEW

### Revenue

The Group generates revenue primarily from the provision of printing products to Hong Kong-based print brokers with customers in overseas markets and to international publishers mainly located in the U.S., U.K., Australia and Europe (excluding U.K.). The revenue decreased by approximately 24.9% from approximately HK\$194.8 million for the year ended 31 December 2022, to approximately HK\$146.2 million for the year ended 31 December 2023 due to decrease in sales order affected by overall global economy uncertainty.

### Cost of sales

The cost of sales primarily consists of raw materials and consumables, staff costs, sub-contracting fees, depreciation and water and electricity. The cost of sales decreased by approximately 19.2% from approximately HK\$137.8 million for the year ended 31 December 2022 to approximately HK\$111.3 million for the year ended 31 December 2023 which is in line with the decrease in revenue.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Gross profit and gross profit margin

The gross profit was approximately HK\$34.9 million and HK\$57.1 million for the year ended 31 December 2023 and 2022 respectively. The gross profit margin was 23.9% and 29.3% respectively. The decrease in gross profit was primarily due to the aggressive pricing policy and the decrease in the sales order due to overall global economy uncertainty.

## Other income

Other income mainly consists of the foreign exchange gain/loss, the profit arising from sales of paper and scrap materials, rental income, gain on disposal of investment, deposit on acquisition of property, plant and equipment (PPE) written off and income received from government subsidies. The other income increased by approximately 12.6% from approximately HK\$6.0 million for the year ended 31 December 2022 to approximately HK\$6.7 million for the year ended 31 December 2023 mainly due to the one-off government grant received in PRC in the year ended 31 December 2023.

## Administrative expenses

Administrative expenses primarily consist of staff costs and benefits, directors' emoluments and depreciation. The administrative expenses decreased from approximately HK\$55.7 million for the year ended 31 December 2022 to HK\$50.9 million for the year ended 31 December 2023 mainly due to decrease in staff salaries and depreciation.

## Finance costs

The Group recorded finance costs of approximately HK\$7.1 million during the year ended 31 December 2022 and HK\$9.8 million during the year ended 31 December 2023. The increase was mainly due to the increase in loan interest.

## Income tax

Income tax represents income tax paid or payable by the Group, at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction the Group operates or domiciles. The Group had no tax payable in other jurisdiction other than Hong Kong and the PRC during the year ended 31 December 2022 and 2023. The operations in Hong Kong are subject to the two-tiered profits tax rate regime, which the first HK\$2 million of profits of qualifying entity will be taxed at 8.25% and profits above HK\$2 million will be taxed at 16.5%. The operations in the PRC are subject to an enterprise income tax rate of 25.0%. The Group recorded income tax of approximately HK\$0.1 million during the year ended 31 December 2023 (year ended 31 December 2022: HK\$1.3 million).

## Loss for the year

As a result of the foregoing, the year ended 31 December 2023 recorded loss of approximately HK\$23.0 million as compared to loss of approximately HK\$59.7 million for the year ended 31 December 2022, which was mainly due to lower impairment loss on receivables and costs savings in distribution and administrative expenses offset by the increase in finance costs for the year ended 31 December 2023.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Liquidity, financial resources and capital structure

As at 31 December 2023, the Group had net current liabilities of approximately HK\$123.7 million (as at 31 December 2022: net current liabilities of approximately HK\$126.7 million), of which the cash and cash equivalents were approximately HK\$3.0 million (as at 31 December 2022: HK\$1.3 million). The Group's current ratio as at 31 December 2023 is 0.3 (as at 31 December 2022: 0.4). The gearing ratio as at 31 December 2023 was 3.96 (as at 31 December 2022: 2.98) which is calculated on the basis of the Group's total bank loans, other loans, overdrafts and lease liabilities over the total equity.

Total bank borrowings, other loans, overdrafts and lease liabilities for the Group amounted to approximately HK\$135.8 million as at 31 December 2023 (as at 31 December 2022: approximately HK\$172.4 million). As at 31 December 2023, bank loans, other loans and overdrafts in the amounts of approximately HK\$121.3 million are due within one year.

The Group adopts centralised financing and treasury policies in order to ensure the Group funding is utilised efficiently. The Group also regularly monitors its liquidity requirements, its compliance with lending covenants and its relationship with bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

## Material uncertainty related to going concern

The Group sustained a loss of approximately HK\$22,962,000 for the year ended 31 December 2023, and as of that date, the Group had net current liabilities of approximately HK\$123,749,000 and bank loans and overdrafts amounting to approximately HK\$121,283,000 which are due for repayment within one year. The breach of loan covenants detailed in Note 26(v) may render the bank loans and overdraft of approximately HK\$100,844,000 becoming immediately due for repayment. The Group's cash at bank amounted to approximately HK\$3,022,000, respectively as at 31 December 2023. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the directors of the Company has reviewed the Group's cash flow forecast which cover a period of not less than twelve months from 31 December 2023.

Cash flow forecasts, which assume the continuity of normal business activity, indicate that the Group will have sufficient liquidity to meet its operational, existing contractual debt obligation and capital expenditure requirements for at least twelve month period from the date of 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. The plans and measures undertaken to mitigate the liquidity pressure and to improve the financial position of the Group are summarised in Note 3.2 to the consolidated financial statements.

Please refer to "Corporate Governance Report – Board's view on Material Uncertainty" for further details.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Foreign currency management

We are exposed to currency risk primarily through our sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily U.S. dollars, Renminbi and GBP. We have not entered into or transacted any other financial instruments for hedging purpose during the year ended 31 December 2023. The Directors will determine by reference to the currency risk management policies, assess the exposure to foreign exchange risk, consider whether or not and to what extent the Group should enter into similar forward foreign exchange contracts and monitor them in line with the Group's currency risk management policies.

## CAPITAL EXPENDITURE

Our capital expenditure primarily comprised of purchase of property, plant and equipment such as machinery for production. Our capital expenditure was funded by internal resources, finance leases and bank borrowings during the year ended 31 December 2023.

The following sets forth our Group's capital expenditure as at the dates indicated:

|                               | <b>As at 31 December</b> |          |
|-------------------------------|--------------------------|----------|
|                               | <b>2023</b>              | 2022     |
|                               | <b>HK\$'000</b>          | HK\$'000 |
| Property, plant and equipment | <b>132,652</b>           | 202,620  |
| Intangible assets             | <b>181</b>               | 297      |
|                               | <b>132,833</b>           | 202,917  |

## Significant investment, material acquisitions and disposals of subsidiaries, associates and joint ventures

Save as disclosed in section headed "Significant Investments, Material Acquisitions and Disposals and Future Plans for Significant Investments or Capital Assets", there was no significant investment held by the Group nor any material acquisition or disposal of subsidiary, associate and joint venture for the year ended 31 December 2023.

## Future plans for material investments or capital assets

As at the date of this report, the Board does not have any plan for material investments or additions of capital assets.

# MANAGEMENT DISCUSSION AND ANALYSIS

## CHARGE ON GROUP ASSETS

As at 31 December 2023, the bank facilities were secured by the Group's investment properties, property, plant and equipment and corporate guarantees from the Company and certain subsidiaries (2022: pledged bank deposits, financial assets at FVTPL, property, plant and equipment, and corporate guarantee from the Company and certain subsidiaries). These bank facilities amounted to HK\$127,634,000 (2022: HK\$150,808,000) as at 31 December 2023. These facilities were utilised to the extent of HK\$123,227,000 (2022: HK\$138,684,000) as at 31 December 2023. There was no pledged bank deposit as at 31 December 2023 (2022: HK\$2.0 million). The pledged bank deposits were released as mutually agreed by the bank and the Group. As at 31 December 2023, the Group's properties with carrying amounts of HK\$41,008,000 (2022: HK\$91,112,000) were pledged as collateral for the Group's banking facilities. As at 31 December 2023, the Group's investment properties were pledged for the Group's banking facilities. As at 31 December 2023. The Group's financial assets at fair value through profit or loss with carrying amounts of nil (2022: HK\$2,103,000) were pledged as collateral for the Group's bank facilities.

## CAPITAL STRUCTURE

The Group's shares were successfully listed on GEM on 13 December 2017 ("**Listing Date**"). Save as disclosed in section headed "Placing and Share Consolidation", there has been no change in the capital structure of the Group since the Listing Date and up to the date of this report.

## COMMITMENTS

The capital commitments outstanding as at 31 December 2023 not provided for in the financial statements were nil (2022: nil) for purchase of property, plant and equipment.

### Treasury policy

The Group adopted a prudent financial management approach towards its treasury policies and maintained a healthy liquidity position throughout the reporting period. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements from time to time.

### Employees and remuneration policy

As at 31 December 2023, the Group had 397 (2022: 459) employees in total. The staff costs of the Group (including directors' emoluments, and management, administrative and operational staff costs) for the year ended 31 December 2023 were approximately HK\$59.7 million (2022: HK\$64.2 million). The Directors and senior management receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and the performance of the Group. The Group also reimburses the Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to the Group or executing their functions in relation to the operations of the Group. The Group regularly reviews and determines the remuneration and compensation packages of the Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of the Directors and the performance of the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

### SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS AND FUTURE PLANS FOR SIGNIFICANT INVESTMENTS OR CAPITAL ASSETS

As disclosed in the announcement of the Company dated 14 March 2023, the Group had disposed of machinery at the total consideration of RMB2,550,000 on 14 March 2023.

As disclosed in the announcements of the Company dated 21 April 2023, 11 May 2023 and 20 July 2023, the Group acquired 13% of the entire registered share capital of 廣州海健數字科技有限公司 (Guangzhou Hai Jian Digits Technology Company Limited) at the consideration of RMB1,050,000.

As disclosed in the announcement dated 27 October 2023, Prosperous (SZ), a wholly-owned subsidiary of the Company, entered into two sale and purchase agreements for sale of the machineries for total consideration of RMB2,450,000 and RMB1,000,000 respectively.

As disclosed in the announcement dated 27 October 2023, Prosperous (SZ), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement for sale of machineries for total consideration of RMB2,200,000.

During the Current Period and save as disclosed, the Group does not have any other significant investments, nor any material acquisitions or disposals. As at period end date of the Current Period and save as disclosed, the Group does not have any other future plans for any significant investments or capital assets.

### PLACING AND SHARE CONSOLIDATION

As disclosed in the announcement dated 20 July 2023, the Company has allotted and issued 31,120,000 Consideration Shares to Vendor at the issue price of HK\$0.0386 per Share for settlement of the consideration of RMB1,050,000 for acquisition of 13% of the entire registered share capital of the Target Company under the General Mandate. Upon Completion, the Company is interested in 13% of the entire registered share capital of the Target Company and the remaining 87% of the registered share capital of the Target Company is owned by Vendor. Accordingly, the Target Company is not a subsidiary of the Group, and the financial results of the Target Company will not be consolidated into the financial statements of the Group. Total issued shares of the Company are 831,120,000 immediately upon completion of issue of shares on 19 July 2023.

As disclosed in the announcements dated 4 July 2023 and 24 July 2023, the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Placing Agent conditionally agreed to place as the Company's placing agent on a best effort basis the Placing Shares up to 110,050,000 new Shares to not less than six Placees at the Placing Price of HK\$0.11 per Placing Share. The Placing Shares will be allotted and issued pursuant to the General Mandate granted to the Directors at the AGM. As disclosed in the announcements dated 6 July 2023 and 24 July 2023, the Long Stop Date for Placing has been extended to 24 July 2023 and subsequently further extended to 14 August 2023. As disclosed in the announcement dated 14 August 2023, the Company completed placing of 38,860,000 Placing Shares at price of HK\$0.11 per share. Total issued shares of the Company are 869,980,000 immediately upon completion of issue of shares on 14 August 2023. The net proceeds from the placing are approximately HK\$4.08 million, which has been used for replenishing the working capital of the Group to support its business operations. The remaining proceeds amount to approximately HK\$1.2 million as of 30 September 2023.



## **MANAGEMENT DISCUSSION AND ANALYSIS**

As disclosed in the announcement dated 19 July 2023, the Company proposes to implement the Share Consolidation on the basis that every ten (10) issued Existing Shares be consolidated into one (1) Consolidated Share. The Share Consolidation has been approved at the EGM on 25 August 2023. With effect from 29 August 2023, the existing issued shares of 869,980,000 have been consolidated into 86,998,000 consolidated shares on the basis of every 10 existing shares consolidated into 1 consolidated share.

Save as disclosed above, there is no other change to share capital of the Company.

### **EVENTS AFTER THE REPORTING PERIOD**

The Board is not aware of any events after the reporting period that require disclosure.

### **DIVIDENDS**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (for the year ended 31 December 2022: Nil). During the year ended 31 December 2023, there was no arrangement under which any shareholder of the Company waived or agreed to waive any dividend.

# CORPORATE GOVERNANCE REPORT

## INTRODUCTION

Pursuant to Rule 18.44(2) of the GEM Listing Rules, the Board is pleased to present the corporate governance report of the Company for the year ended 31 December 2023 (the “**Reporting Period**”).

The Company has made continued efforts to incorporate the key elements of sound corporate governance in its management structures and internal control procedures. The Company is committed to maintaining a high standard of corporate governance, the principles of which serve to uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, and to ensure that affairs are conducted in accordance with applicable laws and regulations.

The Board believes that good and effective corporate governance practices are keys to obtaining and maintaining the trust of the shareholders of the Company (the “**Shareholders**”) and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to create long-term value for the Shareholders.

## CORPORATE GOVERNANCE PRACTICE

The Board is responsible for performing the corporate governance duties in the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as set out in Appendix C1 of the GEM Listing Rules, which includes developing and reviewing the Company’s policies and practices on corporate governance, training and continuous professional development of Directors, and reviewing the Company’s compliance with the code provision in the CG Code and disclosures in this report.

The Company has complied with the principles and applicable code provisions of the CG Code for the year ended 31 December 2023, except the deviation from CG Code provision C.2.1 set out below.

### Chairman and Chief Executive Officer

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Mr. Lam Sam Ming (“**Mr. Lam**”) is the chairman and the chief executive officer of the Company. Mr. Lam has over 40 years of experience in the printing industry. Mr. Lam established our Group through L & L in December 1992. Since then he has been in charge of the overall business strategies and operation of our Group. The Directors are of the view that it would be in the Group’s best interest for Mr. Lam to continue performing the two roles in terms of effective management and business development. The Directors further believe that the balance of power and authority is adequately ensured by the operations of the Board, which comprises experienced and high-caliber individuals, with three of them being independent non-executive Directors.

Based on the above factors, the Board considers that the deviation from the code provision C.2.1 of the CG Code is appropriate.

# CORPORATE GOVERNANCE REPORT

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the Shares (the “Code of Conduct”). Having made specific enquiries to all Directors, each of them has confirmed that he/she has fully complied with the required standard of dealings set out in the Code of Conduct during the Reporting Period.

## BOARD OF DIRECTORS

The Board meets regularly for considering, reviewing and/or approving matters relating to, among others, the financial and operating performance, as well as, the overall strategies and policies of our Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved.

The Directors' responsibilities include inter alias:

- To attend regular Board meetings focusing on business strategy, operational issues and financial performance;
- To approve annual budgets covering strategy, financial and business performance, key risks and opportunities;
- To monitor the quality, timeliness, relevance and reliability of internal and external reporting;
- To consider and approve the consolidated financial statements in quarterly, interim reports, annual reports and announcements;
- To focus its attention on matters affecting the Company's overall strategic policies, finances and Shareholders;
- To consider dividend policy and dividend amount; and
- To review and monitor the corporate governance policies and practices of the Group to ensure compliance with the legal and regulatory requirements.

The Company has taken out director liability insurance to cover liabilities arising from legal action against the Directors.



# CORPORATE GOVERNANCE REPORT

## Composition

The composition of the Board as at the date of this report is set out as follows.

### *Executive Directors*

Mr. Lam Sam Ming (*Chairman*)  
Ms. Yao Yuan  
Ms. Chan Sau Po

### *Independent non-executive Directors*

Ms. Cheung Yin  
Mr. Wong Hei Chiu  
Mr. Leung Vincent Gar-Gene

Save for the spousal relationship between Mr. Lam and Ms. Yao Yuan, there is no financial, business, family or other material/relevant relationship among members of the Board.

All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The profile of each Director are set out in the section headed “Profile of Directors and Senior Management” of this report.

With the various experience of the executive Directors and the independent non-executive Directors (the “INEDs”) and having regard to the nature of the Group’s business, the Company recognises the benefits of having a Board with well-balanced experience and qualification to maintain a sustainable business development of the Group in long run. In recognition of the Company’s commitment to a well-balanced Board, the nomination committee is entrusted to review the Company’s human resources policy and recruitment process to ensure the effectiveness of the policy.

# CORPORATE GOVERNANCE REPORT

## NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

During the Reporting Period and up to the date of this report, four board meetings were respectively held. The individual attendance record of the Board meetings is set out as follows:

| <u>Name of Directors</u>   | <u>Number of Board Meetings attended/eligible to attend</u> |
|----------------------------|---|
| Mr. Lam Sam Ming           | 4/4   |
| Ms. Yao Yuan               | 4/4   |
| Ms. Chan Sau Po            | 4/4   |
| Ms. Cheung Yin             | 4/4   |
| Mr. Wong Hei Chiu          | 4/4   |
| Mr. Leung Vincent Gar-Gene | 4/4   |

## INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with Rules 5.05A, 5.05(1) and (2) of the GEM Listing Rules, the Company has appointed three INEDs representing at least one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. As such, there is a strong element in the Board to provide independent judgment.

In accordance with code provision C.3.3 of the Code, the Company has entered into a letter of appointment with each of the INEDs for initially a fixed term of two years commencing from 13 December 2023 and will continue thereafter until terminated by either party giving not less than three months' written notice to the other party.

The Company has received an annual confirmation of independence from each INED pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers the INEDs to remain independent as at the date of this report.

## TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

The service agreements and/or letters of appointment of the Directors are subject to termination in accordance with their respective terms. They can be renewed in accordance with the articles of association of the Company (“Articles”) and the applicable GEM Listing Rules.

## **CORPORATE GOVERNANCE REPORT**

As required under the Articles, all Directors are subject to election by the Shareholders at the first general meeting after their appointment by the board of directors. At every annual general meeting of the Company at least one-third of the Directors for the time being shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election thereat.

### **FUNCTIONS OF THE BOARD AND MANAGEMENT**

The Board supervises the management of the business and affairs of the Company and ensures that it is managed in the best interests of the Shareholders as a whole while taking into account the interest of other stakeholders. The Board is primarily responsible for formulating the business strategy, reviewing and monitoring the business performance of the Group, approving the financial statements and annual budgets as well as directing and supervising the management of the Company. Execution of operational matters and the powers thereof are delegated to the management by the Board with clear directions. The Board is regularly provided with management report to give a balanced and understandable assessment of the performance, position, recent development and prospect of the Group in sufficient details.

The Board is also responsible for the corporate governance functions under code provision A.2 of the CG Code. The Board has reviewed and discussed the corporate governance policy of the Group and is satisfied with the effectiveness of the corporate governance policy.

### **DIRECTORS TRAINING AND PROFESSIONAL DEVELOPMENT**

To assist the Directors' continuing professional development, the Company recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills. The Directors also participate in continuous professional development programmes such as external seminars and forums organised by qualified professionals, to develop and refresh their knowledge as to the industry and skills in relation to their contribution to the Board.

All the Directors understand the importance of continuous professional development and are committed to participate in any suitable training to develop and refresh their knowledge and skills.

During the Reporting Period, all the Directors participated in a training seminar regarding director's responsibilities and duties by the Company's legal advisers to ensure that he/she has appropriate understanding of his/her responsibilities and obligations under the GEM Listing Rules and relevant regulatory requirements. Such training seminar was related to corporate governance, connected transactions and directors' continuing obligations.

The Company has maintained the training record in respect of each Director. There are also arrangements in place for providing continuing briefing and professional development to Directors by the Company whenever necessary.



# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES

The Board has established four Board committees, namely, the audit committee, the remuneration committee, the nomination committee and the risk management committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with respective written terms of reference. All the Board committees should report to the Board on their decisions and works. The practices, procedures and arrangements of conduct of committee meetings follow in line with, so far as practicable, those of the Board meetings and the respective terms of reference of the committees.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

### Audit Committee

The audit committee was established on 15 November 2017 with its written terms of reference in compliance with the CG Code. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance.

The audit committee consists of three members, being Ms. Cheung Yin (Chairman), Mr. Wong Hei Chiu and Mr. Leung Vincent Gar-Gené.

During the Reporting Period and up to the date of this report, four audit committee meetings were held. The individual attendance record of the meetings of the audit committee is set out as follows:

| <b>Name of Directors</b>           | <b>Number of meetings of the audit committee attended/eligible to attend</b> |
|------------------------------------|--|
| Ms. Cheung Yin ( <i>Chairman</i> ) | 4/4  |
| Mr. Wong Hei Chiu                  | 4/4  |
| Mr. Leung Vincent Gar-Gené         | 4/4  |

During the meeting, the audit committee reviewed (i) the Group's audited consolidated financial statements for the Reporting Period, with a recommendation to the Board for approval; (ii) the Group's financing and accounting policies; and (iii) the Group's internal control system and risk management functions.

### Remuneration Committee

The remuneration committee was established on 15 November 2017 with its written terms of reference in compliance with the CG Code. The primary duties of the remuneration committee are to make recommendations to the Board on the remuneration of all Directors and senior management and determine, with delegated responsibilities, the remuneration package of individual Director and senior management.

The remuneration committee consists of three members, being Mr. Wong Hei Chiu (Chairman), Ms. Cheung Yin and Mr. Lam Sam Ming.

During the Reporting Period and as at the date of this report, one remuneration committee meeting was held.

## CORPORATE GOVERNANCE REPORT

The Directors and senior management receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and the performance of the Group. The Group also reimburses the Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to the Group or executing their functions in relation to the operations of the Group. The Group regularly reviews and determines the remuneration and compensation packages of the Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of the Directors and the performance of the Group.

### Nomination Committee

The nomination committee was established on 31 December 2017 with its written terms of reference in compliance with the code provisions of the CG Code. The primary duties of the nomination committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board and/or in senior management.

The nomination committee consists of three members, being Mr. Lam Sam Ming (Chairman), Mr. Wong Hei Chiu and Ms. Cheung Yin.

During the Reporting Period and as at the date of this report, one nomination committee meeting has been held.

### Risk Management Committee

The risk management committee on 15 November 2017 with its written terms of reference by reference to the code provisions of the CG Code. The primary duties of the risk management committee are to assist the Board in overseeing the Group's compliance with laws and regulations relevant to its business operations and to review the effectiveness of the Group's regulatory compliance procedures and system.

The risk management committee consists of three members, being Mr. Lam Sam Ming (Chairman), Ms. Chan Sau Po and Ms. Yao Yuan.

During the Reporting Period and as at the date of this report, one risk management committee meeting has been held.

## INTERNAL CONTROLS AND RISK MANAGEMENT

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

## CORPORATE GOVERNANCE REPORT

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including production, procurement, marketing, finance, human resources, information technology. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each department.

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. The management, in coordination with department heads, assess the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress. The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the Reporting Period.

There being no internal audit unit as the Board does not perceive the cost efficiency to set up one at the present scale of operations of the Company, the Board has invested resources to enhance the internal control system and to take active steps in addressing the recommendation of the internal control system review in the management letter from the external auditors during the audit process.

During the Reporting Period, the Board reviewed the effectiveness of the Group's risk management and internal control systems, including the financial, operational and compliance controls, and considered that such systems are effective and adequate.

The Company has developed its disclosure policy which provides a general guide to the Company's directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

### DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

All Directors acknowledge their responsibilities to prepare the Group's consolidated financial statements for the Reporting Period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The responsibilities of the external auditors about their financial reporting are set out in the independent auditor's report attached to the Company's consolidated financial statements for the Reporting Period in this report.

### BOARD'S VIEW ON MATERIAL UNCERTAINTY

The Directors had reviewed the Group's cash flow projections prepared by the management (the "Management") of the Company that covered a period of not less than 12 months from 31 December 2023. Having taken into account the above-mentioned plans and measures, the Directors were of the opinion that the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the date of the consolidated statement of financial position. Such cash flow forecasts include the following assumptions:



## CORPORATE GOVERNANCE REPORT

The Group is actively seeking for a buyer to dispose certain properties including five car parks located in Hong Kong owned by the Group at HK\$130,000,000 and the Group expects the sales transactions will be successfully completed after twelve months from the end of the reporting period. The sales proceeds will be used for repayment of bank loans and overdraft which are subject to loan covenant and repayable on demand within twelve months as detailed in Note 26(v).

The directors of the Company also note the following considerations, relevant to the Group's ability to continue as a going concern:

- At 31 December 2023, the Group had available undrawn banking facilities of approximately HK\$4,407,000. The maturity of these facilities are October 2024.

In the event forecast cash flow is not achieved, the directors of the Company have also evaluated other plans that could be undertaken to improve their liquidity position as follow:

- 1) The Group has actively negotiated with banks and financial institutions to revise the loan covenant clause to reduce the risk of breaching loan covenant which may adversely result in immediate loan repayment.
- 2) The Group has been actively negotiating with its bankers to renew or/and extend its existing banking facilities, of which the available unutilised banking facilities amount to HK\$4,407,000 as at 31 December 2023;
- 3) The Group is actively and regularly reviewing its capital structure and sourcing additional capital by raising new debt financing or issuing new shares, where appropriate.
- 4) The Group is closely monitoring its operations and implementing cost control on operating costs and administrative expenses with an aim to attain positive and sustainable cash flow from operations;

Taking into account all assumptions and plans as described above, the directors of Company are of the opinion that the Group will have sufficient working capital to maintain its operations and to meet its financial obligations as and when they fall due for at least twelve months from the end of the reporting period. The directors of the Company are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Notwithstanding the above, uncertainty exists as to whether the revision of loan covenant clause or whether the bank facilities can be renewed and all other alternative operating and financing plans as the Group is still negotiating with its external financiers on the financing to the Group and the sales of certain properties depend on the market condition. Should the Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively, if applicable. The effects of these adjustments have not been reflected in the consolidated financial statements.

Accordingly, the consolidated financial statements have been prepared on a going concern basis.

## CORPORATE GOVERNANCE REPORT

To resolve the going concern issues, the Group will continue to undertake the following measures: (1) the Group will closely monitor its operations and implement cost control on operating costs and administrative expenses with an aim to attain positive and sustainable cash flow from operations, (2) the Group has been actively negotiating with its bankers to renew or/and extend its existing banking facilities, (3) the Group intends to dispose of certain properties, (4) the Group will actively and regularly review its capital structure and source additional capital by raising new debt financing or issuing new shares, where appropriate.

### AUDITOR'S REMUNERATION

During the Reporting Period, the Company engaged CWK CPA Limited (“**CWK**”) as the external auditor. The fees in respect of audit services provided by CWK for the Reporting Period amounted to approximately HK\$850,000. No auditor had been engaged to provide non-audit services.

### COMPANY SECRETARY

**Mr. Chen Kun**, was appointed by the Board as the company secretary of the Company with effect from 31 December 2020. The biographical details of Mr. Chen are set out in the section headed “Profile of Directors and Senior Management” of this report.

# CORPORATE GOVERNANCE REPORT

## SHAREHOLDERS' RIGHT

### Convening of Extraordinary General Meeting on Requisition by Shareholders

Pursuant to Article 74 of the Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting (“EGM”). EGMs shall also be convened on the requisition of one or more Shareholders in accordance with the Companies Ordinance (Cap 622, Laws of Hong Kong), which provides (1) the members of a company may request the directors to call a general meeting of the company; (2) the directors are required to call a general meeting if the company has received requests to do so from members of the company representing at least 5% of the total voting rights of all the members having a right to vote at general meetings; (3) a request (a) must state the general nature of the business to be dealt with at the meeting; and (b) may include the text of a resolution that may properly be moved and is intended to be moved at the meeting; and (4) requests may consist of several documents in like form; and (5) a request (a) may be sent to the company in hard copy form or in electronic form; and (b) must be authenticated by the person or persons making it.

### Right to put enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. Shareholders may send their enquiries or requests in respect of their rights to the Company's principal place of business in Hong Kong.

### Procedure for shareholders to put forward proposals at shareholders' meetings

The Companies Ordinance provides that, a company must give notice of a resolution if it has received requests that it do so from: (a) the members of the company representing at least 2.5% of the total voting rights of all the members who have a right to vote on the resolution at the annual general meeting to which the requests relate; or (b) at least 50 members who have a right to vote on the resolution at the annual general meeting to which the requests relate.

The Companies Ordinance also provides that, the request (a) may be sent to the company in hard copy form or in electronic form; (b) must identify the resolution of which notice is to be given; (c) must be authenticated by the person or persons making it; and (d) must be received by the company not later than (i) 6 weeks before the annual general meeting to which the requests relate; or (ii) if later, the time at which notice is given of that meeting.

All request shall be sent to the principal place of business of the Company in Hong Kong or by e-mail to [rainbow@prosperous-printing.com](mailto:rainbow@prosperous-printing.com) for the attention of the Company Secretary.



# CORPORATE GOVERNANCE REPORT

## INVESTOR RELATIONS

The Group uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performance and activities in accordance with GEM Listing Rules.

The Company's annual and interim reports and circulars are printed and sent to all Shareholders.

Moreover, announcements, circulars, publications and press releases of the Company are published on the Company's website ([www.prosperous-printing-group.com.hk](http://www.prosperous-printing-group.com.hk)). The Company's website disseminates corporate information and other relevant financial and non-financial information electronically on a timely basis.

In accordance with the GEM Listing Rules, the Company made available to the Shareholders the options for the Shareholders to elect means of receipt of future Corporate Communications, the details of which are set out in the announcement dated 16 January 2024.

The Company acknowledges that general meetings are good communication channel with Shareholders and the Directors and the members of the Board committees are encouraged to attend and answer questions raised by Shareholders at the general meetings.

The Company is committed to promoting and maintaining effective communication with Shareholders and other stakeholders. The Board is committed to ensuring that the Shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company so as to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders to engage actively with the Company.

## CONSTITUTIONAL DOCUMENT

During the Reporting Period, there had been no change in the Company's constitutional documents.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## INTRODUCTION

Prosperous Printing Company Limited (the “**Company**”) and its subsidiaries (the “**Group**”) are committed to promoting sustainable development and social responsibility, which is important to create long-term value for the Group’s stakeholders, including shareholders, employees and all the business counterparts. The Group strives to provide our employees, being invaluable assets, with a safe and healthy working environment as well as talent training and development. This report covers environmental, social and governance matters of the Group for the year commencing 1 January 2023 to 31 December 2023 (“**FY2023**”) with information and comparative figures of the previous year ended 31 December 2022 (“**FY2022**”) have been included for comparison purpose.

The following report has been prepared for disclosure of material information about the sustainability-related risks and opportunities to which the Group is exposed and expected to affect our business operation, including information about governance, strategy, risk, measurement metrics and targets on the identified aspects. The underlying information and data have been collected by us based on available and supportable information at the reporting date without undue cost or effort for compilation and disclosure. Our report has made references to IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures issued by the International Sustainability Standards Board in June 2023.

The Group is a provider of printing products to Hong Kong-based print brokers with customers in overseas markets and to international publishers mainly located in the United States, United Kingdom, Australia and Europe (excluding U.K.). The Group’s products comprise mainly books and a variety of other paper-related products. Paper and ink are the principal raw materials. Production activities typically involving information editing, color pantone management, proof reading, printing plates production, offset and digital printing, stitching and binding, quality controls, finished products packaging, warehousing, freight and delivery.

The Group’s head office is located in Hong Kong at 2/F to 4/F Yip Cheung Centre, 10 Fung Yip Street, Chai Wan, Hong Kong with production facilities handling editing, printing and binding production processes, hereinafter referred to as “Hong Kong Office”. Our principal production base is located at 101, 8 Ci Cheng Road, Boan Community, Yuan Shan Road, Longgang District, Shenzhen City, China 深圳市龍崗區園山街道保安社區賜昌路8號8號101, hereinafter referred to as our “Shenzhen Factory”. The information covered in this report including information and date from both our Hong Kong Office and Shenzhen Factory.

This environmental, social and governance report has been prepared in compliance with the Environmental, Social and Governance Reporting Guide set out in Appendix 20 to Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (“**GEM Listing Rules**”).

This report provides information related to the business activities of the production sites and warehouse facilities directly controlled by the Group. Relevant data and information from our customers or suppliers are not included as such data and information are difficult to verify with available resources and will involve undue costs and efforts.

We believe that understanding the views of our stakeholders lays a solid foundation to the long-term growth and success of the Group. We develop multiple channels to a broad spectrum of stakeholders in order to provide them with the opportunity to express their views on our sustainability performance and future strategies. To reinforce mutual trust and respect, we are committed to maintaining enduring communication channels, both formally and informally, with stakeholders to enable us to better shape our business strategies in order to respond to their needs and expectations, anticipate risks and strengthen key relationships. We have identified employees, customers, suppliers, business partners, banks, shareholders, government and the community at large as our key stakeholder groups. The information collected through different communication processes serves as an underlying basis for the structure of this ESG Report.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In March 2023, the restriction of travelling between Hong Kong and the other parts of the world under the COVID-19 pandemic had been lifted that both our employees and customers can now communicate easily with our Shenzhen Factory.

## 1. Environmental Protection Strategy

The Group is environmental conscious and strives to operate its production processes and facilities that maximizing our resources efficiently, improving productivity while minimizing the unfavorable impacts to the environment and community, seeking to contribute to the improvement of ecological environment and our sustainable development. The Group has to ensure that our operations are compliant with all the relevant and applicable environmental rules and regulations.

### 1.1 Environmental Rules and Regulations

Our printing operations are subject to various environmental rules and regulations, such as, PRC Environmental Protection Law (《中華人民共和國環境保護法》), PRC Prevention and Control of Environmental Pollution Caused by Solid Waste Law (《中華人民共和國固體廢物污染環境防治法》), Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong) and Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong). Any non-compliance with the relevant provisions of the laws and regulations will be subject to penalties and fines by the authorities and may cause disruption to our normal production activities.

Our Shenzhen Factory is endorsed in conformity with:

- Environmental Management System Standard: GB/T24001-2016/ISO 14001:2015 for the Printing of Packaging and Decoration Printed Matter and Related Management Activities since February 2019;
- Quality Management System Certificate in conformity with Quality Management Standard GB/T19001-2046/ISO9001:2015 since February 2019;
- ICTI Ethical Toy Program Seal of Compliance confirming compliance with the requirements of the ICTI Ethical Toy Program since 2022;
- FSC™ Chain-of-Custody Certificate meeting the standards of: FSC-STD-40-004 V3-1 Chain of Custody Certification, FSC-STD-40-003 V2-1 Chain of Custody Certification of Multiple Sites, FSC-STD-50-001 Requirements for use of the FSC trademarks by Certificate Holders since September 2007.

The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to air and greenhouse gases (“GHG”) emissions, discharges into water and land, generation of hazardous and non-hazardous wastes during FY2023. GHG as defined in the Kyoto Protocol comprised of seven greenhouse gases: carbon dioxide (CO<sub>2</sub>); methane (CH<sub>4</sub>); nitrous oxide (N<sub>2</sub>O); hydrofluorocarbons (HFC<sub>s</sub>); nitrogen trifluoride (NF<sub>3</sub>); perfluorocarbons (PFC<sub>s</sub>) and sulphur hexafluoride (SF<sub>6</sub>).



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1.2 Green Production Objective

The Group has to measure, monitor and control the level of emissions of exhaust gases, GHG and generation of hazardous wastes during production and to look for possible improvements for reducing the level of emissions and wastes generated from production.

Reducing the level of GHG emission and hazardous wastes will help to contribute to a cleaner environment and reduce the cause of severe weather. Recycling of useful wastes will not only reduce the quantity of dumping wastes, but will also generate other income and without polluting the environment.

Since October 2021, the Group's Shenzhen Factory has been granted a 5-year Waste Disposal Licence (《排污許可證》) by the Shenzhen Environmental Protection Department Longguan Office (深圳市生態環境局龍崗管理局) approving our internal control system for monitoring the emissions of waste water and exhaust gases during production and in compliance with the prescribed standards required for the printing industry. We have conducted measurements on the GHG emissions annually and recorded the treatment of wastes as discussed below.

### 1.2.1 Emissions Measurements

For GHG emissions, the IFRS S2 had defined:

- Scope 1 emissions as direct GHG emissions from sources that are owned or controlled by an entity (“**Scope 1**”);
- Scope 2 emissions as indirect GHG emissions from the generation of purchased or acquired electricity, steam, heating or cooling consumed by an entity (“**Scope 2**”);
- Scope 3 emissions as indirect GHG emissions that occur in the value chain of an entity, including both upstream and downstream emissions. Scope 3 GHG emissions include the Scope 3 Categories in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011) which described 15 categories, including: purchased goods and services, upstream and downstream transportation and distribution, waste generated in operations, business travel, employee commuting, capital goods that are relevant to our business operation (“**Scope 3**”).

The Group's emission of exhaust and GHG gases is primarily under Scope 2 from purchased electricity and fuel used in production, factories and offices. There are other indirect emissions generated, for example, purchased paper, purchased printing plates, paper waste and business travelling under Scope 3.

During the offset printing process, chemically tainted water is released through washing of the printing plates in the prepress production and the cleaning of ink rollers from the printing presses. In the ink application process, there are certain Volatile Organic Compounds (“**VOC**”) emissions such as benzene, toluene and p-xylene. Though the emissions are considered insignificant, our Shenzhen Factory installed environmental air filters to minimize the VOC emission. Effluent is generated in our business operation mainly for cleaning, personal consumption of employees and usage in staff quarters.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has engaged external qualified testing companies for collecting and analyzing the emissions of exhaust and GHG gases, effluent discharged from our Shenzhen Factory, where the Group's main production facilities are located. The testing basis and samples collection procedures are conducted according to the prevailing regulations and procedures as in previous years.

Direct emissions of GHG are from production, usage of motor and electrical vehicles, indirect emission is due to electricity consumption.

| <b>GHG emission</b>            | <b>FY2023</b><br><b>tCO<sub>2</sub>e</b> | FY2022<br>tCO <sub>2</sub> e |
|--------------------------------|--|------------------------------|
| Direct – Scope 1               | <b>21.20</b>                             | 21.20                        |
| Indirect – Scope 2             | <b>6,027.10</b>                          | 6,173.83                     |
| Total                          | <b>6,048.30</b>                          | 6,195.03                     |
| Total production output in ton | <b>6,974.17</b>                          | 8,599.59                     |

tCO<sub>2</sub>e: Per ton of equivalent carbon dioxide emission

Testing results of the GHG emission of our factory confirmed full compliance with the required environmental and safety standards in Shenzhen City. The emissions under Scope 3 have not been provided as such data and information cannot be obtained with our available resources.

The following average testing results on the exhaust gases emitted collected on three different dates from our Shenzhen Factory in FY2023 also confirmed that the density of harmful content such as benzene, toluene, p-xylene and other VOC have been in full compliance with the required environmental and safety standards in Shenzhen City.

|                               | <b>FY2023</b><br><b>Density</b><br><b>(mg/m<sup>3</sup>)</b> | FY2022<br>Density<br>(mg/m <sup>3</sup> ) |
|-------------------------------|--|---|
| Benzene 苯                     | <b>0</b>   | 0   |
| Toluene 甲苯                    | <b>0</b>   | 0   |
| P-Xylene 二甲苯                  | <b>0</b>   | 0   |
| Non-methane hydrocarbon 非甲烷總烴 | <b>1.890</b>   | 1.690                                     |
| Other VOC                     | <b>1.1073</b>  | 0.0262                                    |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The contents of the effluent generated from our Shenzhen Factory have also been collected during FY2023 for testing with the results confirmed that we are in full compliance with the required environmental and safety standards in Shenzhen City as indicated below.

| <b>Testing results</b>                 | <b>FY2023</b> | <b>FY2022</b> |
|--|---------------|---------------|
| pH value                               | <b>7.2275</b> | 7.1125        |
| Suspended matter, mg/L                 | <b>0</b>      | 36.75         |
| Chemical oxygen demand, mg/L           | <b>17.75</b>  | 62            |
| Biochemical oxygen demand 5 days, mg/L | <b>6.175</b>  | 17.775        |
| Ammonia nitrogen, mg/L                 | <b>0.4155</b> | 0.31475       |
| Total phosphorus, mg/L                 | <b>0.0925</b> | 0.085         |
| Chromaticity, times                    | <b>2</b>      | 2             |

The above testing results have been published in the Shenzhen factory's website for public inspection regarding environmental protection information disclosure (環境信息公開表).

## 1.2.2 Materials Recycling

The Group aims to optimize the use of materials resources throughout the production process and increasing the recycling use of materials for minimizing wastage. In FY2023, total paper materials purchased were HKD35.13 million decreased by 13.61% from HKD40.67 million in FY2022 mainly due to the low level of inventories for production requirement.

To reduce the level of wastes, papers used in the offices are to be printed and written on both sides, documents recorded in soft copy format that facilitate transmission through email is encouraged for reducing the usage of papers.

In order to enhance the efficiency and tidiness for our collection of scrap paper materials from production, we have set up centralized mechanical equipment for compression and bundling of scrap papers in our Shenzhen Factory and Hong Kong Office for expediting the process and increase the recycling rate. Other recyclable materials such as carton box, used printing plates and waste metals are separately identified and recycled. We are working closely with our printing ink suppliers by returning their plastic ink containers for reuse and reduce wastage.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The collection of waste materials in our Shenzhen Factory during FY2023 when compared with FY2022 is as follows:

| (in kg)                | FY2023<br>Quantity | FY2022<br>Quantity | Changes<br>Quantity | %              |
|------------------------|--------------------|--------------------|---------------------|----------------|
| Scrap papers           | 1,635,000          | 2,170,355          | (535,355)           | (24.67)        |
| Used printing plates   | 86,000             | 70,490             | 15,510              | 22.00          |
| Sub-total and recycled | 1,721,000          | 2,240,845          | (519,845)           | (23.20)        |
| Hazardous wastes       | 4,050              | 5,811              | (1,761)             | (30.30)        |
| <b>Total</b>           | <b>1,725,050</b>   | <b>2,246,656</b>   | <b>(521,606)</b>    | <b>(23.22)</b> |

All scrap papers and used printing plates are recycled and have been disposed to authorized collectors handling recycle of the materials which could generate other income from the disposal and more importantly, recycling can reduce the overall volume of wastes and if the used printing plates are not properly recycled that could generate hazardous substance endanger the environment. During FY2023 except for the hazardous wastes, a total of 1,721.00 ton of waste materials, decreased by 23.20% from 2,240.85 ton in FY2022, has been recycled, representing a 99.77% of the waste materials being recycled as compared to 99.74% in previous year.

For the protection of our customers' intellectual property rights, all the scrap printed papers and books must be shredded before being recycled. For the printing plates, these must be left idle for at least 60 days for oxidation before sending to waste collector for recycling.

The wooden pallets used during transportation and delivery of goods have also been recycled and returned for usage and increased from 562 pieces in FY2022 to 719 pieces in FY2023 mainly due to reduced subcontracting work when wooden pallets are used during transportation.

During FY2023, the total amount of hazardous wastes generated from our production was equivalent to 0.06% per kg unit of production when compared with 0.07% in FY2022 with the volume being controlled at a very low level. The non-hazardous wastes generated by the Group during FY2023 that were recycled equivalent to 24.68% per ton unit of production when compared with 26.06% in FY2022.

### 1.2.3 Hazardous Waste Management

For the disposal of hazardous wastes generated from production, we strictly follow the PRC Prevention and Control of Environmental Pollution Caused by Solid Waste Law and engaged independent authorized waste collector for disposal of the hazardous wastes. Our administration department maintains proper records on the amounts of hazardous wastes disposed each year for internal control assessment.

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Our employees are required to comply with the following practices and procedures for the proper handling of hazardous wastes:

- Employees who are required to handle hazardous waste must attend the required training before assigned to their positions
- Clear instructions and protective equipment are provided to employees handling the wastes
- Hazardous wastes are stored in rigid containers to avoid spillage and at designated storage area

During FY2023, a total of 4.05 ton of hazardous wastes was produced and decreased by 30.30% from 5.81 ton in FY2022 with the majority of the hazardous waste was attributable to the residues generated from treatment of sewage water. Hazardous wastes endanger our environment that we endeavor to reduce to the minimum during our production.

## *1.2.4 Shipment of Products*

The Group encourages our customers to consolidate the shipment volumes and orders if applicable for reducing the numbers of individual shipment that can minimize the times of sea voyages with the resultant decrease in fuel consumption by ocean carriers and the GHG emissions to the environment. The Group is using recyclable pallets for loading products to containers, the pallets can later be reused by our customers and reduce wastage.

## *1.2.5 Environmental Monitoring Costs*

The Group has incurred recurrent operating costs for monitoring and management of our internal control system on environmental protection, including engagement of qualified companies to conduct testing on the emissions of exhaust gases and effluent during production processes to ensure that we are in full compliance with all the environmental and safety laws and regulations.

With our commitment to environmental protection, during FY2023, total direct costs incurred on environmental protection in the treatment of effluent, different types of testing, repairs and maintenance costs incurred on the treatment facilities for exhaust gas and effluent in the factory premises, increased by 5.31% from HKD657,699 in FY2022 to HKD692,628 mainly attributable to the higher testing costs charged by external professional service provider for the exhaust gases emission during printing production in our Shenzhen Factory. The engagement of professional testing companies conducting the testing allow us to evaluate the quantity and quality of our exhaust gases and effluent generated if they are in compliance with the statutory requirements and as controls to identify if any defects had occurred in our facilities without our prior knowledge.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1.2.6 Management Approach for FY2024

- (i) Control and to reduce if possible the energy consumption and carbon emissions:
  - To monitor and control GHG emission per unit of production output in full compliance with the laws and regulations
  - To reduce the generation of wastes during our operations
- (ii) Continue to recycle materials to minimize waste and conserve resources:
  - To continue promoting the use of digital format data in communication for saving document printing
  - To continue monitoring the efficient collection of scrap paper materials for recycling

## 1.3 High Performance Production Objective

The Group is to achieve high performance production using the necessary materials and avoid using excessive resources causing wastage and environmental unfriendly.

### 1.3.1 Monitoring Resources Usage

The principal raw material used for production is paper and close monitoring on paper usage in relation to our level of production is important to ensure no excessive usage.

The Group's usage of paper, printing plate, ink, electricity and water during FY2023 and compared with FY2022 are as follows:

|                                 | FY2023<br>Amount<br>(HKD) | FY2022<br>Amount<br>(HKD) | Change<br>Amount<br>(HKD) | %       |
|---------------------------------|---------------------------|---------------------------|---------------------------|---------|
| Paper                           | 35,133,739                | 40,666,640                | (5,532,901)               | (13.61) |
| Printing plate                  | 2,861,282                 | 4,008,966                 | (1,147,684)               | (28.63) |
| Printing ink                    | 1,295,019                 | 2,444,727                 | (1,149,707)               | (47.03) |
| Electricity charges             | 6,399,483                 | 7,070,954                 | (671,471)                 | (9.50)  |
| Water charges                   | 148,444                   | 150,371                   | (1,927)                   | (1.28)  |
| Total production output in (kg) | 6,974,168                 | 8,599,590                 | (1,625,422)               | (18.90) |
| Average number of employees     | 423                       | 467                       | (44)                      | (9.42)  |

The cost of paper used decreased by 13.61% during FY2023 to HKD35.13 million mainly due to decrease in production requirements. The Group has been maintaining a conservative inventory management policy on procurement with a calculated level of buffer stock based on projected production orders. Printing plate expense decreased by 28.63% from HKD4.01 million to HKD2.86 million due to decrease in production requirement. Printing ink cost decreased by 47.03% from HKD2.44 million to HKD1.30 million due to decrease in production requirement.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *1.3.2 Production Management*

We have been implementing production automation and efficient production management to maximize our resources efficiency and improve our productivity without compromising the quality of our product. Our Shenzhen Factory is certified with Recognition of Excellence as a G7 Master Qualified Facility, conformity with Quality Management System Standard ISO9001: 2015 and also certified as Master Facility Colorspace that our quality on printing and the production facility satisfies globe recognized industry standard. In FY2023, our average production output per employee was 16,487 kg decreased by 10.46% from 18,414 kg of the previous year mainly due to decrease in production orders that our capacity had not been fully utilized. Subcontracting charges incurred by Shenzhen Factory in FY2023 was HKD5,347,652 decreased by 14.43% from HKD6,249,306 in FY2022 due to decrease in production orders when compared with the previous busy shipment months.

## *1.3.3 Production Automation*

We are using our self-developed direct refill system for siphoning ink directly from centralized tanks to the individual printing press. This automatic refill system ensures the continuous supply of ink to the printing presses without stoppage, thus enhancing production efficiency and at the same time, overcame the wastage of ink and time when compared with manually transferred ink from containers to the individual printing presses.

The Group's computer-to-plate (CTP) machinery and systems have eliminated the requirement for the production of ozalids that saved the usage of special papers and chemicals for producing the ozalids and also reduces wastes. The blueprints of books and paper products can be produced efficiently by the CTP system upon receiving the digital information from customers for download directly that increase accuracy, shorten lead-time for checking and turnaround the output to customers for final approval.

The Group has been working with an external software company for developing our in-house designed automatic marking system for tracking the movements of work-in-progress (WIP) under different stages in production. Information and the required processing procedures of a production order will be first input to the software system. Information is then updated to the system after the completion of one production process and barcodes will be printed out for attaching to the WIP before passing on to the next department for handling. A barcode reading machine installed in the next department will record the information on the incoming WIP and similarly after completion, the department is required to update the information in the system and print out the revised barcodes for attaching to the WIP. This system can provide real time tracking information on the current status of all the production orders that improve the accuracy on identifying each stage of a particular order both for internal controls and customers' information. This internal control system is costly but can provide accurate information and reduced the manual recording, counting procedures and the time involved.

In addition, we have installed higher costs but efficient digital printing machines both in Hong Kong and the Shenzhen Factory enhancing our production capability for meeting customers' orders under quick turnaround time and these machineries use less electricity and ink when compared with the traditional offset printing presses.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The aforementioned automated machineries and system have significantly improved our internal controls and production efficiency, saving material resources, reducing wastes, required less intensive labor and made significant improvements in the quality and consistency of our products and contribution to a better environment.

## *1.3.4 Use of Water and Electricity*

The Group is committed to conserving the use of water as a valuable natural resource. We only use water supplied from municipal sources in our Shenzhen Factory and do not have any on-site wells. Although water is not directly utilized for production, the Group has engaged external qualified testing companies to conduct testing on the effluent collected from our Shenzhen Factory to ensure our compliance with the required environmental and safety standards. Sprinkler is used on hose for watering plants in the Shenzhen Factory to avoid over usage of water.

Effluent is mainly generated from cleaning and the employees' living activities in Shenzhen Factory. Effluent is collected in a tank for purification treatment before being channeled for flushing the washrooms. We have put up notices at the eye-catching areas to increase the awareness of our employees on conserving water. We shall continue managing the usage of water consumption and to maintain and repair the water pipes in Shenzhen Factory for that purpose.

The indirect water consumption during FY2023 reduced by 1.28% from HKD150,371 to HKD148,444 mainly due to less water and disinfectant had been consumed for sanitizing of premises in Shenzhen Factory after the pandemic, while the average unit cost was maintained at the level of HKD0.02 per kg of production output as in FY2022.

Electricity is principally used for operating the Group's plant and machinery for production. Except for the machinery slow down downtime, all the supervisors of production departments are instructed to switch off the plant and machinery when not in use for energy saving.

The direct energy consumption in respect of electricity charges during FY2023 for the Group decreased from HKD7,070,954 in FY2022 to HKD6,399,483, while the average unit cost per kg of production output was HKD0.92 increased from HKD0.82 in FY2022, mainly attributable to the decrease in production output while some electricity charges related to the factory premises have to be incurred for the business operation especially in our Shenzhen Factory.

The Group has been using more energy efficient LED lightings for energy savings and notices have been placed at the entrance areas for reminding employees to switch off all lightings, air-conditioning system and electrical appliances during lunch break and after office hour before leaving for energy saving. We have been using more telephone and video conferencing for conducting meetings between Hong Kong Office and Shenzhen Factory and with customers for saving the travelling and time required, making contribution to environmental saving on GHG emissions.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *1.3.5 Management Approach for FY2024*

- (i) Enhance the barcode tracking system, implement suitable automation in production, strengthen the operational management, improve production efficiency and productivity:
  - To increase production output per worker by 5%
  - To maintain the electricity usage commensurate with the level of production output
- (ii) Monitor water consumption:
  - To continue with water saving campaigns throughout the Group
  - To maintain total water consumption quantity commensurate with the level of production

## *1.4 Environmentally Friendly Materials Objective*

The Group aims to apply more environmentally friendly materials in our production and reducing the usage of materials that are very difficult to recycle.

### *1.4.1 Paper*

We encourage our customers to use papers coming from sustainable forestry with Forest Stewardship Council “FSC” label endorsement that are environmentally friendly. We have obtained the FSC Chain-of Custody certification for our usage of the FSC label on our products when certain criteria are met. Product with FSC label affixed provides a confirmation to our customer and the end consumer that the product is originated from well-managed forests, controlled sources, reclaimed materials or a mixture of these from sustainable materials.

During FY2023, the quantity of FSC papers used in our production decreased to 321.34 tons when compared with 673.23 tons used in FY2022 attributable to decrease in production requirement. Percentage of FSC papers to total production output decreased from 14.31% in FY2022 to 10.15% in FY2023. Although the FSC papers are cost sensitive, we would continue to encourage our customers to use FSC papers when the opportunity arises.

### *1.4.2 Soybean Oil Based Ink*

We are using soybean oil-based ink purchased from qualified suppliers for usage in our printing presses for all production. Compared to the traditional solvent base ink, the soybean oil-based ink is environmentally friendly that substantially reduces the emission of VOC to the atmosphere both in the product itself and during production, which also improves the air quality at our workplace. The soybean ink offers an alternative choice to customers who are looking for environmentally friendly material in their printing products. The Group will continue to use and promote soybean oil-based ink going forward.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1.4.3 Plastic Materials

With the growing general awareness of the difficulty in recycling plastic materials, we are encouraging our employees to reduce the usage of single use plastic items during production and daily activities, such as plastic holders, containers, utensils, cups, bags, etc. Plastic film has been used in the bulk packaging of finished products when loading on pallets and we continue looking for alternative materials and method for replacing the plastic film if possible.

## 1.4.4 Management Approach for FY2024

- (i) Usage of environmentally friendly materials in our production when applicable and to encourage our customers and employees to be environmentally friendly and give more consideration on using sustainable resources.
  - To continue looking for environmentally friendly material for replacing the current plastic film for bulk packaging of finished products when loading on pallets
  - To encourage our customers to use papers with FSC label in their products

## 2. Employment Strategy

The Group is to maintain good relationship with employees who are valuable assets, encouraging the employees for personal development with new skills and knowledge, providing the employees with a safe and pleasant working environment. Good relationship with the employees can foster their job satisfaction, encourage increasing productivity and with a lower turnover rate.

The demographics of the Group's employees at the year-end date of FY2023 when compared with FY2022 are as follows:

|   | <b>FY2023</b> | FY2022 | <b>Changes</b> |          |
|---|---------------|--------|----------------|----------|
|   | <b>Number</b> | Number | <b>Number</b>  | <b>%</b> |
| Number of employees at year end –           | <b>393</b>    | 454    | <b>(61)</b>    | (13.44)  |
| – Male                                      | <b>248</b>    | 292    | <b>(44)</b>    | (15.07)  |
| – Female                                    | <b>145</b>    | 162    | <b>(17)</b>    | (10.49)  |
| Average number of employees during the year | <b>423</b>    | 467    | <b>(44)</b>    | (9.42)   |
| Employees working for –                     |               |        |                |          |
| – Over 5 years                              | <b>349</b>    | 332    | <b>17</b>      | 5.12     |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 2.1 *Competitive Remuneration Objective*

The Group considers offering competitive remuneration package is necessary for the attraction and retention of employees.

### 2.1.1 *Compensation and Benefits*

All the employees of the Group are required to enter into employment contracts when enrollment for clearly stating out the terms and conditions, salaries and allowances, benefits and job duties of the employees. A copy of the employee handbook is also provided to each employee in the Shenzhen Factory when he first joined.

The Group complies with all the Labour Law of the PRC and Hong Kong, the Implementing Regulations of the Labour Contract Law of the PRC, Regulations on Paid Annual Leave for Employees, PRC Social Insurance Law and Employment Ordinance in Hong Kong together with other relevant laws and regulations. Failure by Group companies to comply with the laws and regulations will result in penalties and fines.

We provide social insurance, including basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to our employees in PRC according to PRC Social Insurance Law and MPF according to the Mandatory Provident Scheme Ordinance in Hong Kong for attracting employees to join our Group.

The Group also offers for employees in Hong Kong with four to ten years of continuous service, the employer's additional voluntary contributions equal to 5% to 10% of the employees' monthly basic salaries when the employees make additional voluntary contributions to the MPF Scheme at the same time, subject to the maximum limit of 10%. Additionally, the Group had arranged with a medical service provider in Hong Kong offering those employees who had completed three years of employment for personal health check programs at special discounted rates as additional incentives to stay.

The Group adopts a daily 8-hour working system and voluntary overtime. Overtime is limited to be within statutory limit to protect employees' health and their human rights. In addition, the Group prohibits employee to work on a technical task before the relevant employee has received adequate training to equip the employees' with the required skills and to safeguard employees' safety that are the duties of a responsible employer for the employees.

The Human Resources Department is monitoring the salaries and remuneration packages offering to employees both in Hong Kong and PRC that the Group's remuneration packages are competitive and fair when compared with other employers offering similar job duties and working conditions.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Excluding the directors' remuneration, the total employees' costs incurred by the Group for FY2023 when compared with FY2022 are as follows:

|                                | FY2023<br>Amount<br>(‘000) | FY2022<br>Amount<br>(‘000) | Changes<br>Amount<br>(‘000) | %             |
|--------------------------------|----------------------------|----------------------------|-----------------------------|---------------|
| Salaries and allowances        | 50,151                     | 53,817                     | (3,666)                     | (6.81)        |
| Social and retirement benefits | 5,712                      | 6,035                      | (323)                       | (5.35)        |
| <b>Total</b>                   | <b>55,863</b>              | <b>59,852</b>              | <b>(3,989)</b>              | <b>(6.66)</b> |

Total salaries and allowances paid to employees decreased by 6.81% from HKD53.82 million in FY2022 to HKD50.15 million in FY2023 mainly as a result of reduced numbers of employees and less overtime payments to employees of the Shenzhen Factory under less production activities. Social and retirement benefits payment decreased by a lesser extent of 5.35% from HKD6.04 million to HKD5.71 million due to the retirement benefits are computed based on employees' basic salaries.

### 2.1.2 Employees Turnover

Majority of the Group's employees is working in the Shenzhen Factory and due to the general high mobility of employees in Shenzhen City, the turnover rate of new employees who have been employed for less than two years, has been high and in line with general market conditions. The continuous economic development in Shenzhen City has offered various different kinds of job opportunities that downplayed the attraction for people working in the industrial sector, especially for the younger generation.

Total number of employees resigned from the Group increased from 79 persons in FY2022 to 82 persons in FY2023. Out of the resigned employees in FY2023, 30 were employed for less than 2 years when compared with 36 in FY2022.

Number of employees who resigned in FY2023 and FY2022:

|   | FY2023    | FY2022    | Change   | %           |
|---|-----------|-----------|----------|-------------|
| Less than 2 years of employment           | 30        | 36        | (6)      | (16.67)     |
| Employees with over 2 years of employment | 52        | 43        | 9        | 20.93       |
| <b>Total employees resigned</b>           | <b>82</b> | <b>79</b> | <b>3</b> | <b>3.80</b> |

The number of resigned employees with over 2 years of employment increased from 43 to 52 in FY2023 mainly due to the Group's reduction in head counts for cost saving and all the entitled remuneration and required compensation had been properly distributed to the resigned employees.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In order to attract employees continuing working for the Group, competitive remuneration package, good relationship with the employees with promotion prospects are continue to be applicable. The Group continues to pay high regard to the employees who have serviced the Group over the past years and contribute to the Group's success, additional long service awards were given to employees of the Group who have been employed for: 30 years – 1 person, 25 years – 3 persons, 20 years – 6 persons and 15 years – 10 persons, 10 years – 4 persons and outstanding performance awards for 22 persons as our token of appreciation for their contributions and hard work.

## *2.1.3 Employee Communication*

Open communication is an important element in achieving effective workplace management. Proper communication with the employees is very important for the employees to understand the business strategies and future development of the Group.

We encourage employees to voice their opinions through various communication channels at all levels. We provide suggestion boxes, website, internal newsletters and communication meetings where employees can express their concerns and suggestions. Both the telephone numbers and email addresses of the Shenzhen Factory Manager and the Chief Representative of the Labour Union are available for all the employees of our Shenzhen Factory. Information, opinions and suggestions gathered from the employees are to be followed up by our Human Resources Department for discussion with senior management.

The Group encourages the employees to discuss any issues and problems they identified directly with their supervisors. The Group has the whistle-blowing policy whereby an employee can inform the Chairman of the Audit Committee of the Group being an independent non-executive director of any suspected wrong doings and other irregularities that they have identified.

No dispute with employee was recorded and the Chairman of the Audit Committee did not receive any request for help during FY2023.

## *2.1.4 Management Approach for FY2024*

- (i) Enhance the good relationship with employees through various communication channels and employees' activities:
  - To continue encouraging open communications at all levels of the Group and facilitates employees to give their opinions through various communication channels
  - To maintain the turnover rate of employees with over 2 years of employment below 10%
  - To maintain the number of employees with over 5 years of employment with the Group

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 2.2 Personal Development and Advancement Objective

The Group considers personal development of employee is important for future advancement in career. Learning of new skills and knowledge is necessary for equipping the employee to handle additional job duties not only in his own specialty area, but also in different duty and supervisory function.

### 2.2.1 Training programs

The Human Resources Department encourages our employees to develop and advance their careers in the Group and organized training courses for the employees. Each new employee of our Shenzhen Factory is required to attend training on employees' regulations, fire prevention and safety, additional training will be provided for those handling safety information and precautions on their daily job duties.

We have provided internal trainings on industrial safety, fire drill and precautions for the employees of our Shenzhen Factory to stay alert of fire accident and the closest passages for evacuation in case of emergency. Our employees have also participated in training courses on quality control, handling leakage of hazardous chemicals, first aid training and alerts to frauds.

|                                  | FY2023       |                      | FY2022       |                      |
|----------------------------------|--------------|----------------------|--------------|----------------------|
|                                  | Person-times | Total training hours | Person-times | Total training hours |
| Orientation programs             | 164          | 164                  | 212          | 212                  |
| Fire and chemical leakage drills | 1,558        | 1,558                | 1,426        | 1,426                |
| On-the-job trainings             | 305          | 305                  | 248          | 306                  |
| Outside trainings                | 760          | 760                  | 832          | 832                  |
| Safety on job resumption         | 779          | 779                  | 782          | 782                  |
| Total                            | 3,566        | 3,566                | 3,500        | 3,558                |

The total number of times employees participated in the training courses increased from 3,500 in FY2022 to 3,566 in FY2023 and total hours for attending training courses increased from 3,558 hours to 3,566 hours mainly due to annual trainings on fire drill and leakage of chemical incidences of the Shenzhen Factory. The average total training hours per total average number of employees in FY2023 increased to 8.4 hours when compared with 7.6 hours in FY2022. With the growing incidences of various forms of frauds, Shenzhen Factory had organized a training program on alerts to frauds during FY2023.

We encourage our employees to explore their potential talents and offer them opportunities to learn technical and management skills to prepare themselves for taking up leadership roles when ready in supporting our continuous growth.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 2.2.2 Management Approach for FY2024

- (i) Foster a continuous learning environment and encourage employees to develop and advance their careers in the Group:
  - To meet the training needs of employees, provide training courses for new information and career development
  - To maintain the average training hours per employee at 5 hours each year

## 2.3 Respect of Labor and Human Rights Objective

The Group is committed to respect the labor and human rights of all our employees through the following principles as stated in our human resources management policies:

**Freely Chosen Employment** – We do not use forced or prison labor. We ensure that the terms of employment are voluntary. Our employees work at the Group of their own free will and are free to resign upon giving reasonable notice under the employment contract. We do not require employees to lodge deposits or hand over passports or work permits as a condition of employment.

**No Child Labor** – We comply with all appropriate local and international regulations in relation to the restrictions on the employment of child labor.

**Freedom of Association** – We allow our employees have the freedom of association to join any organizations or professional bodies of their own choices.

**Anti-slavery** – We are committed to respect and treat our employees with dignity. We do not tolerate any forced labor and we do not accept any physical and financial punishment for employee wrongdoing.

**Benefits and Wages** – We ensure that the remuneration and benefits for our employees comply with or exceed the minimum legal requirements. We maintain proper communication with our employees and understand their needs and conduct regular communication meetings to have direct dialogs with our employees.

**Overtime policy** – Overtime is voluntary and employees are compensated for overtime in accordance with the laws.

**Equal Opportunity and No Discrimination Policy** – We ensure that our hiring, compensation, training, promotion, termination and retirement policies and practices do not discriminate on the grounds of age, sex, marital status, race, religion, disability or any other non-job-related factors. Remuneration is determined with reference to performance, qualifications and experience.

**Harassment and Abuse** – We do not tolerate any physical, sexual, psychological or verbal harassment or abuse towards our employees.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Any issues or enquiries raised by our employees through different communication channels will be handled and investigated promptly and confidentially by the Human Resources Department, followed by disciplinary measures if necessary.

No case of misconduct was reported during FY2023 and we are committed to upholding the professional ethical conduct and the highest level of integrity of our employees.

## *2.3.1 Management Approach for FY2024*

- (i) Respect the labor and human rights of all the employees with clearly defined human resources management policies:
  - To continue the Group's human resources management policies in compliance with the regulatory requirements

## *2.4 Healthy Workplace for Employees Objective*

The Group aims to provide a pleasant, supportive and healthy workplace for our employees, and to foster a caring working environment. We recognized that having a motivated workforce is important in the Group's efficient operations.

### *2.4.1 Implementation of Health Precautionary Measures*

Although the pandemic has been under control, the principal precautionary measures and protocols implemented by our Shenzhen Factory since February 2020 for the health protection of our employees under the pandemic are still applicable. Our Shenzhen Factory continues the implementation of restricted access management procedure that security guards are responsible to check and ensure all persons who enter the Shenzhen Factory are required (i) to confirm in writing whether recent visits have been made to highly infectious provinces or cities in China or overseas, (ii) to measure the body temperature, and (iii) to apply alcohol disinfectant to clean hands that all procedures are satisfied before the person can gain entrance.

Other precautionary measures such as regular cleaning and sanitizing procedures in the office and factory premises, prescribed usage of surgical masks, gloves, disinfectants, cleaning materials provided by the Group are also applicable. Employees are reminded of the importance of maintaining personal hygiene and physical health to enhance their personal immunity system against illness.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 2.4.2 Compliance with Safety Standards

Our Shenzhen Factory is certified with Work Safety Standardization by the State Administration of Work Safety in PRC confirming that our facilities operate with the required standards on social responsibility, health and safety. According to the requirements of our customers for additional certification, our Shenzhen Factory is also certified with ICTI Ethical Toy Program, Disney's Facility and Merchandise Authorization endorsement that validate our compliance with local laws and high quality working conditions.

|  | FY2023 | FY2022 | Changes | %       |
|--|--------|--------|---------|---------|
| Numbers of injuries and accidents reported | 20     | 17     | 3       | 17.65   |
| Loss of working days                       | 185    | 247    | (62)    | (25.10) |
| Fatality case                              | 0      | 0      | 0       | 0       |

During FY2023, our loss of working days was 185, which was lower than 247 days in FY2022 due to one major injury case when one worker was granted leave for 80 days and two other cases each for 21 days. Although the number of injuries and accidents reported in FY2023 was 20 cases increased from 17 cases happened in FY2022, 17 cases were attributable to minor injuries since we have broadened the range of reporting cases including minor injuries since FY2021 for our tracking purpose on health precautionary measures and we did not have any work-related fatality case.

## 2.4.3 Safety Training and Leisure Activities

Maintaining an accident-free workplace environment is always a challenge. Our Human Resources Department has established health and safety training programs to increase the awareness of workplace safety. Each new employee working in our Shenzhen Factory is required to undergo orientation programs training before they are assigned to work in their job positions.

Other trainings mainly focus on work safety and health protection including fire drills, occupational injury prevention training, fall prevention training, workplace safety training such as chemical usage, machinery safety and forklift operation, which reinforces the idea and awareness of occupational and fire safety for our employees.

Due to the gradual relaxation on the numbers of persons allowed in social gathering, our Human Resources Department of the Shenzhen Factory had organized with the local Culture, Sports and Tourism Bureau for professional trainers conducting in-house aerobics and yoga classes with each session of two hours for the employees to attend after work from 17:00. Responses had been positive and a total of 45 classes and 24 classes had been arranged respectively. Annual dinners organized towards the Chinese New Year had not been arranged for Shenzhen Factory during the year as the health restriction for people gathering and banquet during the pandemic still applicable during the first quarter of 2023. Nevertheless, our Shenzhen Factory had organized Chinese New Year and Mid-Autumn Festival gatherings inside the premises for the employees celebrating the festivals.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *2.4.4 Management Approach for FY2024*

- (i) Provide a supportive, pleasant and healthy workplace for the employees and foster a caring working environment:
  - To provide health and safety training courses if applicable for employees and reminding them the importance of industrial safety
  - To reduce the loss of working hours due to injuries at or below 300 days (decreased from 400 days set in FY2022)
  - To ensure a zero work-related fatality case
  - To arrange leisure activities when available for employees to participate after work

## **3. Supply Chain Management Strategy**

A well-established supply chain management is necessary to manage the selection of approved suppliers with quality materials and a system to continue monitoring the performance of suppliers is crucial for the Group's sustainable operations.

### *3.1 Reliable Suppliers Objective*

The Group's supply chain management system is for selection of reliable and qualified suppliers to work with the Group for providing quality and timely supply of materials for production requirements on an on-going basis.

We aim at building long-term relationships with our suppliers based on mutual trust that all purchases must be under a fair, objective and professional manner. Our procurement is based upon criteria that not only price, quality, delivery capacity are important, but also integrity, social and environmental responsibility to ensure sustainability.

#### *3.1.1 Selection of Suppliers*

Suppliers can be coming from trade referrals, for new materials, replacement of existing supplier, and all the new suppliers need to go through a comprehensive supplier audit to ensure meeting our procurement criteria before acceptance as approved suppliers.

During FY2023, all of our major suppliers are from the local industries in PRC and Hong Kong and the major material that the Group purchased for the year is paper material. The selection of local suppliers can reduce the transportation requirement that is environmentally friendly and also shorten the delivery lead-time for production efficiency.

#### *3.1.2 Monitoring and Assessment*

We conduct testing and examinations at an early stage of production process on the critical materials to identify any possible defective issues and to discuss with the suppliers for corrective actions in a timely manner.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

There are regular performance assessments on the approved suppliers for continuing meeting our selection criteria and to ensure that any unfavorable issues on the supply of materials can be identified earlier to mitigate the potential risks that could affect our production planning, delivery and quality of our products.

If there are areas of non-compliance identified during the supplier audit, the supplier is required to propose corrective actions and implementation schedule for our follow up checking to confirm that the corrective actions have been properly implemented.

During FY2023, we have not conducted external audit of our major suppliers after the pandemic while we have been closely monitoring our major suppliers internally. A small number of local suppliers were added as approved suppliers for the supply of consumables to our Shenzhen Factory.

### *3.1.3 Management Approach for FY2024*

- (i) Continue managing our supply chain in a socially and environmentally responsible manner and source from approved suppliers who satisfied the Group's procurement criteria.
  - To conduct regular assessments and audit on 5 major suppliers

## **4. Product Responsibility Strategy**

We should be a responsible producer of products that comply with all the necessary quality and safety standards for final consumption by consumers without any concern for hazardous substance and defective.

### **4.1 Quality Product Objective**

From initial design to final production, our products should meet the customers' specified standards on design and material usage to ensure that our products also comply with the necessary quality and safety standards before shipment.

#### *4.1.1 Product Safety*

We are committed to manufacture products that meet the highest international health and safety standards. All our products follow strict specifications on banned and restricted substances on the ink, paper, glue, and plastic film materials in our production. Our products sold in the United States and Europe are in compliance with the required safety standards, such as RoHS (Restriction of Hazardous Substances) Directive, EN (European Standards), SVHC (Substances of Very High Concern) under REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) Regulation, ASTM (American Society for Testing and Materials) Standards.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 4.1.2 *Quality Control and Testing Procedures*

We have implemented a stringent quality control system, from materials, components, machines and equipment, and the final products to ensure that the use of all materials and production processes are compliant with both international and local standards and requirements.

Our production facilities are all certified with ISO9001 and ISO14001. Under the quality management system, quality assurance is performed to examine the product's quality against the acceptance quality level standard at every stage of the production process. Incoming raw materials, such as paper and ink, are periodically tested against the customers' required technical specifications. Colours are matched against the customers' approved blue print. Finished goods are to undergo a number of tests and visual inspections, before packaging and delivery to ensure the exact customers' specifications are met. We have also maintained a professional customer services team with high service standard to ensure responsiveness to customers' needs. By implementing the highest level of standard on quality management, we provide not only excellent products with services, but also safe and secured products to our customers.

## 4.1.3 *Management Approach for FY2024*

- (i) Continue to ensure that all products are compliant with the international quality and safety standards
  - To comply and enhance the Group's quality control system on production
  - To ensure zero product recalls, fines or penalties relating to non-compliance with regulations

## 5. **Anti-Corruption**

We are committed to establish and maintain an ethical culture that honesty and integrity are the basic attributes of all our employees as frauds and dishonesty can distort the usual honest business practices resulting in exposure to very high risks on non-compliance with laws and higher costs that can endanger the business operation of the Group that we should prevent any frauds that could happen in all our business activities. We shall uphold the high standard of honesty and integrity for the interests of all our stakeholders, including our employees, suppliers and customers that we are fair in all our business activities both internally and externally for gaining trust from all of our stakeholders and maintain the fine business relationships with our business counterparts.

Amongst all the internal rules and regulations for anti-corruption, all the employees, including the directors, are forbidden from receiving benefits, interests from others that can possibly create conflicts of interests when they are exercising their job duties. All the employees who are looking for part-time jobs must first obtain prior approval for ensuring there are no conflicts of interests.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

All of our employees are free to report any suspected fraud or corruption activities to top management and the Group has the whistle-blowing policy allowing the reporting directly to the Chairman of the Audit Committee being Independent Non-executive Director for taking further investigations and necessary actions on allegations for protecting the overall interests of the Group. Our internal control policy has specified control procedures for conducting the investigation and no reprisals shall be made against the employee reporting the suspected case.

The Group complied with all relevant laws and regulations relating to bribery, extortion, fraud and money laundering. There was no case received by the Group during FY2023 and also FY2022 for reporting any suspected fraud and corruption activities that reflect the proper and fair conduct of the Group's business and operating activities.

## 6. Community Investment

The Group has an obligation to offer community investment as being part of the local community where the Group's operations are located and we strive to operate as a responsible corporate citizen and continually support the economic and social vitality of local communities.

During FY2023, the Group has focused the community services on public health consideration; in our Shenzhen Factory, we provided volunteer workers participated in the promotion of public health of civilized hiking for 16 counts and we are positive to participate in community events to foster higher standards of living and quality of life.

## 7. Closing remarks

As a responsible corporate citizen, we will continue to make efforts contributing to the well-being on environmental protection and social responsibility in the Group's overall business strategies and activities, taking into consideration to add value for our stakeholders and to also care for the communities. Even though the Group has been facing a very keen competitive business environment with many challenges during the past year, the directors continue to uphold the proper implementation of the Group's ESG Policy as being one of the main pillars of the Group's business operation.



# DIRECTORS' REPORT

The Board hereby present the Directors' report and the consolidated financial statements for the year ended 31 December 2023 (the “**Reporting Period**”).

## LISTING ON GEM

The Company was incorporated as a limited liability company in Hong Kong on 23 December 1992.

The Company became the holding company of the Group upon the completion of the corporate reorganisation (the “**Reorganisation**”), details of which are set out in the section headed “History, Reorganisation and Corporate Structure” in the Prospectus.

The shares of the Company (the “**Shares**”) were listed on the GEM on 13 December 2017.

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is principally engaged in the provision of printing products to Hong Kong-based print brokers with customers in overseas markets and to international publishers mainly located in the U.S., U.K., Australia and Europe (excluding U.K.). The Group's products comprise mainly books and other paper-related products. The two production sites were the Shenzhen Factory and the Hong Kong Factory. Each of these factories is a self-functioning printing and production arm of the Group, and they share the printing workload allocated by the Group's management.

For the development, performance or position of the Group's business, details are set out in the section headed “Chairman's Statement” and the section headed “Management Discussion and Analysis” of this report.

For the principal financial risks and uncertainties facing the Company, details are set out in Note 32 to the consolidated financial statements in this report.

### (A) Environmental policies and performance

The Board is aware that addressing environmental concerns is an important issue for contributing to the continuous development of society (along with the business activities of the Company).

An environmental policy and manual of procedures have been effective upon Listing which demonstrates the Group's commitment to environmental protection. All staff, subcontractors and suppliers are required to diligently implement the policy and the manual, which will be reviewed regularly in light of experience, feedback from staff, business development, current legislations and regulations.

### (B) Compliance with laws and regulations

To the best knowledge and belief of the Directors, the Group's operation in Hong Kong has complied with the applicable laws and regulations in all material respects during the Reporting Period, and up to the date of this report.

# DIRECTORS' REPORT

## (C) Key relationships with employees, customers and suppliers

The Directors are of the view that the Company has maintained good relationship with its employees, customers, suppliers and bankers.

## RESULTS AND DIVIDENDS

The results of the Group for the Reporting Period are presented in the consolidated statement of profit or loss and other comprehensive income of this report.

The Board does not recommend the payment of a final dividend for the Reporting Period.

## SUMMARY FINANCIAL INFORMATION

A summary of the results and the assets and liabilities of the Group, as extracted from the Prospectus and the consolidated financial statements of the Company for the years ended 31 December 2019, 2020, 2021, 2022 and 2023 are set out in this report.

## RELATED PARTY TRANSACTIONS

Details of the significant related party transactions entered into by our Group during the Reporting Period are set out in Note 35 to the consolidated financial statements in this report comprising (i) directors and senior management remuneration; and (ii) a partnership (“**Partnership**”) in which Mr. Lam and Ms. Yao hold interest, has granted to the Company an exclusive right (“**Licences’ Usage Right**”) to use the vehicles licences free of charge, while our Company has granted to Ms. Yao and Mr. Lam, in their capacities as the partners of the Partnership, a non-exclusive licence to use the names “Prosperous” or “萬里” (whether used individually or together) for the Partnership (the “**Names’ Usage Right**”). Our Directors (including our independent non-executive Directors) are of the view that the transactions are on normal commercial terms or better:

- the granting to Ms. Yao and Mr. Lam, in their capacities as the partners of the Partnership, the Names’ Usage Right for the sole purpose of holding the Vehicle Licences in return for the granting to our Company Licences’ Usage Right is part and parcel of the reciprocal arrangement contemplated;
- Ms. Yao and Mr. Lam, in their capacities as the partners of the Partnership agreed to grant to our Group the Licences’ Usage Right without charging any fee and only in consideration of our Company granting them, in their capacities as the partners of the Partnership, the Names’ Usage Right; and
- Ms. Yao and Mr. Lam, in their capacities as the partners of the Partnership, have collectively and individually undertaken to our Group that they will not use the names “Prosperous” or “萬里” or other similar names except for holding the Vehicle Licences.

For details, please refer to the section headed “Connected Transactions – Exempt Continuing Connected Transactions” in the Prospectus.

All these transactions are fully exempt from the reporting announcement, independent shareholders’ approval, annual review and all other relevant disclosure requirements under Chapter 20 of the GEM Listing Rules.

# DIRECTORS' REPORT

## DISCLOSURE UNDER RULE 17.21 AND RULE 17.23 OF THE GEM LISTING RULES

At 31 December 2023, in respect of bank loans with carrying amount of HK\$100,844,000 (2022: HK\$123,848,000) secured by the investment properties, property, plant and equipment, and corporate guarantees from the Company and certain subsidiaries (2022: pledged bank deposits, financial assets at FVTPL, property, plant and equipment, and corporate guarantees from the Company and certain subsidiaries), the Group breached the corresponding bank covenants, which are primarily related to maintain the net tangible assets of the Group at the agreed level. On discovery of the breach, the directors of the Company informed the bank and commenced a re-negotiation of the terms of the loans with the banker to revise the financial covenant clause. Since the Bank has renewed the facility in October 2023, the directors of the Company consider the breach of the covenant would not trigger immediate demand for repayment from the Bank. Further details of the Group's management of liquidity risk are set out in Note 32(b) to the consolidated financial statements in this report.

## SHARE CAPITAL

Details of the movements in the share capital of the Company during the Reporting Period are set out in Note 30 to the consolidated financial statements in this report.

## SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 15 November 2017, the terms of which are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

A summary of the Scheme is set out below:

### (a) Purpose of the Share Option Scheme

The purpose of the Scheme is to provide additional incentive to any eligible persons of the Group and to promote the success of the Group's business.

### (b) Participants

The Board may, at its absolute discretion and on such terms as it may think fit, invite any eligible persons to join the Scheme.

### (c) Total number of Shares available for issue under the Scheme

The maximum number of Shares in respect of which options may be granted under the Scheme must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date. i.e. a total of 80,000,000 Shares representing 10% of the issued share capital of the Company as at the date of this report.

### (d) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Scheme or any other share option schemes of the Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of share options in excess of this limit must be separately approved by Shareholders in general meeting.



## DIRECTORS' REPORT

### (e) Period within which the securities must be taken up under an option

An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant.

### (f) Minimum period for which an option must be held before exercise

The Board may in its absolute discretion set a minimum period for which an option must be held before an option can be exercised.

### (g) Time of acceptance and the amount payable on acceptance of the option

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK\$1.

### (h) Basis of determining the exercise price

The subscription price of a Share in respect of any particular option granted under the Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

### (i) Remaining life of the Scheme

The Scheme will remain in force for a period of ten years commencing on 24 September 2016 and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by Shareholders in general meeting.

No share option has been granted or exercised under the Scheme during the Reporting Period. No share option was outstanding as at the year end date of the Reporting Period.

## PURCHASE, SALE OR REDEMPTION OF THE SHARES

Save as disclosed in section headed "Significant Investments, Material Acquisitions and Disposals and Future Plans for Significant Investments or Capital Assets", neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares during the Reporting Period.

## DEBENTURE

No debenture was issued by the Company during the Reporting Period.

## EQUITY-LINKED AGREEMENT

Save as the Scheme, no equity-linked agreement was entered into by the Company or subsisted during the Reporting Period which (a) will or may result in the Company issuing Shares; or (b) requires the Company to enter into an agreement that will or may result in the Company issuing Shares.

# DIRECTORS' REPORT

## DONATION

The Group has not made any charitable donation of not less than HK\$10,000 during the Reporting Period.

## PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, each Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

The Company has arranged appropriate insurance cover in respect of claims and legal actions against the Directors and its officers.

## DISCLOSURE OF INTERESTS

### (a) Interests and/or short positions of Directors in the Shares, underlying shares or debentures of our Company and its associated corporations

As at the year end date of the Reporting Period, our Directors had the following interests and/or short positions in the shares, underlying shares or debentures of our Company and its associated corporations (within the meaning of Part XV the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which had to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors, will be required to be notified to our Company and the Stock Exchange:

#### (i) Interests in our Company

| Name of Director   | Capacity                           | Number of Shares<br>(Note 1) | Percentage of interest in our Company |
|--------------------|------------------------------------|------------------------------|---------------------------------------|
| Mr. Lam (Note 2&4) | Interest of controlled corporation | 48,000,000 (L)               | 55.17%                                |
| Ms. Yao (Note 3&4) | Interest of spouse                 | 48,000,000 (L)               | 55.17%                                |

#### Notes:

1. The letter "L" denotes the person's long positions in the Shares.
2. These 48,000,000 Shares are held by First Tech, which is wholly and beneficially owned by Mr. Lam. As such, Mr. Lam is deemed to be interested in these 48,000,000 Shares under the SFO.
3. Ms. Yao is the spouse of Mr. Lam. Under the SFO, Ms. Yao is deemed to be interested in the same number of Shares in which Mr. Lam is interested.

## DIRECTORS' REPORT

4. The Company was notified by First Tech Inc. (“**First Tech**”), a controlling shareholder (as defined under the GEM Listing Rules) of the Company, that on 12 October 2018, First Tech had executed a charge over its shares (the “**Charged Shares**”) in the issued share capital of the Company in favour of a third party (“**Lender**”) as security for a loan granted by the Lender to First Tech. First Tech is wholly owned by Mr. Lam Sam Ming, the chairman and controlling shareholder of the Company. As at 31 December 2023, the Charged Shares represent 8.28% of the issued share capital of the Company. For further details, please refer to the announcement of the Company dated 12 October 2018.

### (ii) *Interests in associated corporation of our Company*

| <b>Name of Director</b> | <b>Name of associated corporation</b> | <b>Capacity</b>  | <b>Number of shares held</b> | <b>Percentage of shareholding interest</b> |
|-------------------------|---------------------------------------|------------------|------------------------------|--|
| Mr. Lam                 | First Tech                            | Beneficial owner | 50,000                       | 100%                                       |

Save as disclosed above, as at 31 December 2023, none of our Directors had any interests and/or short position in the shares, underlying shares or debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors.

### (b) **Interests and/or short position of substantial shareholders in the Shares which are discloseable under Divisions 2 and 3 of Part XV of the SFO**

So far as is known to our Directors, as at 31 December 2023, the following persons (not being a Director or chief executive of our Company) had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be interested in 10% or more of the total number of issued Shares of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group:

| <b>Name of substantial shareholder</b> | <b>Capacity</b>                               | <b>Number of Shares<br/>(Note 1)</b> | <b>Percentage of interest in our Company</b> |
|--|---|--------------------------------------|--|
| First Tech (Note 2, 3)                 | Beneficial owner                              | 48,000,000 (L)                       | 55.17%                                       |
| Infinity (Note 4)                      | Person having security interest in the shares | 7,200,000 (L)                        | 8.28%  |

*Notes:*

- The letter “L” denotes the person’s long positions in the Shares.
- First Tech is a company incorporated in the BVI which is wholly and beneficially owned by Mr. Lam, an executive Director.



## DIRECTORS' REPORT

3. The Company was notified by First Tech Inc. (“**First Tech**”), a controlling shareholder (as defined under the GEM Listing Rules) of the Company, that on 12 October 2018, First Tech had executed a charge over its shares (the “**Charged Shares**”) in the issued share capital of the Company in favour of a third party (“**Lender**”) as security for a loan granted by the Lender to First Tech. First Tech is wholly owned by Mr. Lam Sam Ming, the chairman and controlling shareholder of the Company. As at the date of this report, the Charged Shares represent 8.28% of the issued share capital of the Company. For further details, please refer to the announcement of the Company dated 12 October 2018.
4. Infinity is wholly owned by Infinity International Holding Limited which is in turn held by Zhao Zhisheng as to 50% and by Cheung Ting Kin as to 50%. Each of Infinity International Holding Limited, Zhao Zhisheng and Cheung Ting Kin is deemed to be interested in 8.28% of total issued shares of the Company under SFO.

Save as disclosed above, so far as is known to our Directors, as at the year end date of the Reporting Period, there are no other person (not being a Director or chief executive of our Company) who had an interest or a short position in the Shares or underlying shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be interested in 10% or more of the voting power at general meetings or any other members of our Group.

## DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed herein, 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 or debentures of the Group or any other body corporate.

## DIRECTORS AND THEIR SERVICE AGREEMENTS

The composition of the Board during the Reporting Period up to the date of this report is set out as follows.

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Lam Sam Ming\* (*Chairman*)  
Ms. Yao Yuan\*  
Ms. Chan Sau Po

#### Independent non-executive Directors

Ms. Cheung Yin  
Mr. Wong Hei Chiu  
Mr. Leung Vincent Gar-Gene

\* Directors of the Company and its subsidiaries

The Director of subsidiaries who held office during the financial year and up to the date of this report are Mr. Lam Sam Ming and Ms. Yao Yuan. Mr. Lam is the sole director of the following subsidiaries of the Group: Century Sight Limited, Great Wall Printing Company Limited, Mr. Classic Inc., Great China Gains Inc., Super Noble Limited, Tactful Hero Limited. Ms. Yao Yuan is the legal representative of Prosperous Printing (Shenzhen) Co., Ltd. (中萬印刷(深圳)有限公司). Mr. Lam and Ms. Yao Yuan are the directors of Prosperous Printing (HK) Company Limited and Printplus Limited.

## **DIRECTORS' REPORT**

Each Director has entered into a service agreement or letter of appointment with the Company for initially a fixed term of two years commencing from the Listing Date and will continue thereafter until terminated by either party giving not less than three months' written notice to the other party.

Biography details of the Directors are set out in the section headed "Profile of Directors and Senior Management" of this report.

The Company has received an annual confirmation of independence from each INED pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers the INEDs to remain independent as at the date of this report.

None of the Directors has entered into any service agreement with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

### **EMOLUMENT OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS**

Details of the emolument of the Directors and the five highest paid individuals of the Group are set out in Note 13 to the consolidated financial statements in this report.

### **EMOLUMENT POLICY**

The remuneration committee of the Board will make recommendations on the remuneration of the Directors and senior management and to recommend members of the Board and determine, with delegated responsibilities, the remuneration package of individual Director and senior management. The remuneration committee regularly reviews and determines the remuneration and compensation packages of the Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of the Directors and the performance of the Group.

### **DIRECTORS' MATERIAL INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE**

Save as the transactions set out in Note 35 to the consolidated financial statements in this report, the Group has not entered into any transaction, arrangement or contract that is significant in relation to the Group's business to which any of member of the Group was a party and in which a Director or a connected entity of that Director had, directly or indirectly, a material interest.

Saved as disclosed, there was no contract of significance between the Company or one of its subsidiaries on the one hand, and a controlling shareholder or any of its subsidiaries on the other, subsisting during or at the end of the Reporting Period.

Saved as disclosed, there was also no other contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries during or at the end of the same period.

# DIRECTORS' REPORT

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

Other than members of the Group, none of the Directors or their respective close associates (as defined in the GEM Listing Rules) has interest in any business which competes or is likely to compete, directly or indirectly, with the business of the Group.

## INTEREST OF CONTROLLING SHAREHOLDERS

Save as disclosed in this report, the Directors are not aware of any business or interest of the controlling shareholder of the Company nor any of their respective associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the Reporting Period.

## NON-COMPETITION UNDERTAKING

Each of Controlling Shareholders (together the “**Covenantors**”) entered into a deed of non-competition in favour of the Group (the “**Deed of Non-competition**”) on 15 November 2017, details of which are set out in the section headed “Relationship with Our Controlling Shareholders – Deed of non-competition” in the Prospectus.

The Company received from each of the Covenantors an annual confirmation on their respective compliance of the non-competition undertaking under the Deed of Non-competition. The INEDs have reviewed the compliance of such undertaking and evaluated the effective implementation of the Deed of Non-competition, and they were satisfied with the Covenantors' compliance with their undertaking for the Reporting Period.

## MANAGEMENT CONTRACT

During the Reporting Period, neither the Company nor its subsidiaries has entered into a contract by which (a) a person undertakes the management and administration of the whole or any substantial part of the business of the Company; and (b) the contract is not a contract of service with any Director or any person engaged in the full-time employment of the Company.

## MAJOR CUSTOMERS

For the Reporting Period, the Group's five largest customers accounted for approximately 63.5% of the total revenue of the Group and the largest customer of the Group accounted for approximately 33.7% of the total revenue.

To the best of the knowledge of the Directors, none of the Directors or any of their respective close associates, or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers.



# DIRECTORS' REPORT

## MAJOR SUPPLIERS

For the Reporting Period, the Group's five largest suppliers, one of which is our sub-contractor, accounted for approximately 21.0% of the cost of sales of the Group and the largest supplier of the Group accounted for approximately 9.1% of the cost of sales.

To the best of the knowledge of the Directors, none of the Directors or any of their respective close associates, or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the Group's five largest suppliers.

## CORPORATE GOVERNANCE

The corporate governance report of the Company for the Reporting Period is set out in this report.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the public float of the Company's issued securities is sufficient with at least 25% held by the public.

## DISTRIBUTABLE RESERVES

As at the year end date of the Reporting Period, the Company has no reserves available for distribution to its Shareholders.

## AUDITOR

The consolidated financial statements of the Company for the Reporting Period were audited by CWK CPA Limited. CWK CPA Limited will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting (the "AGM") of the Company. A resolution for their re-appointment as the auditor of the Company will be proposed at the AGM.

## EVENTS AFTER THE REPORTING PERIOD

Please refer to the section headed "Events after the Reporting Period" in the "Management Discussion and Analysis" in this annual report for details.

**Mr. Lam Sam Ming**  
*Chairman*

Hong Kong, 27 March 2024

# INDEPENDENT AUDITOR'S REPORT



**To the members of Prosperous Printing Company Limited**  
*(incorporated in Hong Kong with limited liability)*

## OPINION

We have audited the consolidated financial statements of Prosperous Printing Company Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 65 to 155, which comprise the consolidated statement of financial position as at 31 December 2023, and the 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 and other explanatory information.

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

## BASIS FOR OPINION

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

## Material Uncertainty Related To Going Concern

We draw attention to note 3.2 to the consolidated financial statements which mentions that the Group incurred a loss attributable to owners of the Company of approximately HK\$22,962,000 for the year ended 31 December 2023, and the Group had net current liabilities of approximately HK\$123,749,000. These conditions, along with other matters as set forth in note 3.2 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Management’s measures to address the going concern issue are also described in note 3.2 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified in respect of this matter.

# INDEPENDENT AUDITOR’S REPORT (CONTINUED)

## KEY AUDIT MATTER

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

| Key audit matter  | How our audit addressed the key audit matter  |
|---|---|
| <p><b>Expected credit losses (“ECL”) on trade receivables</b></p> <p>We identified the recognition of expected credit losses on trade receivables as a key audit matter as they are quantitatively significant to the consolidated financial statements as a whole and there is involvement of management judgement and estimates in evaluating the ECL allowance of the Group’s trade receivables at the end of the reporting period.</p> <p>As at 31 December 2023, the Group had trade receivables of HK\$28,952,000, net of ECL allowance of HK\$113,102,000. The Group recognises loss allowance for trade receivables at an amount equal to lifetime ECLs which is calculated using collective and individual basis. Credit-impaired trade debtors and trade debtors with significant balance are assessed for ECL individually. In calculating the ECL allowance, the loss rates are estimated based on actual loss experience over past 5 years with reference from external valuer’s information. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group’s view of economic conditions over the expected lives of the receivables. This has resulted in a significant degree of management judgement in the ECL assessment.</p> | <p>Our procedures in relation to ECL of trade receivables included:</p> <ul style="list-style-type: none"> <li>• discussing the Group’s policies and procedures on credit periods given to customers with the management;</li> <li>• testing the aging of the trade receivables as at 31 December 2023 to the underlying financial records, on a sample basis;</li> <li>• evaluating the competence, capabilities and objectivity of the external valuer;</li> <li>• inquiring management for the status of each of the material trade receivables past due as at 31 December 2023 and corroborating explanations from management with supporting evidence, such as understanding on-going business relationship with the customers based on trading records, checking historical settlement records;</li> <li>• assessing the appropriateness of the ECL calculation methodology, adopted by external valuer by examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the ECL allowance.</li> </ul> |



# INDEPENDENT AUDITOR'S REPORT (CONTINUED)

## OTHER INFORMATION

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

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

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

## RESPONSIBILITIES OF DIRECTORS 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 HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

The engagement partner on the audit resulting in the independent auditor's report is Chan Tsz Yeung.

**CWK CPA Limited**

*Certified Public Accountants*

**Chan Tsz Yeung**

Practising Certificate Number: P07382

Hong Kong

27 March 2024



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

|   | Notes | 2023<br>HK\$'000 | 2022<br>HK\$'000       |
|---|-------|------------------|------------------------|
| Revenue   | 5     | 146,206          | 194,827                |
| Cost of sales   |       | (111,312)        | (137,765)              |
| Gross profit  |       | 34,894           | 57,062                 |
| Other income  | 7     | 6,710            | 5,957                  |
| Other gains, net  | 8     | 13,832           | 13,441                 |
| Distribution costs  |       | (13,189)         | (25,348)               |
| Administrative expenses   |       | (50,922)         | (55,655)               |
| Impairment losses under expected credit loss<br>model on trade and other receivables, net |       | (4,346)          | (46,703)               |
| Finance costs   | 9     | (9,818)          | (7,086)                |
| <b>Loss before tax</b>  | 10    | <b>(22,839)</b>  | (58,332)               |
| Income tax expense  | 11    | (123)            | (1,323)                |
| <b>Loss for the year</b>  |       | <b>(22,962)</b>  | (59,655)               |
| <b>Other comprehensive expense</b>  |       |                  |                        |
| <i>Item that may be reclassified subsequently to profit or loss:</i>                      |       |                  |                        |
| Exchange differences arising on translation of foreign<br>operation                       |       | (6,058)          | (12,825)               |
| <b>Total comprehensive expense for the year</b>   |       | <b>(29,020)</b>  | (72,480)               |
|   |       | <b>HK cents</b>  | HK cents<br>(restated) |
| <b>Loss per share</b>   |       |                  |                        |
| Basic   | 15    | (27.78)          | (74.57)                |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

|   | Notes | 2023<br>HK\$'000 | 2022<br>HK\$'000 |
|---|-------|------------------|------------------|
| <b>NON-CURRENT ASSETS</b>   |       |                  |                  |
| Property, plant and equipment                                     | 16    | 132,652          | 202,620          |
| Investment properties   | 17    | 46,069           | –                |
| Intangible assets   | 18    | 181              | 297              |
| Financial assets at fair value through profit or loss             | 19    | –                | 14,822           |
| Financial assets at fair value through other comprehensive income | 20    | 1,201            | –                |
| Deferred tax assets   | 29    | –                | 219              |
|   |       | <b>180,103</b>   | 217,958          |
| <b>CURRENT ASSETS</b>   |       |                  |                  |
| Inventories   | 21    | 16,852           | 26,762           |
| Trade and other receivables                                       | 22    | 33,800           | 52,501           |
| Pledged bank deposits   | 23    | –                | 2,017            |
| Bank balances and cash  | 24    | 3,022            | 1,261            |
|   |       | <b>53,674</b>    | 82,541           |
| <b>CURRENT LIABILITIES</b>  |       |                  |                  |
| Trade and other payables  | 25    | 44,725           | 51,527           |
| Bank loans and overdrafts   | 26    | 121,283          | 138,684          |
| Other loans   | 26    | –                | 4,165            |
| Amount due to a shareholder                                       | 27    | 707              | 400              |
| Loan from a shareholder   | 27    | 265              | 270              |
| Lease liabilities   | 28    | 9,898            | 13,171           |
| Income tax payable  |       | 545              | 1,023            |
|   |       | <b>177,423</b>   | 209,240          |
| <b>NET CURRENT LIABILITIES</b>                                    |       | <b>(123,749)</b> | (126,699)        |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                      |       | <b>56,354</b>    | 91,259           |
| <b>NON-CURRENT LIABILITIES</b>                                    |       |                  |                  |
| Loan from a shareholder   | 27    | 8,844            | 8,214            |
| Other loans   | 26    | –                | 535              |
| Bank loans  | 26    | 1,944            | –                |
| Lease liabilities   | 28    | 2,693            | 15,856           |
| Deferred tax liabilities  | 29    | 8,612            | 8,849            |
|   |       | <b>22,093</b>    | 33,454           |
| <b>NET ASSETS</b>   |       | <b>34,261</b>    | 57,805           |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

|                             | Notes | 2023<br>HK\$'000 | 2022<br>HK\$'000 |
|-----------------------------|-------|------------------|------------------|
| <b>CAPITAL AND RESERVES</b> |       |                  |                  |
| Share capital               | 30    | 106,319          | 100,843          |
| Deficits                    |       | (72,058)         | (43,038)         |
| <b>TOTAL EQUITY</b>         |       | <b>34,261</b>    | 57,805           |

These consolidated financial statements on pages 65 to 155 were approved and authorised for issue by the Board of Directors on 27 March 2024 and are signed on its behalf by:

**Lam Sam Ming**  
*Director*

**Chan Sau Po**  
*Director*



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

|   | Share<br>capital<br>HK\$'000 | Capital<br>reserve<br>HK\$'000<br>(Note (i)) | Statutory<br>surplus<br>reserve<br>HK\$'000<br>(Note (ii)) | Exchange<br>reserve<br>HK\$'000 | Retained<br>profits<br>(losses)<br>HK\$'000 | Total<br>HK\$'000 |
|---|------------------------------|--|--|---------------------------------|---|-------------------|
| At 1 January 2022                           | 100,843                      | 3,318  | 5,125  | 1,088                           | 19,911                                      | 130,285           |
| Loss for the year                           | –                            | –  | –  | –                               | (59,655)                                    | (59,655)          |
| Other comprehensive expense<br>for the year | –                            | –  | –  | (12,825)                        | –   | (12,825)          |
| Total comprehensive expense<br>for the year | –                            | –  | –  | (12,825)                        | (59,655)                                    | (72,480)          |
| At 31 December 2022 and<br>1 January 2023   | 100,843                      | 3,318  | 5,125  | (11,737)                        | (39,744)                                    | 57,805            |
| Loss for the year                           | –                            | –  | –  | –                               | (22,962)                                    | (22,962)          |
| Other comprehensive expense<br>for the year | –                            | –  | –  | (6,058)                         | –   | (6,058)           |
| Total comprehensive expense<br>for the year | –                            | –  | –  | (6,058)                         | (22,962)                                    | (29,020)          |
| Issuance of share (Note 30)                 | 5,476                        | –  | –  | –                               | –   | 5,476             |
| At 31 December 2023                         | 106,319                      | 3,318  | 5,125  | (17,795)                        | (62,706)                                    | 34,261            |

Notes: (i) Capital reserve comprises deemed contribution from the controlling shareholder in prior years.

- (ii) As stipulated by the People's Republic of China (the "PRC"), the subsidiary in the PRC is required to appropriate 10% of their after-tax profit to a statutory surplus reserve fund until the balance of the fund reaches 50% of its registered capital and thereafter any further appropriation is optional. The statutory surplus reserve fund can be utilised to offset prior year losses, or for conversion into registered capital on the condition that the statutory surplus reserve fund shall be maintained at a minimum of 25% of the registered capital after such utilisation.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

|   | 2023<br>HK\$'000 | 2022<br>HK\$'000 |
|---|------------------|------------------|
| <b>OPERATING ACTIVITIES</b>   |                  |                  |
| Loss before tax   | (22,839)         | (58,332)         |
| Adjustments for:  |                  |                  |
| Amortisation of intangible assets   | 110              | 116              |
| Bank interest income  | (66)             | (177)            |
| Change in fair value of financial assets at fair value<br>through profit or loss  | –                | 47               |
| Depreciation of property, plant and equipment   | 16,588           | 23,046           |
| Depreciation of investment properties   | 2,135            | –                |
| Gain on early termination of lease  | (278)            | –                |
| Exchange differences  | (202)            | 37               |
| Finance costs   | 9,818            | 7,086            |
| Provision of impairment losses under ECL on trade receivables, net<br>(Reversal of) provision of impairment losses under ECL on other<br>receivables, net | 4,376            | 39,552           |
| Gain on disposal of property, plant and equipment   | (30)             | 7,151            |
| Loss on disposal of investment funds  | (8,475)          | (3,763)          |
| Gain on termination of insurance plan, net  | 9                | –                |
| Write off of other payables   | (158)            | (23)             |
|   | (250)            | –                |
| Operating cash flows before movements in working capital  | 738              | 14,740           |
| Decrease in inventories   | 10,401           | 5,852            |
| Decrease in trade and other receivables   | 14,209           | 27,560           |
| Decrease in trade and other payables  | (12,785)         | (35,894)         |
| Cash generated from operations  | 12,563           | 12,258           |
| Income tax paid   |                  |                  |
| – the PRC Enterprise Income Tax (“EIT”)   | (99)             | (1,004)          |
| – Hong Kong Profits Tax   | (520)            | (895)            |
| <b>NET CASH FROM OPERATING ACTIVITIES</b>   | <b>11,944</b>    | <b>10,359</b>    |
| <b>INVESTING ACTIVITIES</b>   |                  |                  |
| Proceeds from disposal of property, plant and equipment   | 9,328            | 7,466            |
| Interest received   | 66               | 176              |
| Proceeds from disposal of investment fund   | 2,026            | –                |
| Proceeds from termination of insurance plan   | –                | 2,949            |
| Payment for purchase of property, plant and equipment   | (181)            | (4,946)          |
| Release of pledged bank deposits  | 2,017            | –                |
| <b>NET CASH FROM INVESTING ACTIVITIES</b>   | <b>13,256</b>    | <b>5,645</b>     |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

|   | Note | 2023<br>HK\$'000 | 2022<br>HK\$'000 |
|---|------|------------------|------------------|
| <b>FINANCING ACTIVITIES</b>   |      |                  |                  |
| Repayment of bank loans   |      | (111,274)        | (101,020)        |
| Repayment of other loans  |      | (4,640)          | (5,002)          |
| Repayment of lease liabilities  |      | (11,908)         | (13,803)         |
| Interest and other borrowing costs paid                                 |      | (8,632)          | (5,570)          |
| Interest on lease liabilities paid                                      |      | (1,186)          | (1,516)          |
| Proceeds from bank loans  |      | 109,590          | 87,494           |
| Proceeds from other loans   |      | -                | 9,791            |
| Advance from a shareholder  |      | 1,307            | 8,546            |
| Repayment to a shareholder  |      | (287)            | -                |
| Proceeds from issuance of new shares                                    |      | 4,275            | -                |
| <b>NET CASH USED IN FINANCING ACTIVITIES</b>                            |      | <b>(22,755)</b>  | <b>(21,080)</b>  |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>             |      |                  |                  |
|   |      | <b>2,445</b>     | <b>(5,076)</b>   |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>           |      |                  |                  |
|   |      | <b>(11,357)</b>  | <b>(6,274)</b>   |
| Effect of foreign exchange rate changes                                 |      | 3                | (7)              |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by</b> |      |                  |                  |
|   | 24   | <b>(8,909)</b>   | <b>(11,357)</b>  |
| Bank balance and cash   |      | 3,022            | 1,261            |
| Bank overdrafts   |      | (11,931)         | (12,618)         |
|   |      | <b>(8,909)</b>   | <b>(11,357)</b>  |



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 1. GENERAL INFORMATION

Prosperous Printing Company Limited (the “**Company**”) is a public limited company incorporated in Hong Kong and its shares are listed on the Growth Enterprise Market (“**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 13 December 2017. Its holding company is First Tech Inc, a company incorporated in the British Virgin Islands (“**BVI**”) and its ultimate controlling party is Mr. Lam Sam Ming, who is also the Chairman and executive director of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company and its subsidiaries (the “**Group**”) are principally engaged in the production and trading of books and paper products.

Other than the subsidiary established in the People’s Republic of China (the “**PRC**”), whose functional currency is Renminbi (“**RMB**”), the functional currency of the Company and its subsidiaries is Hong Kong Dollars (“**HK\$**”).

The consolidated financial statements are presented in HK\$, which is also the functional currency of the Company.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

### New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

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

Except as described below, the application of the new and amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current year and/or on the disclosures set out in these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

### New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

#### 2.1 Impacts on application of Amendments to HKAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

#### 2.2 Impacts on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

In accordance with the transition provision:

- (i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;
- (ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (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 deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The application of the amendments has had no material impact on the Group’s financial position and performance and it has no impact on the retained earnings at the earliest period presented.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

### New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

#### 2.3 Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund (“MPF”) – Long Service Payment (“LSP”) offsetting mechanism in Hong Kong

The Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory and voluntary MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee’s accrued retirement benefits derived from employers’ MPF contributions was allowed under the Employment Ordinance (Cap.57).

In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”) which abolishes the use of the accrued benefits derived from employers’ mandatory MPF contributions to offset severance payment and LSP (the “Abolition”). The Abolition will officially take effect on 1 May 2025 (the “Transition Date”). In addition, under the Amendment Ordinance, the last month’s salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong.

As at 31 December 2023, the Group continues to offset the accrued benefits derived from voluntary employer MPF contributions with pre- and post-transition LSP irrespective of when the original contributions were made. The impact of voluntary contributions on projection of the total accrued benefits derived from deemed employee contributions and the valuation of the reimbursement asset are not material and no adjustment made accordingly.

#### 2.4 Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

### New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

#### 2.4 Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies (Continued)

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in Note 3 to the consolidated financial statements.

### Amendments to HKFRSs in issue but not yet effective

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

|                                    |  |
|------------------------------------|--|
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>                               |
| Amendments to HKFRS 16             | Lease Liability in a Sale and Leaseback <sup>2</sup>   |
| Amendments to HKAS 1               | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>2</sup> |
| Amendments to HKAS 1               | Non-current Liabilities with Covenants <sup>2</sup>  |
| Amendments to HKAS 7 and HKFRS 7   | Supplier Finance Arrangements <sup>2</sup>   |
| Amendments to HKAS 21              | Lack of Exchangeability <sup>3</sup>   |

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2025.

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

### Amendments to HKFRSs in issue but not yet effective (Continued)

**Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")**

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.
- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

The application of the 2020 and 2022 Amendments will not affect the classification of the Group's liabilities as at 31 December 2023.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

### 3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange (“**Listing Rules**”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

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. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2023*

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.2 Going concern assessment

The consolidated financial statements have been prepared on the going concern basis which assumes the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The validity of which depends upon the successful implementation and outcome of the following measures to be undertaken by the Group. The directors of the Company are of the opinion that, taking into account the following measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from 31 December 2023.

Management continues to closely monitor the liquidity position of the Group, which includes the sensitivity analysis of forecast bank and cash balances for various factors to ensure adequate liquidity is maintained.

The Group sustained a loss of approximately HK\$22,962,000 for the year ended 31 December 2023, and as of that date, the Group had net current liabilities of approximately HK\$123,749,000 and bank loans and overdrafts amounting to approximately HK\$121,283,000 which are due for repayment within one year. The breach of loan covenants detailed in Note 26(v) may render the bank loans and overdraft of approximately HK\$100,844,000 becoming immediately due for repayment. The Group has cash at bank amounted to approximately HK\$3,022,000 as at 31 December 2023. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the directors of the Company has reviewed the Group's cash flow forecast which cover a period of not less than twelve months from 31 December 2023.

Cash flow forecasts, which assume the continuity of normal business activity, indicate that the Group will have sufficient liquidity to meet its operational, existing contractual debt obligation and capital expenditure requirements for at least twelve month period from the date of the end of the reporting period. Such cash flow forecasts include the following assumption:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.2 Going concern assessment (Continued)

The Group is actively seeking for a buyer to dispose certain properties including five carparks located in Hong Kong owned by the Group at HK\$130,000,000 and the Group expects the sales transactions will be successfully completed after twelve months from the end of the reporting period. The sales proceeds will be used for repayment of bank loans and overdraft which are subject to loan covenant and repayable on demand within twelve months as detailed in Note 26(v).

The directors of the Company also note the following considerations, relevant to the Group's ability to continue as a going concern:

- At 31 December 2023, the Group had available undrawn banking facilities of approximately HK\$4,407,000. The maturity of these facilities are October 2024.

In the event forecast cash flow is not achieved, the directors of the Company have also evaluated other plans that could be undertaken to improve their liquidity position as follow:

- 1) The Group has actively negotiated with banks and financial institutions to revise the loan covenant clause to reduce the risk of breaching loan covenant which adversely resulting in immediate loan repayment.
- 2) The Group has been actively negotiating with its bankers to renew or/and extend its existing banking facilities, of which available of unutilised banking facilities to the amount of HK\$4,407,000 as at 31 December 2023;
- 3) The Group is actively and regularly reviewing its capital structure and sourcing additional capital by raising new debt financing or, issuing new shares, where appropriate.
- 4) The Group is closely monitoring its operations and implementing cost control on operating costs and administrative expenses with an aim to attain positive and sustainable cash flow from operations;

Taking into account all assumptions and plans as described above, the directors of Company are of the opinion that the Group will have sufficient working capital to maintain its operations and to meet its financial obligations as and when they fall due for at least twelve months from the end of the reporting period. The directors of the Company are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.2 Going concern assessment (Continued)

Notwithstanding the above, uncertainty exists as to whether the revision of loan covenant clause or whether the bank facilities can be renewed and all other alternative operating and financing plans as the Group is still negotiating with its external financiers on the financing to the Group and the sales of certain properties depend on the market condition. Should the Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively, if applicable. The effects of these adjustments have not been reflected in the consolidated financial statements.

### 3.3 Material accounting policy information

#### 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 power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.3 Material accounting policy information (Continued)

#### Revenue from contracts with customers

The Group recognises 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 the customer.

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.

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 Group performs; 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 good or service.

The Group recognised revenue from (i) production and trading of books and paper products; and (ii) provision of sub-contracting services in relation to books and paper products.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2023*

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.3 Material accounting policy information (Continued)

#### Revenue from contracts with customers (Continued)

##### Revenue from sale of goods

Revenue from sales of goods is generally recognised when control of products has been transferred to the customer. Control of the product is considered transferred to the customer, being at the point the products are delivered to the customer's specific location and the customer has accepted the products. Therefore, the directors of the Company consider that the control over such good is transferred at a point in time, instead of over time.

A receivable is recognised when the products are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Payment of the transaction price is usually due within 30 days – 180 days of the date when control of the products is transferred to the customer.

##### Provision of sub-contracting services

Revenue arising from provision of sub-contracting services is recognised when the customer accepts and takes control of the goods sub-contracted to the Group.

#### Leases

##### Definition of a lease

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

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.3 Material accounting policy information (Continued)

#### Leases (Continued)

The Group as a lessee

#### *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.

The Group applies practical expedient not to separate non-lease components from lease components, and accounts for the lease component and any associated non-lease components as a single lease component.

#### *Short-term leases*

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

#### *Right-of-use assets*

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.3 Material accounting policy information (Continued)

#### Leases (Continued)

The Group as a lessee (Continued)

#### *Right-of-use assets (Continued)*

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets in “property, plant and equipment”, the same line item within which the corresponding underlying assets would be presented if they were owned.

#### *Refundable rental deposits*

Refundable rental deposits paid are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

#### *Lease liabilities*

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.3 Material accounting policy information (Continued)

#### Leases (Continued)

The Group as a lessee (Continued)

#### *Lease liabilities (Continued)*

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes 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 related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

#### *Lease modifications*

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 leases 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 as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, 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.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.3 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 of monetary items, and on the 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 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 period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

#### Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred as the Group has no qualifying assets.

#### Employee benefits

##### Retirement benefit costs

Payments to state-managed retirement benefit schemes and the MPF are recognised as an expense when employees have rendered service entitling them to the contributions.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.3 Material accounting policy information (Continued)

#### Employee benefits (Continued)

##### Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

#### Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax because of income or expense that are taxable or deductible in other years and 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 investments 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 investments 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.3 Material accounting policy information (Continued)

#### Taxation (Continued)

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 *Income Taxes* 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.

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

Current and deferred tax are recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.3 Material accounting policy information (Continued)

#### Property, plant and equipment

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

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as “right-of-use assets” included in the property, plant and equipment, in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets 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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

#### Investment properties

Investment properties are properties held to earn rentals. Investment properties also include leased properties which are being recognised as right-of-use assets and subleased by the Group under operating leases. Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.3 Material accounting policy information (Continued)

#### **Impairment on property, plant and equipment (including right-of-use assets) and investment properties**

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment (including right-of-use assets) and investment properties to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment (including right-of-use assets) and investment properties is estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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 (or a cash-generating unit) 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 a 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. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2023*

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.3 Material accounting policy information (Continued)

#### **Impairment on property, plant and equipment (including right-of-use assets) and investment properties (Continued)**

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) 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 a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.3 Material accounting policy information (Continued)

#### Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. 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 market place.

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

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

#### Financial assets

##### *Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.3 Material accounting policy information (Continued)

#### Financial instruments (Continued)

#### Financial assets (Continued)

#### *Classification and subsequent measurement of financial assets (Continued)*

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or fair value through other comprehensive income ("FVTOCI") as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other income" line item.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.3 Material accounting policy information (Continued)

#### Financial instruments (Continued)

#### Financial assets (Continued)

#### *Classification and subsequent measurement of financial assets (Continued)*

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained losses.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the other income line item in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.3 Material accounting policy information (Continued)

#### Financial instruments (Continued)

#### Financial assets (Continued)

#### *Impairment of financial assets subject to impairment assessment under HKFRS 9*

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade and other receivables, pledged bank deposits and bank balances), which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done 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 conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m 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 increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.3 Material accounting policy information (Continued)

#### Financial instruments (Continued)

#### Financial assets (Continued)

#### *Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)*

#### (i) Significant increase in credit risk (Continued)

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

- 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, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk 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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.3 Material accounting policy information (Continued)

#### Financial instruments (Continued)

#### Financial assets (Continued)

#### *Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)*

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when 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, 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.

(iii) 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:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) 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; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.3 Material accounting policy information (Continued)

#### Financial instruments (Continued)

#### Financial assets (Continued)

#### *Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)*

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL 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 and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.3 Material accounting policy information (Continued)

#### Financial instruments (Continued)

#### Financial assets (Continued)

#### *Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)*

#### (v) Measurement and recognition of ECL (Continued)

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised 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 entity.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.3 Material accounting policy information (Continued)

#### Financial instruments (Continued)

##### Financial liabilities and equity

##### *Classification as debt or equity*

Debt and equity instruments 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 the Company are recognised at the proceeds received, net of direct issue costs.

##### *Financial liabilities*

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

##### *Financial liabilities at amortised cost*

The Group's financial liabilities including trade and other payables, bank loans and overdrafts amount due to a shareholder and loan from a shareholder are subsequently measured at amortised cost, using the effective interest method.

##### *Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2023*

## **4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in Note 3.3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying 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 on-going 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 judgments in applying accounting policies**

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

### **Going concern basis**

These consolidated financial statements have been prepared on a going concern basis, notwithstanding the existence of the material uncertainty as described in Note 3.2 to the consolidated financial statement. The validity of which depends upon the successful implementation and outcome of the measures to be undertaken by the Group. Details of the going concern assessment are explained in Note 3.2 to the consolidated financial statements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

### Key sources of estimation uncertainty

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

#### (i) Provision of ECL for trade receivables

The impairment loss on trade receivables are measured using ECL model on collective and individual basis which requires the Group to use judgement and estimates in making assumptions and selecting the inputs to the ECL model, based on the number of days that an individual receivable is outstanding as well as their current repayment ability, and taking into account information obtained from external valuer specific to respective customer as well as pertaining to the economic environment in which the debtors operate at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional loss allowance for impairment loss on trade receivables.

At 31 December 2023, the carrying amount of the trade receivable was approximately HK\$28,952,000 (2022: HK\$45,461,000). During the year ended 31 December 2023, an impairment loss on trade receivables of approximately HK\$4,376,000 (2022: HK\$39,552,000) has been recognised.

The information about the ECL and the Group's trade receivables are disclosed in Note 32(b) and 22, respectively.

#### (ii) Estimated impairment of property, plant and equipment and investment properties

Property, plant and equipment and investment properties are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 December 2023, the carrying amounts of property, plant and equipment (including rights-of-use assets) and investment properties subject to impairment assessment were HK\$132,652,000 (2022: HK\$202,620,000) and HK\$46,069,000, respectively. Based on the estimated recoverable amount, no impairment loss on property, plant and equipment (including right-of-use assets) and investment properties have been recognised during the years ended 31 December 2023 and 2022.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 5. REVENUE

### (i) Disaggregation of revenue from contracts with customers

Revenue represents revenue arising from the sales of goods and provision of services for the year. An analysis of the Group's revenue for the year is as follows:

|  | 2023<br>HK\$'000 | 2022<br>HK\$'000 |
|--|------------------|------------------|
| Revenue from contracts with customers within the scope of HKFRS 15:            |                  |                  |
| – Sale of books and paper products   | 146,167          | 194,598          |
| – Provision of subcontracting services in relation to books and paper products | 39               | 229              |
|  | <b>146,206</b>   | 194,827          |

Disaggregation of revenue from contracts with customers by timing of recognition:

|  | 2023<br>HK\$'000 | 2022<br>HK\$'000 |
|--|------------------|------------------|
| Timing of revenue recognition at point in time | 146,206          | 194,827          |

### (ii) Performance obligations for contracts with customers

The Group sells books and paper products and provides subcontracting service to customers. Revenue is recognised when control of goods has transferred, being when the goods have been shipped to customers' specific location. For provision of subcontracting service, the revenue is recognised when the customer accepts and takes control of the goods sub-contracted to the Group.

The Group's performance obligation satisfies within a period of less than one year. At 31 December 2023 and 2022, there are no unsatisfied performance obligations.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 6. OPERATING SEGMENT

Information reported to the board of directors of the Company, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The CODM has determined that it only has one operating segment which is books and paper products production segment.

### Information about geographical information

#### Revenue from external customers

The Group’s customers are mainly located in Hong Kong, the PRC, United States and United Kingdom.

Information about the Group’s revenue from external customers is presented based on the geographical location of shipment.

|                | 2023<br>HK\$'000 | 2022<br>HK\$'000 |
|----------------|------------------|------------------|
| Hong Kong      | 84,367           | 101,862          |
| The PRC        | 39               | 229              |
| United States  | 60,900           | 91,059           |
| United Kingdom | 335              | 762              |
| Others (Note)  | 565              | 915              |
|                | <b>146,206</b>   | 194,827          |

Note: Revenue from individual countries included in other countries is not significant.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 6. OPERATING SEGMENT (CONTINUED)

### Information about geographical information (Continued)

#### Non-current assets

Information about the Group's non-current assets, other than financial assets at FVTOCI, financial assets at FVTPL and deferred tax assets, is presented based on the geographical location of the assets.

|                               | 2023<br>HK\$'000 | 2022<br>HK\$'000 |
|-------------------------------|------------------|------------------|
| Hong Kong (place of domicile) | 124,818          | 133,310          |
| The PRC                       | 54,084           | 69,607           |
|                               | <b>178,902</b>   | 202,917          |

### Information about major customers

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

|            | 2023<br>HK\$'000 | 2022<br>HK\$'000 |
|------------|------------------|------------------|
| Customer A | 49,379           | 48,881           |
| Customer B | 15,415           | 24,536           |
| Customer C | N/A*             | 20,473           |

\* The revenue did not contribute over 10% of the total revenue of the Group in prior year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 7. OTHER INCOME

The Group's other income is presented as follows:

|                                       | 2023<br>HK\$'000 | 2022<br>HK\$'000 |
|---------------------------------------|------------------|------------------|
| Bank interest income                  | 66               | 177              |
| Government grants                     |                  |                  |
| – PRC government subsidies (Note i)   | 3,465            | 940              |
| – Employment Support Scheme (Note ii) | –                | 1,167            |
| Rental income (Note iii)              | 65               | 408              |
| Sundry income                         | 3,114            | 3,265            |
|                                       | <b>6,710</b>     | <b>5,957</b>     |

Notes:

- i. The amount represents government grants received from i) Industry and Information Technology Bureau of Shenzhen Municipality for supporting the placement of high-quality enterprises amounted to HK\$2.1 million; and ii) other local PRC government authorities for contribution to local economies, of which entitlements were unconditional, at the discretion of the relevant authorities and recognised immediately as other income in the year of receipt.
- ii. The amount represents government grants received from the Hong Kong Special Administrative Region as employment protection incentives subsidy to the Group during the year ended 31 December 2022, which were immediately recognised as other income for the year as the Group fulfilled all the relevant granting criteria.
- iii. The Group leases out a property (2022: a number of machineries) under operating leases. The leases run for a period of less than one year (2022: one). None of the leases includes variable lease payments.

## 8. OTHER GAINS, NET

The Group's other gains, net is presented as follows:

|   | 2023<br>HK\$'000 | 2022<br>HK\$'000 |
|---|------------------|------------------|
| Change in fair value of financial assets at FVPTL:      |                  |                  |
| – investment funds                                      | –                | (330)            |
| – investments in key management insurance policies      | –                | 283              |
| Gain on early termination of lease                      | 278              | –                |
| Gain on disposal of property, plant and equipment       | 8,475            | 3,763            |
| Loss on disposal of investment funds                    | (9)              | –                |
| Gain on termination of insurance plan, net (Note 19(b)) | 158              | 23               |
| Written off of other payables                           | 250              | –                |
| Net foreign exchange gain                               | 4,680            | 9,702            |
|   | <b>13,832</b>    | <b>13,441</b>    |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 9. FINANCE COSTS

|                             | 2023<br>HK\$'000 | 2022<br>HK\$'000 |
|-----------------------------|------------------|------------------|
| Interest expenses on:       |                  |                  |
| – Bank loans and overdrafts | 8,303            | 5,384            |
| – Other loans               | 130              | 186              |
| – Lease liabilities         | 1,186            | 1,516            |
| – Loan from a shareholder   | 199              | –                |
|                             | <b>9,818</b>     | 7,086            |

## 10. LOSS BEFORE TAX

Loss before tax has been arrived at after charging (crediting):

|   | 2023<br>HK\$'000 | 2022<br>HK\$'000 |
|---|------------------|------------------|
| <b>Staff costs, including directors' emoluments:</b>                              |                  |                  |
| – Salaries, wages and other benefits  | 53,899           | 58,106           |
| – Contributions to retirement benefit schemes                                     | 5,765            | 6,087            |
|   | <b>59,664</b>    | 64,193           |
| <b>Other items:</b>   |                  |                  |
| Amortisation of intangible assets, included in administrative expenses            | 110              | 116              |
| Depreciation, included in:  |                  |                  |
| Cost of sales   |                  |                  |
| – Owned property, plant and equipment   | 3,597            | 5,065            |
| – Right-of-use assets   | 10,943           | 14,059           |
| – Investment properties   | 1,665            | –                |
| Administrative expenses   |                  |                  |
| – Owned property, plant and equipment   | 876              | 1,513            |
| – Right-of-use assets   | 1,172            | 2,409            |
| – Investment properties   | 470              | –                |
|   | <b>18,723</b>    | 23,046           |
| Auditors' remuneration  | 850              | 984              |
| Amount of inventories recognised as expenses                                      | 47,478           | 57,071           |
| Provision of (reversal of) impairment losses under expected credit loss model on: |                  |                  |
| – trade receivables   | 4,376            | 39,552           |
| – other receivables   | (30)             | 7,151            |



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 11. INCOME TAX EXPENSE

|                                | 2023<br>HK\$'000 | 2022<br>HK\$'000 |
|--------------------------------|------------------|------------------|
| <b>Current tax</b>             |                  |                  |
| Hong Kong Profits Tax          |                  |                  |
| – Current year                 | 178              | 261              |
| PRC Enterprise Income Tax      |                  |                  |
| – Current year                 | 115              | –                |
| – Over provision in prior year | (149)            | (1,465)          |
|                                | 144              | (1,204)          |
| Deferred tax (Note 29)         |                  |                  |
| – Current year                 | (21)             | 2,527            |
|                                | 123              | 1,323            |

- i) Under the two-tiered profits tax rates regime of Hong Kong Profit Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Provision for Hong Kong Profits Tax has been made for the years ended 31 December 2023 and 2022 under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%.

- ii) Under the Law of the PRC on Enterprise income tax (the “EIT Law”) and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiary is 25% for both years.
- iii) The Group’s subsidiaries in the BVI are not subject to taxation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 11. INCOME TAX EXPENSE (CONTINUED)

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

|   | 2023<br>HK\$'000 | 2022<br>HK\$'000 |
|---|------------------|------------------|
| Loss before tax   | <b>(22,839)</b>  | (58,332)         |
| Tax at the domestic income tax rate of 16.5% (2022: 16.5%)                  | <b>(3,768)</b>   | (9,624)          |
| Tax effect of expenses not deductible for tax purpose                       | <b>1,241</b>     | 1,514            |
| Tax effect of income not taxable for tax purpose                            | <b>(1,733)</b>   | (2,062)          |
| Tax effect of estimated tax losses not recognised                           | <b>4,296</b>     | 4,236            |
| Utilisation of tax losses previously not recognised                         | <b>(736)</b>     | (714)            |
| Tax effect of temporary difference not recognised                           | <b>717</b>       | 7,706            |
| Deferred tax asset impairment   | <b>216</b>       | 1,692            |
| Over provision in prior year  | <b>(149)</b>     | (1,465)          |
| Effect of different tax rates of subsidiary operating in other jurisdiction | <b>39</b>        | 40               |
| Income tax expense for the year   | <b>123</b>       | 1,323            |

Details of the deferred taxation are set out in Note 29.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2023*

## 12. RETIREMENT BENEFIT SCHEMES

### **Hong Kong**

The Group operates the MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for its Hong Kong employees. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, each of the subsidiaries (the “**Employer**”) in Hong Kong and its employees makes monthly mandatory contributions to the scheme at 5% of the employee’s earnings as defined under the Mandatory Provident Fund Legislation. The mandatory contributions from each of the Employer and employees are subject to a cap of HK\$1,500 per month.

In addition, employees with 4 to 10 years of service of the Group are entitled to receive the employer’s additional voluntary contributions equal to 5% to 10% of the employees’ monthly basic salaries when the employees make additional voluntary contributions to the MPF Scheme at the same time. The maximum voluntary contributions of the Group for those employees with services of the Group more than 10 years are 10% of the employees’ basic salaries.

During the year ended 31 December 2023, a total contribution of HK\$660,000 (2022: HK\$759,000) was made by the Group in respect of this scheme.

### **The PRC, other than Hong Kong**

As stipulated by rules and regulations in the PRC, the PRC subsidiary is required to contribute to a state managed retirement plan for all its employees at a certain percentage of the basic salaries of its employees. The state-managed retirement plan is responsible for the entire pension obligations payable to all retired employees. Under the state-managed retirement plan, the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions. During the year ended 31 December 2023, a total contribution of approximately HK\$5,105,000 (2022: HK\$5,328,000) was made by the Group in respect of this scheme.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 13. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEE'S EMOLUMENTS

### (a) Directors' and chief executive remuneration

Directors' and chief executives' remuneration for the year disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies is follows:

For the year ended 31 December 2023

|  | Directors' fees<br>HK\$'000 | Salaries and bonus<br>HK\$'000 | Contributions retirement benefit scheme<br>HK\$'000 | Total<br>HK\$'000 |
|--|-----------------------------|--------------------------------|---|-------------------|
| <b>Executive directors</b>                                 |                             |                                |   |                   |
| Lam Sam Ming ("Mr. Lam")<br>(Chairman and chief executive) | 2,160                       | –                              | 18  | 2,178             |
| Yao Yuan ("Ms. Yao")                                       | 346                         | –                              | 17  | 363               |
| Chan Sau Po  | 882                         | –                              | 18  | 900               |
| <b>Independent non-executive directors</b>                 |                             |                                |   |                   |
| Cheung Yin   | 120                         | –                              | –   | 120               |
| Wong Hei Chiu  | 120                         | –                              | –   | 120               |
| Leung Vincent Gar-Gene                                     | 120                         | –                              | –   | 120               |
|  | 3,748                       | –                              | 53  | 3,801             |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 13. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEE'S EMOLUMENTS (CONTINUED)

### (a) Directors' and chief executive remuneration (Continued)

For the year ended 31 December 2022

|   | Directors'<br>fees<br>HK\$'000 | Salaries<br>and bonus<br>HK\$'000 | Contributions<br>retirement<br>benefit scheme<br>HK\$'000 | Total<br>HK\$'000 |
|---|--------------------------------|-----------------------------------|---|-------------------|
| <b>Executive directors</b>                      |                                |                                   |   |                   |
| Mr. Lam ( <i>Chairman and chief executive</i> ) | 2,160                          | 360                               | 18  | 2,538             |
| Ms. Yao   | 324                            | 56                                | 16  | 396               |
| Chan Sau Po                                     | 860                            | 169                               | 18  | 1,047             |
| <b>Independent non-executive directors</b>      |                                |                                   |   |                   |
| Cheung Yin                                      | 120                            | –                                 | –   | 120               |
| Wong Hei Chiu                                   | 120                            | –                                 | –   | 120               |
| Leung Vincent Gar-Gene                          | 120                            | –                                 | –   | 120               |
|   | 3,704                          | 585                               | 52  | 4,341             |

Notes:

- (i) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.
- (ii) Mr. Lam is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.
- (iii) Neither the chief executive nor any of the directors waived or agreed to waive any emoluments paid by the Group during the years ended 31 December 2023 and 2022.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 13. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEE'S EMOLUMENTS (CONTINUED)

### (b) Employee's emoluments

Of the five individuals with the highest emoluments, two (2022: two) were directors and the chief executive of the Company whose emoluments are set out above. The emoluments of remaining three (2022: three) individuals were as follows:

|                                 | 2023<br>HK\$'000 | 2022<br>HK\$'000 |
|---------------------------------|------------------|------------------|
| Salaries and other emoluments   | 1,830            | 1,900            |
| Discretionary bonuses           | –                | 323              |
| Retirement scheme contributions | 54               | 54               |
|                                 | <b>1,884</b>     | 2,277            |

Their emoluments were within the following band:

|                      | Number of individuals |      |
|----------------------|-----------------------|------|
|                      | 2023                  | 2022 |
| Nil to HK\$1,000,000 | 3                     | 3    |
|                      | <b>3</b>              | 3    |

- (c) No emolument has been paid by the Group to the directors and the chief executive of the Company or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office during the years ended 31 December 2023 and 2022.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 14. DIVIDENDS

No dividend was paid, declared or proposed for ordinary shareholders during the year ended 31 December 2023, nor has any dividend been proposed since the end of the reporting period (2022: Nil).

## 15. LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company is based on the following data:

|  | 2023<br>HK\$'000 | 2022<br>HK\$'000           |
|--|------------------|----------------------------|
| Loss for the year attributable to owners of the Company<br>for the purpose of basic loss per share                                   | (22,962)         | (59,655)                   |
|  | 2023<br>'000     | 2022<br>'000<br>(restated) |
| <i>Number of shares:</i><br>Weighted average number of ordinary shares<br>for the purpose of calculating basic loss per share (note) | 82,659           | 80,000                     |

Note: The weighted average number of ordinary shares in issue and basic and diluted loss per share were stated after taking into account the effect of the share consolidation on 25 August 2023 as set out in Note 30, whereby every 10 ordinary shares of the company were consolidated into 1 consolidated share.

There were no dilutive potential ordinary shares during the years ended 31 December 2023 and 2022, and therefore, diluted loss per share is the same as basic loss per share.

Comparative figures have been retrospectively adjusted on the assumption that the above share consolidation had been effective in prior year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 16. PROPERTY, PLANT AND EQUIPMENT

|  | Ownership interests in leasehold land and buildings held for own use<br>HK\$'000<br>Note c (i) | Other properties leased for own use<br>HK\$'000<br>Note c (ii) | Plant and machinery<br>HK\$'000<br>Note c (iii) | Leasehold improvements, fixtures and furniture<br>HK\$'000 | Motor vehicles<br>HK\$'000<br>Note c (iv) | Total<br>HK\$'000 |
|--|--|--|---|--|---|-------------------|
| <b>COST</b>                                    |  |  |   |  |   |                   |
| At 1 January 2022                              | 117,000  | 23,396   | 249,085   | 20,234   | 6,375                                     | 416,090           |
| Additions                                      | –  | 30,290   | 2,533   | 2,666  | –   | 35,489            |
| Disposals                                      | –  | (20,945)   | (18,018)  | (1,544)  | (497)                                     | (41,004)          |
| Exchange realignment                           | –  | (1,968)  | (9,202)   | (414)  | (43)                                      | (11,627)          |
| <b>At 31 December 2022 and 1 January 2023</b>  | <b>117,000</b>   | <b>30,773</b>  | <b>224,398</b>                                  | <b>20,942</b>  | <b>5,835</b>                              | <b>398,948</b>    |
| Additions                                      | –  | 633  | 141   | 40   | –   | 814               |
| Disposals                                      | –  | –  | (22,690)  | (3)  | (94)                                      | (22,787)          |
| Lease termination                              | –  | (8,619)  | –   | –  | –   | (8,619)           |
| Transfer (Note 17)                             | (61,900)   | –  | –   | –  | –   | (61,900)          |
| Exchange realignment                           | –  | (551)  | (1,961)   | (98)   | (10)                                      | (2,620)           |
| <b>At 31 December 2023</b>                     | <b>55,100</b>  | <b>22,236</b>  | <b>199,888</b>                                  | <b>20,881</b>  | <b>5,731</b>                              | <b>303,836</b>    |
| <b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b> |  |  |   |  |   |                   |
| At 1 January 2022                              | 21,853   | 20,194   | 161,668   | 11,704   | 3,924                                     | 219,343           |
| Provided for the year                          | 4,035  | 10,613   | 4,130   | 3,791  | 477                                       | 23,046            |
| Eliminated on disposals                        | –  | (20,945)   | (15,169)  | (712)  | (474)                                     | (37,300)          |
| Exchange realignment                           | –  | (1,250)  | (7,337)   | (151)  | (23)                                      | (8,761)           |
| <b>At 31 December 2022 and 1 January 2023</b>  | <b>25,888</b>  | <b>8,612</b>   | <b>143,292</b>                                  | <b>14,632</b>  | <b>3,904</b>                              | <b>196,328</b>    |
| Provided for the year                          | 1,900  | 9,128  | 2,099   | 3,085  | 376                                       | 16,588            |
| Eliminated on disposals                        | –  | –  | (21,848)  | (1)  | (85)                                      | (21,934)          |
| Elimination on lease termination               | –  | (4,302)  | –   | –  | –   | (4,302)           |
| Transfer (Note 17)                             | (13,696)   | –  | –   | –  | –   | (13,696)          |
| Exchange realignment                           | –  | (144)  | (1,589)   | (61)   | (6)                                       | (1,800)           |
| <b>At 31 December 2023</b>                     | <b>14,092</b>  | <b>13,294</b>  | <b>121,954</b>                                  | <b>17,655</b>  | <b>4,189</b>                              | <b>171,184</b>    |
| <b>NET CARRYING AMOUNTS</b>                    |  |  |   |  |   |                   |
| <b>At 31 December 2023</b>                     | <b>41,008</b>  | <b>8,942</b>   | <b>77,934</b>                                   | <b>3,226</b>   | <b>1,542</b>                              | <b>132,652</b>    |
| At 31 December 2022                            | 91,112   | 22,161   | 81,106  | 6,310  | 1,931                                     | 202,620           |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- a) Ownership interests leasehold land and buildings are depreciated over the shorter of the term of useful lives of the buildings or unexpired term of the lease using the straight-line method.

Other than ownership interests in leasehold land and buildings, properties, plant and equipment are depreciated using the reducing balance method at the following rates per annum:

|  |  |
|--|--|
| Plant and machinery                            | 10%  |
| Leasehold improvements, fixtures and furniture | 20% or terms of lease whichever is shorter |
| Motor vehicles                                 | 20%  |

- b) At 31 December 2023, the Group's certain land and buildings with the carrying amounts of HK\$41,008,000 (2022: HK\$91,112,000), respectively were pledged for the Group's banking facilities as referred to in Note 26 to the consolidated financial statements.

At at 31 December 2022, plant and machinery with carrying amount of HK\$6,571,000 was pledged for one of the other loans.

### c) Right-of-use assets

The analysis of the carrying amounts of right-of-use assets by class of underlying asset is as follows:

|  | Notes | 2023<br>HK\$'000 | 2022<br>HK\$'000 |
|--|-------|------------------|------------------|
| <b>At carrying amount</b>  |       |                  |                  |
| Ownership interests in leasehold land and buildings held for own use in Hong Kong, with remaining lease term of 50 years or more | (i)   | 41,008           | 91,112           |
| Other properties leased for own use  | (ii)  | 8,942            | 22,161           |
| Plant and machinery  | (iii) | 8,574            | 12,443           |
| Motor vehicles   | (iv)  | 537              | 1,381            |
|  |       | <b>59,061</b>    | 127,097          |



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### c) Right-of-use assets (Continued)

The analysis of the expense items in relation to leases recognised in profit or loss are as follows:

|  | 2023<br>HK\$'000 | 2022<br>HK\$'000 |
|--|------------------|------------------|
| Depreciation charge of right-of-use assets<br>by class of underlying assets: |                  |                  |
| – Ownership interests in leasehold land and buildings                        | 1,900            | 4,035            |
| – Other properties leased for own use  | 8,884            | 10,613           |
| – Plant and machinery  | 1,197            | 1,475            |
| – Motor vehicles   | 134              | 345              |
|  | <b>12,115</b>    | 16,468           |
|  |                  |                  |
|  | 2023<br>HK\$'000 | 2022<br>HK\$'000 |
| Expense relating to short-term leases  | 552              | 127              |
| Total cash outflow for leases  | 13,094           | 15,913           |
| Addition to right-of-use assets  | 633              | 30,290           |

#### (i) Ownership interests in leasehold land and buildings held for own use

The Group holds several industrial buildings for its book and paper products business, where its production facilities are primary located. The Group is the registered owner of these property interests, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire these property interests from their previous registered owners, which the directors of the Company consider the ownership interests in leasehold land and buildings cannot be separated.

During the year ended 31 December 2023, the Group leased certain office, warehouses and carparks to third party. As a result, the portion of the ownership interests in leasehold land and buildings with carrying amount of HK\$48,204,000 were transferred to investment properties using cost model. Details are set out in Note 17.

#### (ii) Other properties leased for own use

The Group has obtained the right to use other properties as its office premises, production plant and warehouses through tenancy agreements. The leases typically run for an initial period of 1 to 3 years under fixed terms payment.

#### (iii) Other leases

The Group leases production plant, machinery and motor vehicles under leases expiring from 1 to 3 years. All leases include an option to purchase the leased equipment at the end of the lease term at a price deemed to be a bargain purchase option. None of the leases includes variable lease payments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### d) Impairment assessment

During the year ended 31 December 2023 and 2022, as there was a loss incurred, the management of the Group concluded there was indication for impairment and conducted impairment assessment on property, plant and equipment (including right-of-use assets) which related to the book and paper business based on the value in use calculation with the assistance of the independent professional qualified valuer. The Group estimates the recoverable amounts of the property, plant and equipment based on higher of fair value less costs of disposal and value in use. The carrying amount of the relevant assets does not exceed the recoverable amount based on value in use and no impairment loss on property, plant and equipment has been recognised during the years ended 31 December 2023 and 2022.

## 17. INVESTMENT PROPERTIES

The Group's office, warehouses and carpark were previously occupied for the Group's own use. During the year ended 31 December 2023, the Group leases out various offices, warehouses and carpark under operating leases with rentals payable monthly, and the properties were transferred from property, plant and equipment to investment properties. The leases typically run for an initial period of less than one year with unilateral rights to extend the lease beyond initial period held by lessees only. Majority of the lease contracts contain market review clauses in the event the lessee exercises the option to extend.

|   | HK\$'000      |
|---|---------------|
| <b>COST</b>   |               |
| At 1 January 2023                                     | –             |
| Transfer from property, plant and equipment (Note 16) | 48,204        |
| <b>At 31 December 2023</b>                            | <b>48,204</b> |
| <b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>        |               |
| At 1 January 2023                                     | –             |
| Provided for the year                                 | 2,135         |
| <b>As 31 December 2023</b>                            | <b>46,069</b> |
| <b>NET CARRYING AMOUNTS</b>                           |               |
| At 31 December 2023                                   | 46,069        |
| At 31 December 2022                                   | –             |

- a) The investment property using cost model are depreciated over the shorter of the term of useful lives of the buildings or unexpired term of the lease using the straight-line method.
- b) As 31 December 2023, the Group's investment properties were pledged for the Group's banking facilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 18. INTANGIBLE ASSETS

|  | Computer software<br>HK\$'000 |
|--|-------------------------------|
| <b>COST</b>                                      |                               |
| At 1 January 2022                                | 1,221                         |
| Exchange realignment                             | (97)                          |
| <b>At 31 December 2022 and at 1 January 2023</b> | <b>1,124</b>                  |
| Exchange realignment                             | (22)                          |
| <b>At 31 December 2023</b>                       | <b>1,102</b>                  |
| <b>ACCUMULATED AMORTISATION</b>                  |                               |
| At 1 January 2022                                | 777                           |
| Provided for the year                            | 116                           |
| Exchange realignment                             | (66)                          |
| <b>At 31 December 2022 and at 1 January 2023</b> | <b>827</b>                    |
| Provided for the year                            | <b>110</b>                    |
| Exchange realignment                             | <b>(16)</b>                   |
| <b>At 31 December 2023</b>                       | <b>921</b>                    |
| <b>CARRYING AMOUNT</b>                           |                               |
| <b>At 31 December 2023</b>                       | <b>181</b>                    |
| At 31 December 2022                              | 297                           |

Computer software is amortised on a straight-line basis over 10 years.

## 19. FINANCIAL ASSETS AT FVTPL

|   | Notes | 2023<br>HK\$'000 | 2022<br>HK\$'000 |
|---|-------|------------------|------------------|
| Financial assets at FVTPL consisted of:           |       |                  |                  |
| – Investment funds in Hong Kong                   | (a)   | –                | 2,103            |
| – Investment in key management insurance policies | (b)   | –                | 12,719           |
|   |       | –                | 14,822           |



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 19. FINANCIAL ASSETS AT FVTPL (CONTINUED)

### (a) Investment funds in Hong Kong

|  | 2023<br>HK\$'000 | 2022<br>HK\$'000 |
|--|------------------|------------------|
| Investment funds in Hong Kong, at fair value |                  |                  |
| – Unlisted but quoted funds                  | –                | 2,103            |

The fair value of investment funds is based on the net assets value of the funds at the end of the reporting period.

The financial assets at FVTPL of approximately HK\$2,103,000 were denominated in RMB and pledged as collateral for the Group's banking facilities (see Note 26) as at 31 December 2022.

During the year ended 31 December 2023, as mutually agreed by the bank and the Group, the Group disposed investment fund with consideration amounted to HK\$2,026,000, the resulting loss on disposal is HK\$9,000.

As at 31 December 2023, the investment funds were released as mutually agreed by the bank and the Company.

### (b) Investment in key management insurance policies

The Group invested in savings-type insurance policies as detailed below:

| Policies:                      | 2016 Policy  | 2021 Policy   |                           |
|--------------------------------|--|---|---------------------------|
| Beneficiary and policy holder: | The Company  | The Company   |                           |
| Insurance policy type:         | Life insurance plan  | Life insurance plan   |                           |
| Insured person:                | Mr. Lam<br>Chairman and<br>chief executive   | Mr. Lam<br>Chairman and<br>chief executive  |                           |
| Insured sum:                   | US\$1,250,000  | US\$1,765,000   |                           |
| Premium period:                | 18 years   | 18 years  |                           |
| Premium paid:                  | US\$655,862  | US\$1,222,397   |                           |
| Interest received:             | 4% per annum<br>guaranteed for<br>first year thereafter<br>variable return<br>(with guaranteed<br>minimum of 2%) | 4.25% per annum<br>guaranteed for<br>first year thereafter<br>variable return<br>(with guaranteed<br>minimum of 2%) |                           |
| <b>AT FAIR VALUE</b>           | <b>HK\$'000</b>  | <b>HK\$'000</b>   | <b>Total<br/>HK\$'000</b> |
| <b>At 31 December 2023</b>     | <b>–</b>   | <b>–</b>  | <b>–</b>                  |
| At 31 December 2022            | 4,776  | 7,943   | 12,719                    |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 19. FINANCIAL ASSETS AT FVTPL (CONTINUED)

### (b) Investment in key management insurance policies (Continued)

During the year ended 31 December 2023, the Group terminated the two investments in key management insurance policies, which are 2016-Policy and 2021-Policy, respectively, for settling certain outstanding bank loans. The surrender value for 2016-Policy and 2021-Policy at disposal date were approximately HK\$4,852,000 and HK\$8,119,000, respectively. There are resulting gain on disposal for 2016-Policy and 2021-Policy of HK\$31,000 and HK\$127,000, respectively.

During the year ended 31 December 2022, the Group terminated two of the investment in key management insurance policies, which are 2017 – Policy I and 2017 – Policy II, respectively. The surrender value for 2017 – Policy I and 2017 – Policy II at disposal date were approximately HK\$987,000 and HK\$1,962,000, respectively. There are resulting gain on disposal of HK\$27,000 for 2017 – Policy I and loss on disposal of HK\$4,000 for 2017 – Policy II.

The directors of the Company consider that the surrender value of this insurance policy provided by the insurance company approximates its fair value.

The Group can terminate the insurance policy at any time and can receive cash based on the surrender value of the insurance policy at the date of withdrawal which is determined by the gross premium paid at inception plus accumulated interest earned and minus insurance policy expense.

The balances of the deposit of key management insurance policies are denominated in United States dollars (“US\$”), being a currency other than the functional currency of the relevant group entity.

As at 31 December 2022, the insurance policies amounted to HK\$12,719,000 was pledged to a bank to secure banking facilities (see Note 26) granted to the Group. As at 31 December 2023, the insurance policies were released as mutually agreed by the bank and the Company.

Further disclosure on the fair value hierarchy and basis of fair value measurement of the investments in insurance policy are detailed in Note 32(d).

## 20. FINANCIAL ASSETS AT FVTOCI

|                            | 2023<br>HK\$'000 | 2022<br>HK\$'000 |
|----------------------------|------------------|------------------|
| Financial assets at FVTOCI | 1,201            | –                |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 20. FINANCIAL ASSETS AT FVTOCI (CONTINUED)

On 20 July 2023, the Group entered into a sales and purchase agreement with a third party. Pursuant to the sales and purchase agreement, the Group agreed to purchase 13% of the entire registered share capital of Guangzhou Hai Jian Digits Technology Company Limited ("Guangzhou Hai Jian"), a company incorporated in the PRC with limited liability, with an agreed consideration of RMB1,050,000 settled by way of the issuance of an aggregate of 31,120,000 new shares of the Company at HK\$0.0386 per share, at a consideration of HK\$1,201,000.

Guangzhou Hai Jian is principally engaged in the business of internet data services, advertisement design, agency; advertisement publishment and advertising production as well as provision of advertising services for food and beverage products.

The principal investment of the Guangzhou Hai Jian is Liuzhou City Liuzhou River Snails Rice Noodle Industry Service Co., Limited, a company incorporated in the PRC with limited liability and is principally engaged in the operation of Liuzhou river snail rice noodles brand online platform in the city of Liuzhou.

The Group designated the equity securities at FVTOCI (non-recycling), as the investment is held for long-term strategic purposes.

For details of the fair value measurement are set out in Note 32(d).

During the year ended 31 December 2023, no dividends were declared by the equity securities and received by the Group.

## 21. INVENTORIES

|                  | 2023<br>HK\$'000 | 2022<br>HK\$'000 |
|------------------|------------------|------------------|
| Raw materials    | 9,842            | 15,103           |
| Work-in-progress | 4,800            | 8,010            |
| Finished goods   | 2,210            | 3,649            |
|                  | <b>16,852</b>    | 26,762           |



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 22. TRADE AND OTHER RECEIVABLES

|                                   | 2023<br>HK\$'000 | 2022<br>HK\$'000 |
|-----------------------------------|------------------|------------------|
| Trade receivables                 | 142,054          | 154,187          |
| Less: Allowance for credit losses | (113,102)        | (108,726)        |
|                                   | <b>28,952</b>    | 45,461           |
| Other receivables                 | 1,866            | 3,168            |
| Prepayments                       | 34               | 200              |
| Utility and other deposits        | 942              | 724              |
| Other tax recoverable             | 2,006            | 2,948            |
|                                   | <b>33,800</b>    | 52,501           |

The Group does not hold collateral over these balances.

As at 1 January, 2022, trade receivables from contracts with customers amounted to HK\$113,004,000.

- (i) The Group allows credit terms 30 – 180 days from the date of billing to its trade customers.

The following is an aged analysis of the trade receivables, net of allowance for credit losses, presented based on invoice dates, at the end of the reporting period:

|                | 2023<br>HK\$'000 | 2022<br>HK\$'000 |
|----------------|------------------|------------------|
| Within 1 month | 6,679            | 14,874           |
| 1 to 3 months  | 5,936            | 7,008            |
| 3 to 6 months  | 3,847            | 6,704            |
| 6 to 12 months | 1,076            | 4,109            |
| Over 1 year    | 11,414           | 12,766           |
|                | <b>28,952</b>    | 45,461           |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 22. TRADE AND OTHER RECEIVABLES (CONTINUED)

### (i) (Continued)

At 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$128,485,000 (2022: HK\$132,646,000) which are past due on the reporting date. Out of the past due balances HK\$125,556,000 (2022: HK\$101,751,000) has been past due 90 days or more and is not considered in default. The directors of the Company do not consider the amounts are in default based on the historical long-term business relationship with the customer and ongoing sales together with continuous partial settlement. Large number of small customers are assessed collectively based on historical credit loss experience adjusted by forward-looking estimates. Individual customers with significant balances are assessed individually for the credit risk based on their probability of default and exposure of default. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

Before accepting any new customer, the management of the Company estimates the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed twice a year.

Details of impairment assessment of trade and other receivables are set out in Note 32(b) to the consolidated financial statements.

### (ii) The Group's trade and other receivables that are denominated in currencies other than functional currencies of the respective group companies are set out below:

|                           | 2023<br>HK\$'000 | 2022<br>HK\$'000 |
|---------------------------|------------------|------------------|
| US\$                      | 35,183           | 37,692           |
| British Pound ("GBP")     | 1,223            | 1,447            |
| Australian Dollar ("AUD") | 873              | –                |
| Euro                      | 196              | 140              |
|                           | <b>37,475</b>    | 39,279           |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 23. PLEDGED BANK DEPOSITS

Pledged bank deposits were pledged to a bank to secure banking facilities granted to the Group. The pledged deposits carry fixed interest rate of 0.4% per annum as at 31 December 2022. The pledged bank deposits will be released upon the maturity of relevant bank facilities.

On 28 July 2023, the pledged bank deposits were released as mutually agreed by the bank and the Group.

Details of impairment assessment of pledged bank deposits are set out in Note 32(b).

## 24. CASH AND CASH EQUIVALENTS

|   | 2023<br>HK\$'000 | 2022<br>HK\$'000 |
|---|------------------|------------------|
| Cash and cash equivalents in the consolidated statement of financial position |                  |                  |
| – Cash at bank and on hand (Note (i))   | 3,022            | 1,261            |
| – Bank overdrafts (Note (ii))   | (11,931)         | (12,618)         |
| Cash and cash equivalents in the consolidated statement of cash flows         | (8,909)          | (11,357)         |

Notes:

- (i) Cash and bank balances for the purpose of meeting the Group's short-term cash carry interest at market rates commitments, which range from 0.875% to 1.10% (2022: 0.001% to 0.375%).
- (ii) Bank overdrafts carry interest a market rates at 6.31% (2022: 6.13%).

At 31 December 2023, bank balances of a PRC subsidiary amounting to HK\$1,390,000 (2022: HK\$65,000) are not freely convertible into other currencies and subject to the exchange restrictions imposed by the PRC government.

Details of impairment assessment of bank balances are set out in Note 32(b).

The Group's bank balances and cash that are denominated in currencies other than functional currencies of the respective group companies are set out below:

|      | 2023<br>HK\$'000 | 2022<br>HK\$'000 |
|------|------------------|------------------|
| US\$ | 422              | 188              |



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 25. TRADE AND OTHER PAYABLES

|                     | 2023<br>HK\$'000 | 2022<br>HK\$'000 |
|---------------------|------------------|------------------|
| Trade payables      | 20,553           | 27,214           |
| Accrued staff costs | 3,827            | 5,631            |
| Other accruals      | 773              | 1,313            |
| Other payables      | 19,447           | 16,952           |
| Other tax payable   | 125              | 417              |
|                     | <b>44,725</b>    | <b>51,527</b>    |

The following is an aged analysis of the trade payables presented based on invoice date at the end of reporting period is as follows:

|                | 2023<br>HK\$'000 | 2022<br>HK\$'000 |
|----------------|------------------|------------------|
| Within 1 month | 2,966            | 8,435            |
| 1 to 3 months  | 4,332            | 6,277            |
| 3 to 6 months  | 5,931            | 2,936            |
| 6 to 12 months | 5,828            | 6,375            |
| Over 1 year    | 1,496            | 3,191            |
|                | <b>20,553</b>    | <b>27,214</b>    |

The credit periods granted to the Group by suppliers range from 7 to 120 days.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 26. BORROWINGS

|                                | 2023<br>HK\$'000 | 2022<br>HK\$'000 |
|--------------------------------|------------------|------------------|
| Bank loans – secured           |                  |                  |
| – Variable rate borrowings     | 111,296          | 126,066          |
| – Bank overdrafts              | 11,931           | 12,618           |
| Other loans – unsecured (Note) | 123,227          | 138,684          |
|                                | –                | 4,700            |
|                                | 123,227          | 143,384          |

Note: Other loans represents the loans borrowed from a non-financial institution.

|  | Bank loans and overdrafts |                  | Other loans      |                  |
|--|---------------------------|------------------|------------------|------------------|
|  | 2023<br>HK\$'000          | 2022<br>HK\$'000 | 2023<br>HK\$'000 | 2022<br>HK\$'000 |
| <b>The carrying amount of the above borrowings are repayable*:</b>   |                           |                  |                  |                  |
| Within one year  | 9,101                     | 5,634            | –                | 4,165            |
| Within a period of more than one year but not exceeding two years  | 265                       | –                | –                | 535              |
| Within a period of more than two years but not exceeding five years  | 1,679                     | –                | –                | –                |
|  | 11,045                    | 5,634            | –                | 4,700            |
| <b>The carrying amounts of above borrowings that contain a repayment on demand clause (shown under current liabilities) and repayable:</b> |                           |                  |                  |                  |
| Within one year  | 102,284                   | 125,740          | –                | –                |
| Within a period of more than one year but not exceeding two years  | 1,929                     | 1,327            | –                | –                |
| Within a period of more than two years but not exceeding five years  | 6,102                     | 4,262            | –                | –                |
| Within a period of more than five years  | 1,867                     | 1,721            | –                | –                |
|  | 112,182                   | 133,050          | –                | –                |
| Carrying amounts of total borrowings   | 123,227                   | 138,684          | –                | 4,700            |
| Less: Amount due within one year shown under current liabilities   | (121,283)                 | (138,684)        | –                | (4,165)          |
| Amount shown under non-current liabilities   | 1,944                     | –                | –                | 535              |

\* The amount due are based on scheduled repayment dates set out in the loan agreements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 26. BORROWINGS (CONTINUED)

- (i) The effective interest rates of the Group's bank loans and overdrafts and other loan are as follows:

|                                  | 2023<br>HK\$'000         | 2022<br>HK\$'000         |
|----------------------------------|--------------------------|--------------------------|
| <b>Effective interest rates:</b> |                          |                          |
| Bank loans and overdrafts        | 3.63%-8.28%<br>per annum | 3.04%-6.13%<br>per annum |
| Other loans                      | N/A                      | 5.91%-6.25%<br>per annum |

- (ii) At 31 December 2023 and 2022, the banking facilities were secured by investment properties, property, plant and equipment, and corporate guarantees from the Company and certain subsidiaries (2022: pledged bank deposits, financial assets at FVTPL, property, plant and equipment and corporate guarantees from the Company and certain subsidiaries).

As at 31 December 2022, one of the other loans were secured by plant and equipment.

- (iii) The carrying amounts of assets pledged against bank loans and overdrafts and other loan as at the end of the reporting period were analysed as follows:

|                               | 2023<br>HK\$'000 | 2022<br>HK\$'000 |
|-------------------------------|------------------|------------------|
| Property, plant and equipment | 41,008           | 97,863           |
| Investment properties         | 46,069           | –                |
| Financial assets at FVTPL     | –                | 14,822           |
| Pledged bank deposits         | –                | 2,017            |
|                               | <b>87,077</b>    | 114,702          |



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 26. BORROWINGS (CONTINUED)

- (iv) At 31 December 2023, the Group had banking facilities amounted to HK\$127,634,000 (2022: HK\$150,808,000) of which HK\$123,227,000 (2022: HK\$138,684,000) has been utilised.
- (v) All of the Group's banking facilities are subject to the fulfilment of covenants based on the financial information of the Group and certain of its subsidiaries, as are commonly found in loan arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. In addition, certain of the Group's banking facilities letters contain clauses which give the banks the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

Pursuant to the facility agreement, it will be an event of default if Mr. Lam Sam Ming is (i) no longer the single largest beneficial shareholder of the Company, or (ii) no longer beneficially owns at least 51% of the issued share capital of the Company. In case of an event of default, the bank may by notice to the Company (a) cancel the loan facility, (b) declare that all or part of the loan, together with accrued interest, be immediately due and payable, and/or (c) declare that all or part of the loans be payable on demand.

At 31 December 2023, in respect of bank loans with carrying amount of HK\$100,844,000 (2022: HK\$123,848,000) secured by the investment properties, property, plant and equipment, and corporate guarantees from the Company and certain subsidiaries (2022: pledged bank deposits, financial assets at FVTPL, property, plant and equipment, and corporate guarantees from the Company and certain subsidiaries), the Group breached the corresponding bank covenants, which are primarily related to maintain the gearing ratio of the Group at the agreed level. Upon the breach of loan covenant, the bank has regularly reviewed and assessed the financial covenant clauses. Up to the date of issuance of these consolidated financial statements, there is no action taken by the bank to request for immediate repayment of the bank loans amounted to HK\$100,844,000 which breach the covenant. The directors of the Company consider the breach of the covenant would not trigger immediate demand for repayment from bank. Further details of the Group's management of liquidity risk are set out in Note 32(b).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 27. AMOUNT DUE TO A SHAREHOLDER/LOAN FROM A SHAREHOLDER

Balance represents the amount due to and loan from a shareholder, Mr Lam Sam Ming, of which the amounts due to a shareholder are non-trade in nature, unsecured and interest free. The amount due to a shareholder is repayable within one year.

The loan from a shareholder amounted to HK\$4,109,000 (2022: HK\$4,484,000) is interest-bearing at 3.44% (2022: 2.94%) per annum of which HK\$265,000 (2022: HK\$270,000) is classified as current liabilities.

The remaining loan from a shareholder amounted to HK\$5,000,000 (2022: HK\$4,000,000) is interest-free and is not required to be settled within one year.

## 28. LEASE LIABILITIES

|   | 2023<br>HK\$'000 | 2022<br>HK\$'000 |
|---|------------------|------------------|
| Lease liabilities payable:  |                  |                  |
| Within one year   | 9,898            | 13,171           |
| After 1 year but within 2 years   | 2,693            | 12,604           |
| After 2 years but within 5 years  | –                | 3,252            |
|   | <b>12,591</b>    | 29,027           |
| Less: Amount due from settlement within 12 months,<br>shown under current liabilities | <b>(9,898)</b>   | (13,171)         |
| Amount due for settlement after 12 months<br>shown under non-current liabilities      | <b>2,693</b>     | 15,856           |

At 31 December 2023, the incremental borrowing rate applied on the calculation of present value of lease liabilities was ranged from 3.23% to 7.26% per annum (2022: 3.23% to 7.26% per annum).

The Group uses the lessee's incremental borrowing rates to discount future lease payments since interest rates implicit in the leases are not readily determinable. In determining the discounts rates for its leases, the Group refers to a rate that is readily observable as the starting point and then applies judgement and adjusts such observable rate to determine the incremental borrowing rate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 29. DEFERRED TAX ASSETS/(LIABILITIES)

For the purpose of presentation in the consolidated financial statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

|                          | 2023<br>HK\$'000 | 2022<br>HK\$'000 |
|--------------------------|------------------|------------------|
| Deferred tax assets      | –                | 219              |
| Deferred tax liabilities | (8,612)          | (8,849)          |
|                          | (8,612)          | (8,630)          |

The movements in deferred tax (assets) and liabilities during the current and prior years are as follows:

|   | Unrealised<br>profit or loss<br>arising from<br>intra-group<br>transactions<br>HK\$'000 | Depreciation<br>allowance<br>in excess of<br>the related<br>depreciation<br>HK\$'000 | Impairment<br>losses on<br>receivables<br>HK\$'000 | Depreciation<br>charge of<br>right-of-use<br>assets<br>HK\$'000 | Tax loss<br>HK\$'000 | Total<br>HK\$'000 |
|---|---|--|--|---|----------------------|-------------------|
| At 1 January 2022                         | 11  | 8,625  | –  | (64)  | (2,500)              | 6,072             |
| (Credited)/charged to profit or loss      | (11)  | (1,298)  | (37)   | 1,373   | 2,500                | 2,527             |
| Exchange realignment                      | –   | –  | –  | 31  | –                    | 31                |
| At 31 December 2022 and at 1 January 2023 | –   | 7,327  | (37)   | 1,340   | –                    | 8,630             |
| Charged/(credited) to profit or loss      | –   | 443  | 37   | (501)   | –                    | (21)              |
| Exchange realignment                      | –   | –  | –  | 3   | –                    | 3                 |
| At 31 December 2023                       | –   | 7,770  | –  | 842   | –                    | 8,612             |



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 29. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

At 31 December 2023, the Group has estimated unused tax losses of approximately HK\$135,511,000 (2022: HK\$135,264,000) available for offset against future profits. No deferred tax assets have been recognised as at 31 December 2023 and 2022.

At the end of the reporting period, the Group has deductible temporary differences arising from impairment loss on receivables of approximately HK\$122,206,000 (2022: HK\$117,859,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately HK\$45,584,000 (2022: HK\$45,844,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

## 30. SHARE CAPITAL

|  | Number of shares |         | Share capital |         |
|--|------------------|---------|---------------|---------|
|  | 2023             | 2022    | 2023          | 2022    |
| <b>Issued and fully paid:</b>  |                  |         |               |         |
| <i>Ordinary shares</i>   |                  |         |               |         |
| At the beginning of the reporting period   | 800,000          | 800,000 | 100,843       | 100,843 |
| Issuance in consideration for the acquisition of the financial assets at FVTOCI (Note a) | 31,120           | –       | 1,201         | –       |
| Placing of new ordinary shares (Note b)  | 38,860           | –       | 4,275         | –       |
| Effect of share consolidation (Note c)   | (782,982)        | –       | –             | –       |
| At the end of the reporting period   | 86,998           | 800,000 | 106,319       | 100,843 |

Notes:

- On 20 July 2023, the Group entered into a sales and purchase agreement with a third party. Pursuant to the sales and purchase agreement, the Group agreed to purchase 13% of the entire registered share capital of Guangzhou Hai Jian, with an agreed consideration of RMB1,050,000 settled by way of the allotment and issue of an aggregate of 31,120,000 new shares at HK\$0.0386 per share of the Company, at a consideration of HK\$1,201,000. Details are set out in Note 20 to the consolidated financial statements.
- On 14 August 2023, the Company entered into a placing agreement with a placing agent for placing a maximum of 38,860,000 ordinary shares (the “Placing Shares”) of the Company at a placing price of HK\$0.11 per share.
- Pursuant to an ordinary resolution passed by shareholders at the special general meeting held on 25 August 2023, the share consolidation of every ten issued shares be consolidated into one consolidated share which became effective on 29 August 2023.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 31. 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 was to maintain the net debt-to-equity ratio in a balance position.

The capital structure of the Group consists of net debt, which includes bank loans and overdrafts and other loan, amount due to and loan from a shareholder and lease liabilities disclosed in Notes 26, 27 and 28 respectively, net of pledged bank deposits, bank balances and cash, and equity attributable to owners of the Company, comprising issued share capital, retained losses and other reserves.

The gearing ratio at the end of the reporting period was as follows:

|                                 | 2023<br>HK\$'000 | 2022<br>HK\$'000 |
|---------------------------------|------------------|------------------|
| Debt (i)                        | 145,634          | 181,295          |
| Pledged bank deposits           | –                | (2,017)          |
| Bank balances and cash          | (3,022)          | (1,261)          |
| Net debt                        | 142,612          | 178,017          |
| Equity (ii)                     | 34,261           | 57,805           |
| <b>Net debt to equity ratio</b> | <b>416%</b>      | 308%             |

(i) Debt is defined as short-term bank loans and overdrafts and other loans, amount due to and loan from a shareholder and lease liabilities, as detailed in Notes 26, 27 and 28.

(ii) Equity includes all capital and (deficits) reserves of the Company.

Except for the banking facilities which require the fulfilment of covenants as disclosed in Note 26, neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 32. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

|  | 2023<br>HK\$'000 | 2022<br>HK\$'000 |
|--|------------------|------------------|
| <b>Financial assets at FVTPL</b>                   |                  |                  |
| – Investment funds in Hong Kong                    | –                | 2,103            |
| – Investments in key management insurance policies | –                | 12,719           |
|  | –                | 14,822           |
| <b>Financial assets at FVTOCI</b>                  | <b>1,201</b>     | –                |
| <b>Financial assets at amortised cost</b>          | <b>34,784</b>    | 57,740           |
| <b>Financial liabilities at amortised cost</b>     | <b>170,620</b>   | 196,435          |

### (b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, financial assets at FVTOCI, trade and other receivables, deposits, pledged bank deposits, bank balances and cash, trade and other payables, bank loans and overdrafts, other loans, amount due to a shareholder and loan from a shareholder. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

#### Market risk

##### (i) Currency risk

Certain group entities have foreign currency sales and purchases denominated in RMB, US\$, GBP and AUD other than the functional currency of respective entities, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities which included financial assets at FVTPL, trade and other receivables, bank balances and cash, and trade and other payables at the end of the reporting period are as follows:



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 32. FINANCIAL INSTRUMENTS (CONTINUED)

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

#### Market risk (Continued)

##### (i) Currency risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities and intra-group balances at the end of the reporting period are as follows:

|      | Assets           |                  | Liabilities      |                  |
|------|------------------|------------------|------------------|------------------|
|      | 2023<br>HK\$'000 | 2022<br>HK\$'000 | 2023<br>HK\$'000 | 2022<br>HK\$'000 |
| US\$ | 12,739           | 53,178           | 2,073            | 7,767            |
| RMB  | 13               | 2,103            | 19               | –                |
| GBP  | 185              | 1,447            | –                | –                |
| AUD  | 859              | –                | –                | –                |

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

The directors of the Company consider the impact of currency risks denominated US\$ is insignificant as US\$ pegged with HK\$.

#### *Sensitivity analysis*

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

The directors of the Company consider the impact of post-tax loss arising from the Group's sensitivity to a 5% increase and decrease in HK\$ against RMB, GBP and AUD is insignificant, no sensitivity analysis is presented for these currencies.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 32. FINANCIAL INSTRUMENTS (CONTINUED)

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

#### Market risk (Continued)

#### (ii) Interest rate risk

The Group is exposed to fair value interest risk in relation to pledged bank deposits (see Note 23), bank balance (see Note 24), bank loans and overdrafts (see Note 26), and lease liabilities (see Note 28). Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group does not use financial derivatives to hedge against the interest rate risk. The Group's interest rate profile as monitored by the management is set out below.

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period:

|                                  | 2023                            |                    | 2022                            |                    |
|----------------------------------|---------------------------------|--------------------|---------------------------------|--------------------|
|                                  | Effective<br>interest rate<br>% | Amount<br>HK\$'000 | Effective<br>interest rate<br>% | Amount<br>HK\$'000 |
| <b>Fixed rate borrowings:</b>    |                                 |                    |                                 |                    |
| Lease liabilities                | 4.65% – 7.26%                   | 12,591             | 3.23% – 7.26%                   | 29,027             |
| Loan from a shareholder          | 3.44%                           | 4,109              | 2.94%                           | 4,214              |
|                                  |                                 | <b>16,700</b>      |                                 | <b>33,241</b>      |
| <b>Variable rate borrowings:</b> |                                 |                    |                                 |                    |
| Bank overdrafts                  | 3.63% – 6.38%                   | 11,931             | 3.38% – 6.13%                   | 12,618             |
| Bank loans                       | 3.63% – 8.28%                   | 111,296            | 3.04% – 6.09%                   | 126,066            |
| Other loans                      | N/A                             | –                  | 5.91% – 6.25%                   | 4,700              |
|                                  |                                 | <b>123,227</b>     |                                 | <b>143,384</b>     |
| <b>Total borrowings</b>          |                                 | <b>139,927</b>     |                                 | <b>176,625</b>     |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 32. FINANCIAL INSTRUMENTS (CONTINUED)

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

#### Market risk (Continued)

##### (ii) Interest rate risk (Continued)

At 31 December 2023, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased (2022: increased/decreased) the Group's loss after tax and increased/decreased retained losses (2022: retained loss) by approximately HK\$1,165,000 (2022: HK\$1,422,000).

The sensitivity analysis above indicates the annualised impact on the Group's interest expense that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to variable-rate instruments which expose the Group to cash flow interest rate risk at that date. The analysis does not take into account exposure to fair value interest rate risk arising from fixed rate instruments as the Group's exposure to fair value interest risk is insignificant.

##### (iii) Other price risk

Other price risk relates to the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates). As at 31 December 2022, the Group is exposed to change in market prices in respect of its investment in unlisted but quoted funds classified as financial assets at FVTPL.

The sensitivity analysis has been determined based on the exposure to the price of quoted fund at the reporting date. If the price of the quoted fund had been 5% higher/lower, the loss for the year ended 31 December 2022 would decrease/increase by HK\$105,000 as a result of the change in fair value.

The assumed volatilities of unlisted quoted fund represent management's assessment of a reasonably possible change in these security prices over the next twelve-month period.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 32. FINANCIAL INSTRUMENTS (CONTINUED)

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

#### Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables, pledged bank deposits and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group performed impairment assessment for financial assets and other items under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

#### Trade receivables arising from contracts with customers

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer obtained from external valuer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 180 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group has no significant concentration of credit risk in single segments or countries in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 5% (2022: 6.7%) of the total trade receivables were due from the Group's largest customer and 22% (2022: 13.5%) of the total trade receivables were due from the Group's five largest customers respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a collective and individual assessment. As the Group's historical credit loss experience indicates significantly different loss patterns for different customer segments, the impairment loss based on past due status is further distinguished between the Group's different customer bases.

The customer bases consist of the following groups, classified by credit risk characteristics:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 32. FINANCIAL INSTRUMENTS (CONTINUED)

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

#### Credit risk and impairment assessment (Continued)

Trade receivables arising from contracts with customers (Continued)

##### *Collective assessment*

- |          |   |
|----------|---|
| Group 1: | Insured customers – credit loss is hedged by insurance policies and have no historical default record                           |
| Group 2: | Long-term business relationship customers – always pay late but have no historical default record                               |
| Group 3: | Other customers are neither in Group 1 & 2 nor credit-impaired with significant increase in credit risk but not credit-impaired |

##### *Individual assessment*

Credit-impaired trade debtors and trade debtors with significant balance are assessed for ECL individually.

For Group 1, the Group has monitoring procedures in place to make sure that the credit limit granted to these customers maintains at an acceptable level compared to the sum insured by the insurance companies. In this regard, management considers credit risk in respect of these customer is significantly mitigated.

For Group 2, in view of the history of business dealings with the customers and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balance due from these customers.

For Group 3, expected loss rates are based on actual loss experience over the past 3 years and with reference from external valuer's information. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 32. FINANCIAL INSTRUMENTS (CONTINUED)

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

#### Credit risk and impairment assessment (Continued)

Trade receivables arising from contracts with customers (Continued)

Credit-impaired trade debtors and trade debtors with significant balances with gross carrying amount of HK\$38,566,000 (2022: HK\$23,747,000) and HK\$74,789,000 (2022: HK\$75,435,000) respectively as at 31 December 2023 were individually assessed. At 31 December 2023, the balance of impairment loss in respect of these individually assessed receivables was HK\$101,323,000 (2022: HK\$84,191,000).

The following tables provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2023 and 31 December 2022:

|                                      | ECL rate       | Gross carrying amounts<br>HK\$'000 | Loss allowance<br>HK\$'000 | Net carrying amounts<br>HK\$'000 |
|--------------------------------------|----------------|------------------------------------|----------------------------|----------------------------------|
| <b>At 31 December 2023</b>           |                |                                    |                            |                                  |
| <i>Provision on collective basis</i> |                |                                    |                            |                                  |
| Group 1 customers                    | 0%*            | 10,236                             | –                          | 10,236                           |
| Group 2 customers                    | 0%             | –                                  | –                          | –                                |
| Group 3 customers                    |                |                                    |                            |                                  |
| – Current (not past due)             | 0.59%          | 3,507                              | (20)                       | 3,487                            |
| – Within 1 month past due            | 0.59%          | 612                                | (3)                        | 609                              |
| – 1 to 3 months past due             | 1.80%          | 366                                | (7)                        | 359                              |
| – 3 to 6 months past due             | 5.37%          | 13                                 | (1)                        | 12                               |
| – Over 6 months past due             | 10.73%         | 37                                 | (4)                        | 33                               |
| – Over 1 year                        | 84.32%         | 13,928                             | (11,744)                   | 2,184                            |
|                                      |                | 28,699                             | (11,779)                   | 16,920                           |
| Provision on individual basis        | 0.59% – 87.13% | 113,355                            | (101,323)                  | 12,032                           |
|                                      |                | 142,054                            | (113,102)                  | 28,952                           |

\* At 31 December 2023, according to the historical observed default rates of expected lives of Group 1 customers, the ECL rates are immaterial.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 32. FINANCIAL INSTRUMENTS (CONTINUED)

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

#### Credit risk and impairment assessment (Continued)

Trade receivables arising from contracts with customers (Continued)

|                                      | ECL rate     | Gross carrying amounts<br>HK\$'000 | Loss allowance<br>HK\$'000 | Net carrying amounts<br>HK\$'000 |
|--------------------------------------|--------------|------------------------------------|----------------------------|----------------------------------|
| <b>At 31 December 2022</b>           |              |                                    |                            |                                  |
| <i>Provision on collective basis</i> |              |                                    |                            |                                  |
| Group 1 customers                    | 0%*          | 15,493                             | –                          | 15,493                           |
| Group 2 customers                    | 0%           | –                                  | –                          | –                                |
| Group 3 customers                    |              |                                    |                            |                                  |
| – Current (not past due)             | 0.41%        | 8,119                              | (33)                       | 8,086                            |
| – Within 1 month past due            | 0.41%        | 728                                | (3)                        | 725                              |
| – 1 to 3 months past due             | 1.25%        | 1,012                              | (13)                       | 999                              |
| – 3 to 6 months past due             | 3.72%        | 62                                 | (3)                        | 59                               |
| – Over 6 months past due             | 7.42%        | 576                                | (43)                       | 533                              |
| – Over 1 year                        | 84.20%       | 29,014                             | (24,440)                   | 4,574                            |
|                                      |              | 55,004                             | (24,535)                   | 30,469                           |
| Provision on individual basis        | 0.41% – 100% | 99,183                             | (84,191)                   | 14,992                           |
|                                      |              | 154,187                            | (108,726)                  | 45,461                           |

\* At 31 December 2022, according to the historical observed default rates of expected lives of Group 1 customers, the ECL rates are immaterial.

Expected loss rates are based on actual loss experience over past 5 years and with reference from external valuer's information. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 32. FINANCIAL INSTRUMENTS (CONTINUED)

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

#### Credit risk and impairment assessment (Continued)

Trade receivables arising from contracts with customers (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

|  | Lifetime ECL<br>(not credit-<br>impaired)<br>HK\$'000 | Lifetime ECL<br>(credit-<br>impaired)<br>HK\$'000 | Total<br>HK\$'000 |
|--|---|---|-------------------|
| <b>At 1 January 2022</b>   | 68,051  | 1,123   | 69,174            |
| Changes due to financial instruments<br>recognised as at 1 January 2022: |   |   |                   |
| Transfer to credit-impaired  | (19,861)  | 19,861  | –                 |
| Impairment losses recognised   | 40,012  | 2,764   | 42,776            |
| Impairment losses reversed   | (3,226)   | –   | (3,226)           |
| New financial assets originated  | 2   | –   | 2                 |
| <b>At 31 December 2022</b>   | 84,978  | 23,748  | 108,726           |
| Changes due to financial instruments<br>recognised as at 1 January 2023: |   |   |                   |
| Transfer to credit-impaired  | (12,354)  | 12,354  | –                 |
| Impairment losses recognised   | 2,607   | 2,464   | 5,071             |
| Impairment losses reversed   | (699)   | –   | (699)             |
| New financial assets originated  | 4   | –   | 4                 |
| <b>At 31 December 2023</b>   | <b>74,536</b>   | <b>38,566</b>                                     | <b>113,102</b>    |

Changes in the loss allowance for trade receivables are mainly due to:

|   | 2023<br>Increase/(decrease)<br>in lifetime ECL |                                | 2022<br>Increase/(decrease) in<br>lifetime ECL |                                |
|---|--|--------------------------------|--|--------------------------------|
|   | Non-credit<br>impaired<br>HK\$'000             | Credit<br>impaired<br>HK\$'000 | Non-credit<br>impaired<br>HK\$'000             | Credit<br>impaired<br>HK\$'000 |
| Increase in days past due over one year   | –  | 2,464                          | –  | 2,764                          |
| Two (2022: one) trade debtors with<br>total gross amount of<br>HK\$12,354,000 (2022:<br>HK\$22,625,000) defaulted<br>and transferred to credit-impaired | (12,354)                                       | 12,354                         | (19,861)                                       | 19,861                         |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 32. FINANCIAL INSTRUMENTS (CONTINUED)

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

#### Credit risk and impairment assessment (Continued)

Other receivables and deposits

Movement in impairment loss in respect of deposits and other receivables during the year is as follows:

|   | 2023<br>HK\$'000 | 2022<br>HK\$'000 |
|---|------------------|------------------|
| <b>Balance at 1 January</b>                           | <b>9,134</b>     | 2,003            |
| Impairment loss (reversed) recognised during the year | (30)             | 7,131            |
| <b>Balance at 31 December</b>                         | <b>9,104</b>     | 9,134            |

At the end of the reporting period, the Group reviews deposits and other receivables for evidence of impairment on an individual and collective bases. At 31 December 2023, the Group determined deposits and other receivables with significant balance of approximately HK\$9,094,000 was individually assessed (2022: HK\$9,108,000). Based on this individual assessment, impairment loss of approximately HK\$14,000 was reversed (2022: HK\$7,130,000 was recognised) during the year. An impairment of approximately HK\$16,000 was reversed (2022: HK\$42,000 was recognised) based on collective assessment.

Pledged bank deposits and cash at banks

The Group mitigates its exposure to credit risk by placing deposits with banks with established credit ratings. Given the high credit ratings of the banks, management does not expect any counterparty to fail to meet its obligations.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 32. 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 management of the Group monitors the utilisation of bank borrowings. Bank loans with a repayment on demand clause, including the bank loans that are repayable on demand due to breach of loan covenants as disclosed in Note 24, are included in the earliest time band regardless of the possibility of the bank choosing to exercise its rights.

The Group relies on bank loans and overdrafts as a significant source of liquidity. At 31 December 2023, the Group has available unutilised overdraft and short-term bank loan facilities of HK\$730,000 (2022: HK\$382,000) and HK\$3,677,000 (2022: HK\$12,124,000) respectively. Details of which are set out in Note 26.

The directors have carried out a detailed review of the cash flow forecast of the Group for the twelve months ending 31 December 2024 and other measures taken by the management as referred to in Note 3.2 to the consolidated financial statements, and consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the twelve months from 31 December 2023.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes 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 period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 32. FINANCIAL INSTRUMENTS (CONTINUED)

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

#### Liquidity risk (Continued)

|                             | Weighted<br>average<br>interest rate<br>(%) | On demand<br>or less than<br>1 year<br>HK\$'000 | More than<br>1 year but<br>less than<br>2 years<br>HK\$'000 | More than<br>2 years but<br>less than<br>5 years<br>HK\$'000 | Over<br>5 years<br>HK\$'000 | Total<br>contractual<br>undiscounted<br>cash flow<br>HK\$'000 | Total carrying<br>amount<br>HK\$'000 |
|-----------------------------|---|---|---|--|-----------------------------|---|--------------------------------------|
| <b>At 31 December 2023</b>  |   |   |   |  |                             |   |                                      |
| Trade and other payables    | -   | 37,576  | -   | -  | -                           | 37,577  | 37,577                               |
| Bank loans                  | 7.04  | 100,215   | 2,623   | 8,416  | 1,993                       | 113,247   | 111,296                              |
| Bank overdrafts             | 6.31  | 11,931  | -   | -  | -                           | 11,931  | 11,931                               |
| Amount due to a shareholder | -   | 707   | -   | -  | -                           | 707   | 707                                  |
| Loan from a shareholder     | 3.44  | 434   | 5,422   | 3,815  | -                           | 9,671   | 9,109                                |
| Lease liabilities           | 4.65-7.26                                   | 10,196  | 2,709   | -  | -                           | 12,905  | 12,591                               |
|                             |   | 161,059   | 10,754  | 12,231   | 1,993                       | 186,038   | 183,211                              |
| <b>At 31 December 2022</b>  |   |   |   |  |                             |   |                                      |
| Trade and other payables    | -   | 44,167  | -   | -  | -                           | 44,167  | 44,167                               |
| Bank loans                  | 3.13  | 118,417   | 1,554   | 4,661  | 1,762                       | 126,394   | 126,066                              |
| Other loans                 | 6.02  | 4,299   | 541   | -  | -                           | 4,840   | 4,700                                |
| Bank overdrafts             | 5.99  | 12,618  | -   | -  | -                           | 12,618  | 12,618                               |
| Amount due to a shareholder | -   | 400   | -   | -  | -                           | 400   | 400                                  |
| Loan from a shareholder     | 2.94  | 447   | 4,862   | 3,948  | -                           | 9,257   | 8,484                                |
| Lease liabilities           | 5.08  | 14,280  | 13,071  | 3,269  | -                           | 30,620  | 29,027                               |
|                             |   | 194,628   | 20,028  | 11,878   | 1,762                       | 228,296   | 225,462                              |

Bank loans with a repayment on demand clause are included in the “on demand or less than 1 year” time band in the above maturity analysis. At 31 December 2023, the aggregate carrying amounts of these bank loans amounted to HK\$100,250,000 (2022: HK\$120,433,000). Taking into account the Group’s financial position, the management does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management believes that such bank loans will be repaid within two years after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 32. FINANCIAL INSTRUMENTS (CONTINUED)

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

#### Liquidity risk (Continued)

Maturity Analysis – Bank loans with a repayment on demand clause based on scheduled repayments

|                  | Less than 1 year<br>HK\$'000 | More than<br>1 year but<br>less than 2 years<br>HK\$'000 | More than<br>2 years but<br>less than 5 years<br>HK\$'000 | Over 5 years<br>HK\$'000 | Total<br>undiscounted<br>cash outflows<br>HK\$'000 | Carrying<br>amount<br>HK\$'000 |
|------------------|------------------------------|--|---|--------------------------|--|--------------------------------|
| 31 December 2023 | 90,743                       | 2,256  | 6,646   | 1,993                    | 101,638  | 100,250                        |
| 31 December 2022 | 112,784                      | 1,554  | 4,661   | 1,762                    | 120,761  | 120,432                        |

### (c) Fair values

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on a discounted cash flow analysis using prices from observable current market transactions. The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 32. FINANCIAL INSTRUMENTS (CONTINUED)

### (d) Fair value measurement of financial instruments

One of the Group's financial assets is measured at fair value at the end of the reporting period. The following table provides an analysis of financial instrument that is measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

|  | Level 1          |                  | Level 2          |                  | Level 3          |                  | Valuation techniques and key inputs  |
|--|------------------|------------------|------------------|------------------|------------------|------------------|--|
|  | 2023<br>HK\$'000 | 2022<br>HK\$'000 | 2023<br>HK\$'000 | 2022<br>HK\$'000 | 2023<br>HK\$'000 | 2022<br>HK\$'000 |  |
| <b>Financial assets at FVTPL</b>                 |                  |                  |                  |                  |                  |                  |  |
| Investment funds in Hong Kong                    | -                | -                | -                | 2,103            | -                | -                | - The fair value of investment in the unlisted investment fund is based on the net assets value of the fund, which take into consideration the fair value of underlying assets and liabilities of the unlisted investment fund.  |
| Investments in key management insurance policies | -                | -                | -                | -                | -                | 12,719           | The fair value of the key management insurance contracts is determined by reference to the surrender cash value, which is primarily based on the performance of the underlying investment portfolio together with the guaranteed minimum returns, reported by the bank on a regular basis. |
| <b>Financial assets at FVTOCI</b>                |                  |                  |                  |                  |                  |                  |  |
| - unlisted equity investment                     | -                | -                | -                | -                | 1,201            | -                | - The fair value of the unlisted equity securities at FVTOCI, was determined by the Company, based on market approach using the forward price-to-earnings ratio.   |

There were no transfers between Levels 2 and 3 during the years ended 31 December 2023 and 2022.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below 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.

|                                       | Bank loans<br>HK\$'000 | Other loans<br>HK\$'000 | Amount<br>due to/<br>loan from a<br>shareholder<br>HK\$'000 | Lease<br>liabilities<br>HK\$'000 | Total<br>HK\$'000 |
|---------------------------------------|------------------------|-------------------------|---|----------------------------------|-------------------|
| <b>At 1 January 2023</b>              | 126,066                | 4,700                   | 8,884   | 29,027                           | 168,677           |
| <b>Financing cash flows:</b>          |                        |                         |   |                                  |                   |
| Proceeds from new bank loans          | 109,590                | –                       | –   | –                                | 109,590           |
| Repayment of bank loans               | (132,547)              | –                       | –   | –                                | (132,547)         |
| Repayment of other loan               | –                      | (4,770)                 | –   | –                                | (4,770)           |
| Advance from a shareholder            | –                      | –                       | 1,307   | –                                | 1,307             |
| Repayment to a shareholder            | –                      | –                       | (486)   | –                                | (486)             |
| Repayment of lease liabilities        | –                      | –                       | –   | (13,094)                         | (13,094)          |
| <b>Non-cash changes:</b>              |                        |                         |   |                                  |                   |
| Interest on bank loans and overdrafts | 8,303                  | 130                     | 199   | –                                | 8,632             |
| Interest on lease liabilities         | –                      | –                       | –   | 1,186                            | 1,186             |
| New leases entered                    | –                      | –                       | –   | 633                              | 633               |
| Gain on early termination of leases   | –                      | –                       | –   | (4,591)                          | (4,591)           |
| <b>Exchange adjustments</b>           | (116)                  | (60)                    | (88)  | (570)                            | (834)             |
| <b>At 31 December 2023</b>            | 111,296                | –                       | 9,816   | 12,591                           | 133,703           |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

|                                       | Bank loans<br>HK\$'000 | Other loans<br>HK\$'000 | Amount<br>due to/<br>loan from a<br>shareholder<br>HK\$'000 | Lease<br>liabilities<br>HK\$'000 | Total<br>HK\$'000 |
|---------------------------------------|------------------------|-------------------------|---|----------------------------------|-------------------|
| <b>At 1 January 2022</b>              | 139,434                | –                       | –   | 13,538                           | 152,972           |
| <b>Financing cash flows:</b>          |                        |                         |   |                                  |                   |
| Proceeds from new bank loans          | 87,494                 | –                       | –   | –                                | 87,494            |
| Repayment of bank loans               | (106,145)              | –                       | –   | –                                | (106,145)         |
| Proceeds from other loan              | –                      | 9,791                   | –   | –                                | 9,791             |
| Repayment of other loan               | –                      | (5,446)                 | –   | –                                | (5,446)           |
| Advance from a shareholder            | –                      | –                       | 8,546   | –                                | 8,546             |
| <b>Non-cash changes:</b>              |                        |                         |   |                                  |                   |
| Interest on bank loans and overdrafts | 5,125                  | 445                     | –   | –                                | 5,570             |
| Repayment of lease liabilities        | –                      | –                       | –   | (15,318)                         | (15,318)          |
| Interest on lease liabilities         | –                      | –                       | –   | 1,516                            | 1,516             |
| New leases entered                    | –                      | –                       | –   | 30,290                           | 30,290            |
| <b>Exchange adjustments</b>           | 158                    | (90)                    | 338   | (999)                            | (593)             |
| <b>At 31 December 2022</b>            | 126,066                | 4,700                   | 8,884   | 29,027                           | 168,677           |

## 34. MAJOR NON-CASH TRANSACTIONS

- (i) During the year ended 31 December 2023, the Group entered into lease arrangements in respect of lease properties and machineries. On commencement of the lease, the Group recognised right-of-use assets and lease liabilities of approximately HK\$633,000 (2022: HK\$30,290,000) and HK\$633,000 (2022: HK\$30,290,000) respectively.
- (ii) During the year ended 31 December 2023, the two investments in key management insurance policies terminated to settle certain outstanding bank loans. The surrender value of 2016-Policy and 2021-Policy were approximately HK\$4,852,000 and HK\$8,119,000, respectively. Details are set out in Note 19 to the consolidated financial statements.
- (iii) On 20 July 2023, the Group purchased 13% of Guangzhou HaiJian at RMB1,050,000 by way of issuance of an aggregate of 31,120,000 new shares of the Company at total consideration of HK\$1,201,000.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 35. RELATED PARTY TRANSACTIONS

### (a) Transaction with related parties

Save as disclosed elsewhere in the consolidated financial statements, the Group entered into the following significant transactions with related parties during the years ended 31 December 2023 and 2022:

- i) Prosperous Printing Co. (the “**Partnership**”), a partnership carried on by Mr. Lam and Ms. Yao, spouse of Mr. Lam granted to the Company exclusive right to use vehicle licenses without charge.
- ii) The Company granted to the Partnership, a non-exclusive license to use of the name “Prosperous” or “萬里” without charge.

- (b) Save as disclosed elsewhere in the consolidated financial statements, the Group has no other material balances with related parties as at 31 December 2023 and 2022.

### (c) Compensation of key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the Company’s directors and certain of the highest paid employees as disclosed in Note 13, is as follows:

|                                 | 2023<br>HK\$'000 | 2022<br>HK\$'000 |
|---------------------------------|------------------|------------------|
| Salaries and other emoluments   | 4,828            | 5,932            |
| Retirement scheme contributions | 82               | 88               |
|                                 | <b>4,910</b>     | 6,020            |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

|  | 2023<br>HK\$'000 | 2022<br>HK\$'000 |
|--|------------------|------------------|
| <b>Non-current assets</b>                    |                  |                  |
| Investments in subsidiaries                  | 164,336          | 164,336          |
| Property, plant and equipment                | 3,728            | 4,633            |
| Financial assets at FVTPL                    | –                | 14,822           |
| Financial assets at FVTOCI                   | 1,201            | –                |
|  | <b>169,265</b>   | 183,791          |
| <b>Current assets</b>                        |                  |                  |
| Trade and other receivables                  | 2,262            | 4,498            |
| Amounts due from subsidiaries (Note i)       | 122,468          | 111,002          |
| Pledged bank balances                        | –                | 2,017            |
| Bank balances and cash                       | 1,048            | 136              |
|  | <b>125,778</b>   | 117,653          |
| <b>Current liabilities</b>                   |                  |                  |
| Trade and other payables                     | 6,040            | 10,035           |
| Amounts due to subsidiaries (Note i)         | 144,598          | 130,973          |
| Bank loans and overdrafts                    | 100,844          | 123,848          |
| Lease liabilities                            | –                | 986              |
|  | <b>251,482</b>   | 265,842          |
| <b>Net current liabilities</b>               | <b>(125,704)</b> | (148,189)        |
| <b>Total assets less current liabilities</b> | <b>43,561</b>    | 35,602           |
| <b>Non-current liabilities</b>               |                  |                  |
| Deferred tax liabilities                     | 534              | –                |
| Lease liabilities                            | –                | 420              |
|  | <b>534</b>       | 420              |
| <b>NET ASSETS</b>                            | <b>43,027</b>    | 35,182           |
| <b>Capital and reserves</b>                  |                  |                  |
| Share capital                                | 106,319          | 100,843          |
| Deficits                                     | (63,292)         | (65,661)         |
| <b>TOTAL EQUITY</b>                          | <b>43,027</b>    | 35,182           |

Approved and authorised for issue by the Board of Directors on 27 March 2024 and signed on its behalf by

**Lam Sam Ming**  
Director

**Chan Sau Po**  
Director

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Notes:

- i) The amounts are unsecured, non-interest bearing and repayable on demand.
- ii) The movements in reserves of the Company are as follows:

|  | Capital reserve<br>HK\$'000<br>(Note) | Retained profits/<br>(accumulated<br>losses)<br>HK\$'000 | Total<br>HK\$'000 |
|--|---------------------------------------|--|-------------------|
| At 1 January 2022                                  | 3,318                                 | (63,621)   | (60,303)          |
| Loss and total comprehensive expense for the year  | –                                     | (5,358)  | (5,358)           |
| At 31 December 2022 and 1 January 2023             | 3,318                                 | (68,979)   | (65,661)          |
| Profit and total comprehensive income for the year | –                                     | 2,369  | 2,369             |
| At 31 December 2023                                | 3,318                                 | (66,610)   | (63,292)          |

Note: Capital reserve comprises deemed contribution from the controlling shareholder in prior years.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

The following list contains the particulars of subsidiaries. All the subsidiaries are private companies and the class of shares held is ordinary unless otherwise stated.

| Name of company  | Place and date of incorporation/ establishment    | Class of shares held | Particulars of issued and fully paid capital/registered share capital | Proportion of ownership interest held by the Company |           |            |  | Principal activity and place of operation |
|--|---|----------------------|---|--|-----------|------------|--|---|
|  |   |                      |   | Directly   |           | Indirectly |  |   |
|  |   |                      |   | 2023<br>%  | 2022<br>% | 2023<br>%  | 2022<br>%  |   |
| Printplus Limited  | Hong Kong/<br>18 February 2004                    | Ordinary             | 100 shares  | 100%   | 100%      | –          | – Trading of books and paper products in Hong Kong                   |   |
| Century Sight Limited  | Hong Kong/<br>22 February 2008                    | Ordinary             | 100 shares  | 100%   | 100%      | –          | – Investment holding   |   |
| Great Wall Printing Company Limited                                  | Hong Kong/<br>23 May 2008                         | Ordinary             | 100 shares  | –  | –         | 100%       | 100% Trading and production of books and paper products in Hong Kong |   |
| Prosperous Printing (HK) Company Limited                             | Hong Kong/<br>6 July 2018                         | Ordinary             | 10,000 shares   | 100%   | 100%      | –          | – Trading of books and paper products in Hong Kong                   |   |
| Prosperous Printing (Shenzhen) Co., Ltd.<br>(中萬印刷(深圳)有限公司)<br>(Note) | the PRC/<br>3 December 2010                       | Paid up              | RMB60,000,000 registered capital                                      | 100%   | 100%      | –          | – Productions of books and paper products in the PRC                 |   |
| Mr. Classic Inc.   | British Virgin Islands (“BVI”)/<br>6 January 2016 | Ordinary             | 50,000 shares of US\$1 each   | 100%   | 100%      | –          | – Investment holding   |   |
| Great China Gains Inc.   | BVI/<br>6 January 2016                            | Ordinary             | 50,000 shares of US\$1 each   | 100%   | 100%      | –          | – Investment holding   |   |
| Super Noble Limited  | Hong Kong/<br>10 March 2008                       | Ordinary             | 10,000 shares   | –  | –         | 100%       | 100% Property investment in Hong Kong                                |   |
| Tactful Hero Limited   | Hong Kong/<br>10 March 2008                       | Ordinary             | 1,000 shares  | –  | –         | 100%       | 100% Property investment in Hong Kong                                |   |

Note: Prosperous Printing (Shenzhen) Company Limited is established in the PRC as a wholly foreign-owned enterprise. The English name is for identification purpose only.

## FIVE-YEAR FINANCIAL SUMMARY

|   | <b>2023</b><br><b>HK\$'000</b><br><b>Note</b> | 2022<br>HK\$'000<br>Note | 2021<br>HK\$'000<br>Note | 2020<br>HK\$'000<br>Note | 2019<br>HK\$'000<br>Note |
|---|---|--------------------------|--------------------------|--------------------------|--------------------------|
| <b>For the year</b>   |   |                          |                          |                          |                          |
| Revenue   | <b>146,206</b>                                | 194,827                  | 281,810                  | 278,944                  | 461,561                  |
| (Loss)/profit before taxation                               | <b>(22,839)</b>                               | (58,332)                 | (81,126)                 | (99,534)                 | 30,074                   |
| (Loss)/profit attributable to equity holders of the Company | <b>(22,962)</b>                               | (59,655)                 | (83,086)                 | (100,824)                | 18,199                   |
| <b>At year end</b>  |   |                          |                          |                          |                          |
| Total assets  | <b>233,777</b>                                | 300,499                  | 381,317                  | 471,355                  | 541,171                  |
| Total liabilities   | <b>(199,516)</b>                              | (242,694)                | (251,032)                | (263,008)                | (241,479)                |
| Total equity attributable to equity holders of the Company  | <b>34,261</b>                                 | 57,805                   | 130,285                  | 208,347                  | 299,692                  |

Note:

The financial figures were extracted from the consolidated financial statements in the respective annual report.