# GRAND POWER LOGISTICS GROUP LIMITED
# 裕程物流集團有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8489)**

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the "**Board**") of directors (the "**Directors**") of Grand Power Logistics Group Limited (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries for the year ended 31 December 2022. This announcement, containing the full text of the annual report of the Company (the "**Annual Report**"), complies with the relevant requirements of the Rules (the "**GEM Listing Rules**") Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in relation to information to accompany the preliminary announcement of annual results. Printed version of the Annual Report will be delivered to the shareholders of the Company and available for viewing on the websites of the Stock Exchange at www.hkexnews.hk and of the Company at www.grandpowerexpress.com in due course.

By order of the Board
**Grand Power Logistics Group Limited**
**Chiu Ricky Tong**
*Chairman, Chief Executive Officer and Executive Director*

Hong Kong, 24 March 2023

*As at the date of this announcement, the executive Directors are Mr. Chiu Ricky Tong and Mr. Tse Chi Kwan Decky; the non-executive Directors are Ms. Wong Sheng Ning Candace and Mr. Heung Wai Keung; and the independent non-executive Directors are Mr. Tam Ka Hei Raymond, Mr. Ng Hung Fai Myron and Mr. Yeung Kwong Wai.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 announcement 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 announcement misleading.*

*This announcement will remain on the "Latest Listed Company Information" page of the Stock Exchange's website at www.hkexnews.hk for a minimum period of 7 days from the date of its publication and on the Company's website at www.grandpowerexpress.com.*

**CHARACTERISTICS OF GEM (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*This report, for which the directors (collectively the “**Directors**” and individually a “**Director**”) of Grand Power Logistics Group Limited (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (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.*

*This report will be available on the Company’s website at www.grandpowerexpress.com and will remain on the “Latest Listed Company Information” page on the Stock Exchange’s website at www.hkexnews.hk for at least 7 days from the date of its posting.*

# Contents

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors
Mr. Chiu Ricky Tong
*(Chairman and Chief Executive Officer)*
Mr. Tse Chi Kwan Decky

### Non-executive Directors
Mr. Heung Wai Keung
Ms. Wong Sheng Ning Candace

### Independent Non-executive Directors
Mr. Tam Ka Hei Raymond
Mr. Ng Hung Fai Myron
Mr. Yeung Kwong Wai

## COMPANY SECRETARY

Mr. Li Chun Fung

## COMPLIANCE ADVISER

VBG Capital Limited

## COMPLIANCE OFFICER

Mr. Chiu Ricky Tong

## AUTHORISED REPRESENTATIVES

Mr. Chiu Ricky Tong
Mr. Tse Chi Kwan Decky

## AUDIT COMMITTEE

Mr. Yeung Kwong Wai *(Chairman)*
Mr. Tam Ka Hei Raymond
Mr. Ng Hung Fai Myron

## REMUNERATION COMMITTEE

Mr. Tam Ka Hei Raymond *(Chairman)*
Mr. Ng Hung Fai Myron
Mr. Yeung Kwong Wai

## NOMINATION COMMITTEE

Mr. Ng Hung Fai Myron *(Chairman)*
Mr. Tam Ka Hei Raymond
Mr. Yeung Kwong Wai

## FINANCIAL REPORTING COMMITTEE

Mr. Yeung Kwong Wai *(Chairman)*
Mr. Heung Wai Keung
Mr. Tam Ka Hei Raymond
Mr. Ng Hung Fai Myron

## AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

## LEGAL ADVISER

CFN Lawyers

## REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

# Corporate Information

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 611, 6/F, Tower 1 Harbour Centre
1 Hok Cheung Street
Hung Hom
Kowloon
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
China CITIC Bank International Limited
The Hongkong and Shanghai Banking Corporation Limited

## WEBSITE ADDRESS

www.grandpowerexpress.com

## STOCK CODE

8489

# Management Discussion and Analysis

The board of Directors (the "**Board**") is pleased to present to you the annual report of the Company for the year ended 31 December 2022 ("**FY2022**").

## BUSINESS AND FINANCIAL REVIEW

The Group is a long-established freight forwarder headquartered in Hong Kong, with sales force in Hong Kong and six regional offices in the People's Republic of China (the "**PRC**"), including Shanghai, Shenzhen, Guangzhou, Xiamen, Tianjin and Suzhou, focusing on the market in Hong Kong, the PRC and Macau.

The Group is principally engaged in providing air and ocean export and import freight forwarding services, which involve arranging shipment upon receipt of booking instructions from its customers, obtaining cargo space from cargo space suppliers (including airlines, shipping liners and other freight forwarders) and preparing the relevant documentations (such as customs clearance from origin of consignment). The Group also arranges ancillary logistics services to its air freight forwarding services, including cargo pick up, cargo handling at ports and local transportation and warehousing related services (such as repackaging, labelling, palletising, customs clearance and warehousing) to meet the requirements of its customers.

The Board is pleased to present the audited consolidated results of the Group for FY2022, together with the comparative figures for the corresponding year ended 31 December 2021 ("**FY2021**").

### Revenue

The Group derives its revenue from two business segments, namely air freight forwarding services and ocean freight forwarding services, which include both import and export of goods. For FY2022, the Group's total revenue amounted to approximately HK$674.4 million (FY2021: approximately HK$892.5 million).

The table below sets forth the breakdown of the Group's revenue by business segment for the years indicated:

| | **FY2022** | | FY2021 | |
|---|---|---|---|---|
| | ***HK$'000*** | ***%*** | *HK$'000* | *%* |
| Air freight forwarding | **599,300** | **88.9** | 843,288 | 94.5 |
| Ocean freight forwarding | **75,087** | **11.1** | 49,180 | 5.5 |
| | **674,387** | **100.0** | 892,468 | 100.0 |

### Air freight forwarding

The Group's business focus is the provision of air freight export services from the PRC, Hong Kong and Macau to over 120 countries in Europe, Asia, North America and other regions (including South America, Oceania and Africa).

The Group's revenue from air freight forwarding segment decreased by approximately 28.9% to approximately HK$599.3 million for FY2022 (FY2021: approximately HK$843.3 million). Such decrease was primarily because of the decrease in demand for the freight services of the Group which was affected by the decrease in volume of Hong Kong's total exports of goods in the face of the difficult economic environment.

### Ocean freight forwarding

The Group's revenue from ocean freight forwarding segment increased by approximately 52.6% to approximately HK$75.1 million for FY2022 (FY2021: approximately HK$49.2 million), primarily because of the increase in customer's demand for the Group's ocean freight forwarding services.

### Cost of services

The Group's cost of services mainly include the cost of cargo spaces, security charge, terminal charge and fuel surcharge.

The Group's cost of services decreased by approximately 20.1% to approximately HK$647.1 million for FY2022 (FY2021: approximately HK$809.6 million), which was corresponding with the decrease in revenue of the Group.

### Gross profit and gross profit margin

The Group's gross profit decreased by approximately 67.2% to approximately HK$27.2 million for FY2022 (FY2021: approximately HK$82.9 million), which was primarily reflected by (i) the overall decrease in demand for the freight services of the Group which was affected by the decrease in volume of Hong Kong's total exports of goods in the face of the difficult economic environment; and (ii) the continuous high freight costs despite the easing in supply chain disruptions that were built up over the COVID-19 pandemic and the reduced port congestion level in FY2022, and the inability of the Group to transfer the surging logistics costs to its customers. Accordingly, the Group's gross profit margin decreased to approximately 4.0% for FY2022 (FY2021: approximately 9.3%).

### Other income

The Group's other income mainly represents interest income from bank deposits, recovery of bad debts previously written-off, government grant and sundry income.

The Group's other income amounted to approximately HK$0.7 million for FY2022 (FY2021: approximately HK$0.3 million).

### Administrative and other operating expenses

The Group's administrative and other operating expenses primarily comprise staff costs, entertainment and travelling expenses, depreciation, office expenses, rent and rates, legal and professional fees, bank charges, internet and computer expenses and others such as storage charges.

The Group's administrative and other operating expenses amounted to approximately HK$54.0 million for FY2022 (FY2021: approximately HK$54.5 million).

### Finance costs

The Group's finance costs comprise mainly interest charges on interest-bearing bank borrowings and lease liabilities.

The Group's finance expenses increased by approximately 70.0% to approximately HK$1.7 million for FY2022 (FY2021: approximately HK$1.0 million), which was mainly due to a combination of (i) the increase in the amount of the short-term bank borrowings, which was partially offset by the repayment of the bank borrowings by the Company during FY2022, and (ii) the interest rate increased during FY2022 as compared with that of FY2021.

### Taxation

The Group's income tax expenses decreased by approximately 99.4% to approximately HK$0.03 million for FY2022 (FY2021: approximately HK$5.1 million) due to the loss-making position in FY2022 when compared to that of FY2021. The Group's effective tax rate for FY2022 and FY2021 were approximately -0.1% and 18.1%, respectively.

### Loss for the year

Due to the above factors, the Group recorded a net loss of approximately HK$27.6 million for FY2022, against a net profit of approximately HK$23.0 million recorded for FY2021.

### Liquidity and financial resources

The Group financed its operations primarily through a combination of cash flows generated from its operations, interest-bearing bank borrowings and bank overdrafts. The Group's use of cash primarily relates to purchases of cargo spaces and various operating expenses.

The Group's gearing ratio, which is calculated based on the total debts divided by total equity as at the respective dates and multiplied by 100%, was approximately 20.6% as at 31 December 2022 (31 December 2021: approximately 25.5%). As at 31 December 2022, the Group's total debts were approximately HK$28.1 million (31 December 2021: approximately HK$42.3 million) and the total equity was approximately HK$136.5 million (31 December 2021: approximately HK$165.9 million).

The Group's current ratio, which is calculated based on the total current assets divided by the total current liabilities at the respective dates, was approximately 2.1 as at 31 December 2022 (31 December 2021: approximately 1.7).

As at 31 December 2022, the Group had cash and bank balances of approximately HK$29.6 million (31 December 2021: approximately HK$64.9 million). The cash and cash equivalents of the Group are denominated in HK$, US$ and Renminbi ("**RMB**") and in aggregate amounted to approximately HK$28.7 million as at 31 December 2022 (31 December 2021: approximately HK$64.3 million). The pledged bank deposits of the Group are denominated in HK$ and amounted to approximately HK$30.1 million as at 31 December 2022 (31 December 2021: approximately HK$30.1 million). The Group's financial position remains solid and the Group has sufficient bank balances to meet its liabilities when they become due.

For FY2022, the Group's net cash used in operating activities was approximately HK$16.8 million (FY2021: net cash generated from operating activities was approximately HK$13.3 million), net cash used in investing activities was approximately HK$0.06 million (FY2021: approximately HK$6.6 million) and net cash used in financing activities was approximately HK$17.1 million (FY2021: net cash generated from financing activities was approximately HK$30.2 million).

### Working capital

The Group's trade receivables represented receivables of freight forwarding services income from its customers. The Group's trade receivables (less loss allowances) decreased by approximately 40.4% to approximately HK$138.8 million as at 31 December 2022 (31 December 2021: approximately HK$232.7 million), which was largely consistent with the decrease in the revenue of the Group. The Group's average turnover days of trade receivables increased to approximately 100.5 days for FY2022 (FY2021: approximately 85.5 days), as the payment progress of customers was affected by the epidemic.

The Group's trade payables are derived primarily from payables relating to the costs of purchasing air and ocean cargo spaces. The Group's trade payables decreased by approximately 56.1% to approximately HK$67.9 million as at 31 December 2022 (31 December 2021: approximately HK$154.5 million), which was generally in line with the decrease in the Group's cost of services during FY2022. The Group's average trade payable turnover days increased to approximately 62.7 days for FY2022 (FY2021: approximately 58.8 days), which was mainly because the Group procured fewer cargo spaces from airlines, which usually allowed shorter credit periods, in FY2022.

### Interest-bearing borrowings

As at 31 December 2022, the interest-bearing borrowings were made in HK$ (31 December 2021: HK$) and amounted to approximately HK$24.5 million (31 December 2021: approximately HK$40.3 million). Particulars of the interest-bearing borrowings of the Group are set out in note 17 to the consolidated financial statements in this annual report.

The weighted average effective interest rate as at 31 December 2022 was approximately 4.36% (31 December 2021: approximately 3.43%).

### Significant investments, material acquisitions and disposal of subsidiaries

The Group did not have any significant investments, material acquisitions and disposal of subsidiaries, associates and joint ventures during FY2022.

### Future plans for material investments and capital assets

As at 31 December 2022, the Group did not have any plans for material investments and capital assets.

### Capital structure

The capital structure of the Group was mainly based on the equity attributable to the shareholders of the Company (the "**Shareholders**") (including share capital and reserves). As at 31 December 2022, the total number of issued ordinary shares of the Company (the "**Shares**") was 300,000,000 with a par value of HK$0.01 each (31 December 2021: 300,000,000 Shares).

### Pledge of/charge on assets

As at 31 December 2022, the bank and other borrowings of the Group were secured by certain leasehold land and buildings, property insurance on the pledged leasehold land and buildings, pledged bank deposits, guarantee provided by the Government of the Hong Kong Special Administrative Region. Details of which are set out in note 17 to the consolidated financial statements in this annual report.

### Contingent liability

The Group did not have any significant contingent liability as at 31 December 2022 (31 December 2021: Nil).

### Capital commitment

The Group did not have any capital commitment as at 31 December 2022 (31 December 2021: Nil).

### Financial management and treasury policy

The Group's principal financial instruments comprise of trade and other receivables, pledged bank deposits, cash and bank balances, trade and other payables, interest-bearing borrowings and lease liabilities.

The Group is exposed to risks associated with financial instruments. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner. The Group adopts prudent funding and treasury management policies while maintaining an overall healthy financial position.

In terms of mitigating credit risks, the Group selects the counterparties with reference to their past credit history and/or market reputation. The Group only trades with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The management of the Group limits the Group's exposure to credit risks by taking timely actions once there is any indication of recoverability problem of each individual debtor. The management of the Group also reviews the recoverable amount of each individual debtor at the end of each reporting period to ensure adequate allowance is made for irrecoverable amount.

In terms of mitigating liquidity risks, the Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial liabilities and financial assets (e.g. trade and other receivables) and projected cash flows from operations. The Group's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and cash equivalents as well as adequate banking facilities to meet its operation needs at any time.

In terms of mitigating interest rate risks, the Group currently does not have a policy to hedge against the interest rate risk as the management of the Group does not expect any significant interest rate risk at the end of each reporting period.

### Foreign exchange exposure

The Group's operating subsidiaries incorporated in Hong Kong operate with most transactions being settled in HK$, except for certain transactions which are denominated in US$ or other currencies. The Group's operating subsidiaries incorporated in the PRC operate in the PRC and their functional currency is RMB. The Group's transactions are mainly denominated in HK$, US$ and RMB. As at 31 December 2022, foreign currency risk arose mainly because certain financial assets and financial liabilities of the Group are denominated in currencies other than the functional currency of the respective group entities.

## EMPLOYEES

As at 31 December 2022, the Group had 41 (31 December 2021: 42) full-time employees. Total staff costs for FY2022 and FY2021 were approximately HK$19.1 million and approximately HK$28.6 million, respectively.

The Group's standard remuneration package to its employees may include salary, discretionary bonus, benefits in kind and incentive. The Group determines the employee's remuneration based on factors such as their performance, qualification, position, duty, contributions, years of experience and local market conditions. The remuneration package of the Group's employees is periodically reviewed. The Group has also adopted a share option scheme (the "**Share Option Scheme**") to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors consider that the Share Option Scheme will enable the Group to reward its employees, the Directors and other selected participants for their contribution to the Group. Details of the Share Option Scheme are set out in the section headed "Share Option Scheme" of this annual report.

The Group's management considers its employees as key assets which play a pivotal role in its continuous growth. It is the Group's policy to maximise the potential of its employees through training and development. The Group's employee training and development aim at equipping its employees with the knowledge and skills necessary to perform their job functions and enhance their capability.

## BUSINESS OBJECTIVES/STRATEGIES

As disclosed in the prospectus of the Company dated 30 December 2020 (the "**Prospectus**"), the long-term business objective of the Group is to become a leading freight forwarder in Hong Kong, while its ultimate business objective is to become a major market player in the global freight forwarding and logistics industries. The Group has implemented its business strategies/objectives as set out in the section headed "Business – Strategies on Future Business Development" of the Prospectus throughout FY2022. The Board is satisfied with the achievement of the said business objectives and will continue to make progress towards the said objectives.

## OUTLOOK AND PROSPECTS

As we look ahead to 2023, the freight forwarding industry will continue to face a range of challenges and opportunities. The industry will still need to contend with the ongoing impact of rising living costs and geopolitical tensions. While the worst of the congestion that has plagued logistics in recent years is easing, new issues are emerging, along with opportunities for growth. As such, it is clear that being prepared is essential for freight forwarders to survive and thrive, regardless of the circumstances. By staying ahead of the curve and leveraging new technologies and practices, the Group will position itself for long-term success in 2023 and beyond. Looking forward, with the aim of further developing its business and continuing its growth, the Group will continue to implement the following strategies:

- strengthen the Group's market position in Hong Kong and the PRC by purchasing more cargo spaces in order to cater for its customers' demand;
- expand the Group's reach to potential customers in the PRC; and
- continue to improve the Group's ability to obtain cargo spaces through closer collaboration with airlines.

## PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any member of the Group had purchased, sold or redeemed any of the Shares during FY2022.

# Biographical Details of Directors and Senior Management

## Directors

### Executive Directors

**Mr. Chiu Ricky Tong (趙彤)**, aged 52, founded the Group through the establishment of Grand Power Express International Limited ("**GP Express**") in March 2002. Mr. Chiu is an executive Director, the chairman ("**Chairman**") and the chief executive officer ("**CEO**") of the Company. He was appointed as an executive Director in March 2018, and is primarily responsible for formulating the overall business strategies and overseeing the business and operation of the Group.

Mr. Chiu has over 20 years of experience in the logistics industry and has been specialized in providing international freight forwarding services. He was the manager of Bao Shinn Express Company Limited (formerly known as Bao Shinn Travel Company Limited) ("**Bao Shinn**") from August 1995 to December 2001, and has been the director of Bao Shinn since December 2001. Since March 2002, Mr. Chiu has been the president of GP Express. He was a director of Grand Power Logistics Group Inc. ("**GP Logistics**"), being the holding company of GP Express that was listed on the TSX Venture Exchange in Canada, from October 2004 to January 2017.

Mr. Chiu obtained a bachelor of science in physics from the Imperial College, the University of London in 1993. He was further awarded a special diploma in social studies from the Keble College, the University of Oxford in 1994. Mr. Chiu is the husband of Ms. Wong Sheng Ning Candace, a non-executive Director.

**Mr. Tse Chi Kwan Decky (謝志坤)**, aged 52, was appointed as an executive Director in March 2018. He is primarily responsible for managing and supervising the day-to-day operation of the Group.

Mr. Tse completed his secondary education in Hong Kong in 1987. Upon graduation, Mr. Tse joined a courier service company in 1989 and his last position when he left the company in 2003 was the senior manager of export air operation. He joined the Group in 2004 as the general manager and was responsible for leading and providing strategies for the sales and operation team, expanding existing and exploring new business opportunities and markets and developing the branch offices in South China. Since he became the managing director of GP Express in 2009, he has been responsible in leading the management team to fulfill corporate goals and objectives, setting up sales targets and supervising the daily operations of the Group. He was a director of GP Logistics from 2013 to 2017 and provided advice and opinion to the board of directors on sales, business development and operation matters and was accountable to the board for achieving sales and business goals.

# Biographical Details of Directors and Senior Management

## Non-executive Directors

**Ms. Wong Sheng Ning Candace (王緗瑾)** (formerly known as 王晟寧), aged 49, was appointed as a non-executive Director in March 2018. She is primarily responsible for overseeing the risk management and control function of the Group.

Ms. Wong joined the Group in October 2004 and was appointed as a director of GP Express in April 2013. She was also a director of GP Logistics from October 2004 to January 2017.

Ms. Wong has over 22 years of experience in credit control and risk management. From June 2012 to March 2023, Ms. Wong was the regional risk controller of TBWA Asia Pacific, and has become its director, credit risk and treasury, Asia Pacific since March 2023. Ms. Wong, from September 2004 to February 2012, was the regional credit and collections manager, and from February 2012 to June 2012, the project manager of Underwriters Laboratories, respectively, which is a safety consulting and certification company in the United States of America that maintains offices in 46 countries. She was a group credit controller (Asia Region) in Morgan & Banks (currently known as Hudson Global Resources (HK) Ltd.) from June 2000 to September 2004; a credit controller in JCDecaux Peaerl & Dean Limited from August 1999 to June 2000; and a credit control officer with Colliers Jardine (Hong Kong) Limited from March 1997 to August 1999.

Ms. Wong obtained a bachelor of arts from the University of Toronto in 1997. Ms. Wong is the wife of Mr. Chiu Ricky Tong, an executive Director, the Chairman and the CEO.

**Mr. Heung Wai Keung (香偉強)**, aged 40, was appointed as a non-executive Director in December 2020. He is primarily responsible for supervising the accounting and financial function of the Group.

Mr. Heung has over 18 years of experience in auditing, accounting and financing, and financial management. In September 2017, Mr. Heung co-founded D & PARTNERS CPA LIMITED and has become one of the audit partners of the firm. He provided advisory and consulting services in relation to accountancy issues for companies across various industries. Mr. Heung worked at CHENG & CHENG LIMITED as senior audit manager from December 2016 to August 2017. He started to serve as an auditor at Deloitte Touche Tohmatsu in August 2004 and left as a senior audit manager in November 2016, and was responsible for auditing and providing business advisory for various listed companies in Hong Kong.

Mr. Heung obtained a degree in bachelor of business administration in accounting from The Hong Kong University of Science and Technology in November 2004. Mr. Heung has been a member of the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") since January 2008 and a practising member of the HKICPA since May 2017.

## Independent non-executive Directors

**Mr. Tam Ka Hei Raymond (譚家熙)**, aged 42, was appointed as an independent non-executive Director in December 2020.

Mr. Tam has also been appointed as an independent non-executive director of Cornerstone Technologies Holdings Limited (listed on GEM, stock code: 8391) and TIL Enviro Limited (listed on the Stock Exchange, stock code: 1790) since 1 July 2019 and 4 October 2018, respectively.

Mr. Tam has over 14 years of experience in corporate finance. He is currently a director of the corporate finance department at Yu Ming Investment Management Limited, a wholly-owned subsidiary of Da Yu Financial Holdings Limited (listed on the Stock Exchange, stock code: 1073) and a licensed holder to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Mr. Tam obtained a bachelor of arts degree in accounting and finance with computing from the University of Kent, the United Kingdom in July 2002.

**Mr. Ng Hung Fai Myron (吳鴻揮)**, aged 52, was appointed as an independent non-executive Director in December 2020.

Since September 2011, Mr. Ng has been the general manager of Link Asset Management Limited, the manager of Link Real Estate Investment Trust (listed on the Stock Exchange, stock code: 823). He was a senior inspector at the Hong Kong Police Force from March 1996 to November 2011.

From June 2018 to April 2020, Mr. Ng was appointed as an independent non-executive director of FSM Holdings Limited (listed on the Stock Exchange, stock code: 1721).

Mr. Ng obtained a bachelor of arts from the University of Western Ontario, Canada in June 1995. In December 2003, he obtained a master of arts in Chinese politics and administrative law from the Chinese University of Hong Kong. Mr. Ng further obtained an executive master of business administration from Richard Ivey School of Business in the University of Western Ontario in March 2008. In June 2017, Mr. Ng was awarded a master of science in financial analysis from The Hong Kong University of Science and Technology, and in February 2022 awarded a master of studies in interdisciplinary design for the built environment from the University of Cambridge.

**Mr. Yeung Kwong Wai (楊光偉)**, aged 49, was appointed as an independent non-executive Director in December 2020.

Mr. Yeung has more than 24 years of auditing, accounting, financial management and corporate governance experience. He is a Certified Public Accountant (Practising) of the HKICPA and a member of the American Institute of Certified Public Accountants. He is also a CFA charterholder.

Mr. Yeung is currently a director of Apexlink Secretaries Limited, where he is primarily responsible for providing corporate advisory services and company secretarial services. From July 2016 to December 2017, Mr. Yeung was the company secretary of Nexion Technologies Limited (listed on GEM, stock code: 8420). He was an independent non-executive director of Dadi International Group Limited (listed on GEM, stock code: 8130) from September 2015 to March 2018. From March 2010 to June 2014 and July 2015 to May 2021, Mr. Yeung was a director of an accounting firm, CYC CPA Limited and Global Glory CPA Limited, respectively. He joined Capital Environment Holdings Limited (listed on the Stock Exchange, stock code: 3989) in November 2005 as an assistant to the chairman, and was appointed as a joint company secretary from August 2007 to July 2008, where he was primarily responsible for the company's business development and corporate governance. He acted as the financial controller and company secretary of Blockchain Group Company Limited (de-listed on the Stock Exchange on August 2021) from September 2003 to June 2005, where he was primarily responsible for the company's overall financial management and corporate governance. From December 1997, he worked at Deloitte Touche Tohmatsu and Ernst & Young (i.e. EY as defined below) in Hong Kong for a total of approximately 5 years, where he was primarily responsible for performing external financial audit for listed and private companies.

## Company Secretary

**Mr. Li Chun Fung (李震鋒)**, aged 41, joined the Group and was appointed as the company secretary of the Company in July 2018.

Mr. Li has been providing corporate services to a variety of Hong Kong listed companies and offshore companies, and has extensive experience in corporate governance and compliance matters. He is currently a director of APEC Corporate Services Limited. He has also been appointed as the company secretary and an executive director of Nan Nan Resources Enterprise Limited (listed on the Stock Exchange, stock code: 1229) and an executive director of IAG Holdings Limited (listed on GEM, stock code: 8513) since April 2015, September 2021 and June 2022, respectively.

Mr. Li graduated from the Imperial College, the University of London with a master degree in chemical engineering in August 2004. Mr. Li has become a member of HKICPA since October 2014.

# Biographical Details of Directors and Senior Management

## Senior Management

**Mr. Chiu Ricky Tong (趙彤)**, the Chairman and the CEO – see the paragraphs under "Executive Directors" above.

**Mr. Tse Chi Kwan Decky (謝志坤)** – see the paragraphs under "Executive Directors" above.

# Report of the Directors

The Directors hereby present the report of the Directors and the audited consolidated financial statements of the Group for FY2022.

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of air-freight and ocean-freight forwarding services as an integrated logistics services provider, which involve arranging shipment upon receipt of booking instructions from its customers, obtaining cargo space from cargo space suppliers (including airlines, shipping liners and other freight forwarders) and preparing the relevant documentations (such as customs clearance from origin of consignment). The Group also arranges ancillary logistics services to its air freight forwarding services, including cargo pick up, cargo handling at ports and local transportation and warehousing related services (such as repackaging, labelling, palletising, customs clearance and warehousing) to meet the requirements of its customers.

Discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a fair review of business and an indication of likely future developments in the Group's business, can be found in the section headed "Management Discussion and Analysis" of this annual report and note 1 to the consolidated financial statements in this annual report. Such discussion forms part of this "Report of the Directors".

## SEGMENT INFORMATION

An analysis of the Group's performance for FY2022 by operating segment is set out in note 4 to the consolidated financial statements in this annual report.

## RESULTS AND DIVIDEND

The results of the Group for FY2022 are set out in the consolidated statement of profit or loss on page 58 of this annual report.

The Company has adopted a dividend policy that, in recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future business growth. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account the Group's financial results and cashflow, Shareholders' interests, general business conditions and strategies, current and future operations, liquidity and capital requirements, taxation considerations, statutory and regulatory restrictions, and any other factors the Board may deem relevant.

The recommendation of the payment of dividend is subject to the determination of the Board, and any declaration of final dividend for the year will be subject to the approval of the Shareholders. The payment of dividend is also subject to any restrictions under the Companies Act, Cap. 22 of the Cayman Islands and any other applicable laws, rule and regulations, and the memorandum and articles of association of the Company (the "**Articles**").

The Directors did not recommend the payment of any final dividend for FY2022 to the Shareholders (FY2021: Nil).

# Report of the Directors

## FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years, as extracted from the consolidated financial statements and the Prospectus, is set out on page 128 of this annual report.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements during FY2022 in the property, plant and equipment of the Group are set out in note 13 to the consolidated financial statements in this annual report.

## SHARE CAPITAL

Details of movements during FY2022 in the share capital of the Company are set out in note 20 to the consolidated financial statements in this annual report.

## RESERVES

Details of the movements in the reserves of the Group during FY2022 are set out in the consolidated statement of changes in equity on page 62 of this annual report.

## DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's reserves available for distribution to the Shareholders as calculated in accordance with the applicable laws of the Cayman Islands and the Articles amounted to approximately HK$30,438,000 (31 December 2021: approximately HK$32,082,000). The share premium of the Company is available for distribution or paying dividends to the Shareholders provided that immediately following the distribution or the payment of dividends, the Company is able to pay its debts as they fall due in the ordinary course of business.

## CHARITABLE CONTRIBUTIONS

During FY2022, the Group made charitable contributions totalling HK$30,000 (FY2021: Nil).

## RETIREMENT SCHEMES

Particulars of the retirement benefit plans of the Group during FY2022 are set out in note 2.4 to the consolidated financial statements in this annual report.

## EQUITY-LINKED AGREEMENTS

Save as disclosed under the section headed "Share Option Scheme" below, no other equity-linked agreement was entered into by the Group, or subsisted, during FY2022.

# Report of the Directors

## SHARE OPTION SCHEME

The Share Option Scheme was conditionally adopted by the Company on 11 December 2020, and has become effective on the listing date (i.e. 13 January 2021) (the "**Listing Date**"), the purpose of which is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors consider the Share Option Scheme, with its broadened basis of participation, enables the Group to reward the employees, the Directors and other selected participants for their contributions to the Group.

The Directors may, at its absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares: (a) any employee (whether full-time or part-time, including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries ("**Subsidiaries**") or any entity ("**Invested Entity**") in which the Group holds an equity interest; (b) any non-executive directors (including any independent non-executive directors) of the Company, any Subsidiaries or any Invested Entity; (c) any supplier of goods or services to any member of the Group or any Invested Entity; (d) any customer of any member of the Group or any Invested Entity; (e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; (g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and (h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the growth of the Group, subject to compliance with the latest version of Chapter 23 of the GEM Listing Rules.

The total number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10.0% of the Shares in issue on the Listing Date (i.e. not exceeding 30,000,000 Shares, representing 10% of the total number of issued Shares as at the latest practicable date (being 24 March 2023) for the purpose of ascertaining certain information contained in this annual report prior to its publication (the "**Latest Practicable Date**")). Since 1 January 2023, unless separately approved by the Shareholders in general meeting (with the relevant eligible participant and such eligible participant's close associates (with the meaning ascribed thereto under the GEM Listing Rules) (or such eligible participant's associates if such eligible participant is a connected person of the Company) abstaining from voting), no eligible participant shall be granted a share option if such grant will result in the total number of Shares issued and to be issued in respect of all share options and awards (if any) granted to such eligible participant (excluding any lapsed share options and awards, if any) in the 12-month period up to and including the date of such grant would in aggregate exceed 1.0% of the total number of issued Shares. For the avoidance of doubt, the Company currently does not have any share award scheme. Unless otherwise determined by the Directors and stated in the offer, the grantee of the option is not required to hold an option for any minimum vesting period nor achieve any performance targets before the exercise of an option granted to him. An option may be accepted by a participant within a period of 21 days from the date on which such offer was made.

The subscription price per Share under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of a Share. A nominal consideration of HK$1.0 is payable on acceptance of the grant of an option.

Unless there is an early termination of the Share Option Scheme pursuant to the rules thereof, the Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted. The period during which an option may be exercised will be determined by the Directors in their absolute discretion, save that no option shall be exercised later than 10 years from the date of grant, subject to early termination of the Share Option Scheme pursuant to the rules thereof. As at the Latest Practicable Date, the remaining life of the Share Option Scheme was approximately seven years.

Further details of the Share Option Scheme are set out in Appendix V to the Prospectus. Since the adoption of the Share Option Scheme, no option had been granted under the Share Option Scheme. As at 31 December 2022, the maximum number of Shares underlying all grants to be made pursuant to the Share Option Scheme shall not exceed 30,000,000 Shares, representing 10% of the total number of issued Shares as at 31 December 2022 (31 December 2021: 30,000,000).

## DISCLOSURE OF INTERESTS

### (I) Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporations

As at 31 December 2022, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

| Name of Director | Capacity/ Nature of Interest | Total Number of Shares held (L)(Note 1) | Approximate Percentage of Shareholding |
|---|---|---|---|
| Mr. Chiu Ricky Tong (“**Mr. Chiu**”) | Interest in controlled corporations(Note 2) | 225,000,000 | 75% |
| Ms. Wong Sheng Ning Candace (“**Ms. Wong**”) | Interest of spouse(Note 3) | 225,000,000 | 75% |

*Notes:*

1. The letter “L” denotes the entity/person’s long position in the Shares.

2. These 225,000,000 Shares are held as to 50% by Peak Connect International Limited (“**Peak Connect**”) and 50% by Profit Virtue Worldwide Limited (“**Profit Virtue**”). Peak Connect is owned as to 92.32% and 7.68% by Mr. Chiu and Ms. Wong, respectively. Profit Virtue is wholly owned by Mr. Chiu. Therefore, Mr. Chiu is deemed to be interested in all the Shares held by Peak Connect and Profit Virtue for the purpose of the SFO.

3. Ms. Wong is the spouse of Mr. Chiu, and is therefore deemed to be interested in all the Shares in which Mr. Chiu has an interest for the purpose of the SFO.

Save as disclosed above, as at 31 December 2022, none of the Directors nor the chief executive of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

## (II) Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares of the Company

As at 31 December 2022, so far as the Directors are aware, the following persons/entities (other than the Directors or the chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under section 336 of the SFO, or otherwise notified to the Company were as follows:

| Name of Shareholder | Capacity/ Nature of Interest | Total Number of Shares held (L) *(Note 1)* | Approximate Percentage of Shareholding |
|---|---|---|---|
| Profit Virtue *(Note 2)* | Beneficial owner | 112,500,000 | 37.5% |
| Peak Connect *(Note 2)* | Beneficial owner | 112,500,000 | 37.5% |

*Notes:*

1. The letter "L" denotes the entity/person's long position in the Shares.

2. For details, please refer to Note 2 in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporations" above.

Save as disclosed above, as at 31 December 2022, no person, other than the Directors and chief executive of the Company whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporations" above, had notified the Company of an interest or short position in the Shares, underlying Shares or debenture of the Company that was required to be recorded in the register required to be kept by the Company pursuant to section 336 of the SFO or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

# Report of the Directors

## MAJOR CUSTOMERS AND SUPPLIERS

During FY2022, the aggregate revenue attributable to the five largest customers and the largest customer accounted for approximately 56.6% (FY2021: approximately 63.4%) and approximately 20.8% (FY2021: approximately 29.6%), respectively, of the Group's total revenue for FY2022. Purchases from the Group's five largest suppliers and the largest supplier accounted for approximately 60.3% (FY2021: approximately 56.2%) and approximately 22.2% (FY2021: approximately 20.6%), respectively, of the Group's total purchases for FY2022.

So far as the Directors are aware, none of the Directors, or any of their close associates (as defined under the GEM Listing Rules) or Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital), had any beneficial interest in the Group's five largest customers or suppliers during FY2022.

## DIRECTORS

The Directors during FY2022 and up to the date of this annual report were as follows:

**Executive Directors**
Mr. Chiu Ricky Tong *(Chairman and Chief Executive Officer)*
Mr. Tse Chi Kwan Decky

**Non-executive Directors**
Mr. Heung Wai Keung
Ms. Wong Sheng Ning Candace

**Independent Non-executive Directors**
Mr. Tam Ka Hei Raymond
Mr. Ng Hung Fai Myron
Mr. Yeung Kwong Wai
Mr. Yu Tak Chi Michael *(resigned on 2 November 2022)*

## BIOGRAPHICAL DETAILS OF DIRECTORS AND CHANGES IN INFORMATION OF DIRECTORS

Brief biographical details of the Directors including the changes in the Directors' information (if any) subsequent to the date of release of the third quarterly report 2022 of the Company are included in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

## DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting of the Company has or is proposed to have a 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 the statutory compensation.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which the Director or a connected entity of the Director had a material interest, whether directly or indirectly, subsisted as at 31 December 2022, or at any time during FY2022.

## CONTROLLING SHRAEHOLDERS' INTERESTS

No contract of significance had been entered into between the Company or any of its subsidiaries and controlling shareholder or any of its subsidiaries during FY2022. In addition, no contract of significance for the provision of services was entered into between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries.

## EMOLUMENTS OF THE DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of Directors and the five highest paid individuals of the Group during FY2022 are set out in notes 8 and 9 to the consolidated financial statements in this annual report.

## EMOLUMENT POLICY

The remuneration committee of the Company (the "**Remuneration Committee**") is set up for reviewing the Group's emolument policy and structure for making recommendation to the Board on the overall remuneration policy and structure relating to all Directors, senior management and general staff of the Group. The remunerations of the Directors are determined by reference to the economic situation, the prevailing market condition, the responsibilities and duties assumed by each Director as well as their individual performance.

## COMPETING INTERESTS

The Directors were not aware of any business or interest of Directors nor the controlling Shareholders nor any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any conflicts of interests which any such person has or may have with the Group during FY2022.

## LEGAL PROCEEDINGS AND COMPLIANCE

To the best knowledge of the Directors, as at 31 December 2022, there were no legal proceedings or claims currently existing, pending or threatened against any member of the Group that the Directors consider would have a material adverse effect on the financial conditions or results of operation of the Group. During FY2022, the Group's business operations had complied with applicable laws, rules and regulations in the places where the Group operates in all material respects.

## INTERESTS OF COMPLIANCE ADVISER

As notified by VBG Capital Limited ("**VBG**"), the compliance adviser of the Company, save for the compliance adviser agreement entered into between the Company and VBG on 11 December 2020, neither VBG nor any of its directors, employees and close associates (as defined in the GEM Listing Rules) had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 31 December 2022 and up to the date of this annual report.

## PRINCIPAL RISKS AND UNCERTAINTIES

The following is a list of major risks and uncertainties that may affect the business, financial condition, results of operations and growth prospects of the Company. However, this list is not exhaustive as there may be other risks and uncertainties resulting from changes in economic condition and operating environment over time:

1. Economic risk: The failure to identify factors relating to macroeconomic conditions against international freight forwarding business may affect the Company's ability to maintain or increase revenue and profitability in a specific business environment; and the failure to formulate strategic plan against global economic slowdown leading to decline in consumption and a slowdown in international trade may have significantly impact on the Company's international freight forwarding businesses, which would materially and adversely affect the financial condition and results of operations of the Group.

2. Sociopolitical risk: The Group's business may be affected by (i) the failure to identify social and political factors within a market environment which may affect the Company's ability to market and sell services; and (ii) the failure to formulate strategy plan against the shifting of outsourced manufacturing activities away from the PRC to other regions or countries with lower production costs, the changes in trade policies, tariff regulations, embargoes or other trade restrictions effected between two or more states, and the termination of the United States of America – Hong Kong international shipping agreement.

3. Sales and pricing risk: The Group may experience difficulty in estimating the fluctuation in demand and supply of cargo spaces from customers and suppliers demand due to seasonal demand or other events (e.g. outbreak of COVID-19 pandemic), establishing pricing strategy and maintaining overall revenue and net profit growth.

4. Credit and collections risk: The Company's business, operations results and financial condition may be materially and adversely impacted by credit risk of the slow settlement by customers or, failure to collect the trade receivables from customers. Furthermore, any inadequate/ineffective controls imposed to access and monitor the debtor's repayment ability might increase the probability of bad debt of the Company.

For details of other financial risks, please refer to note 27 to the consolidated financial statements in this annual report.

The Group has developed risk management and internal control systems to identify current risks and has undertaken necessary measures to mitigate the risks identified. Details of the Group's risk management and internal control systems are set out in the section headed "Corporate Governance Report" of this annual report.

## KEY RELATIONSHIP WITH THE GROUP'S EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHER STAKEHOLDERS

The Group is committed to operating in a sustainable manner while balancing the interests of its various stakeholders including customers, suppliers and employees.

The Group believes that employees are instrumental to the success of the Group and that their industry knowledge and understanding of the market will enable the Group to maintain the competitiveness in the market. Thus, the Group develops a desirable working environment, provides competitive remuneration packages to attract and motivate the employees, and regularly reviews the remuneration package of the employees and makes necessary adjustments to conform to the market standard. Share options may also be granted for the purpose of providing incentives and rewards to eligible participants who have contributed to the success of the Group's operations. For further details of the benefits of the employees, please refer to the section headed "Employees" in this annual report.

The Group also recognizes that it is important to maintain a good and stable relationship with its current and potential customers, suppliers and other stakeholders to achieve its long-term goals and maintain sustainable development of the Group. Accordingly, the Directors and senior management have kept good communication and enhanced cooperation, promptly exchanged ideas and shared business updates with its customers and suppliers and other stakeholders when appropriate.

During FY2022, there was no material and significant dispute between the Group and any of its employees, customers, suppliers and other stakeholders.

## PERMITTED INDEMNITY PROVISIONS

Every Director (whether at present or in the past) shall be entitled under the Articles to be indemnified out of the assets of the Company against all actions, costs, charges, losses or liabilities incurred or sustained by him/her as a Director in the execution or discharge of his/her duty.

The Company has taken out insurance to protect the Directors against the potential costs and liabilities arising from claims brought against the Directors during FY2022.

## CONNECTED AND RELATED PARTY TRANSACTIONS

In FY2022, there were no connected transactions or continuing connected transactions of the Company which require compliance with any of the reporting, announcement or independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. Details of material related party transactions undertaken in the usual course of business of the Group are set out in note 25 to the consolidated financial statements in this annual report. However, these transactions were either exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules, or did not fall under the definition of connected transactions or continuing connected transactions as defined in Chapter 20 of the GEM Listing Rules.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company had maintained the prescribed public float required by the GEM Listing Rules as at the Latest Practicable Date.

## AUDITOR

Ernst & Young ("**EY**") has been appointed as the auditor of the Company since 9 July 2021 to fill the casual vacancy following the retirement of Mazars CPA Limited as the auditor of the Company on 27 May 2021. Save as disclosed above, there were no any other changes in auditor of the Company during the past three years.

The consolidated financial statements for FY2022 have been audited by EY, who shall retire in the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of EY as the auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

## CORPORATE GOVERNANCE

Details of the corporate governance of the Company are set out in the section headed "Corporate Governance Report" of this annual report.

## ENVIRONMENTAL POLICY AND PERFORMANCE

The Group is committed to conducting its business in an environmentally conscious manner and minimising the adverse effects caused by its operations on the environment. The Group encourages environmental protection and promotes awareness towards environmental protection to the employees. The Group reviews its environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the operation of the Group's businesses and enhancing environmental sustainability.

Details of the Group's environmental, social and governance policies and performance during FY2022 are disclosed in the environmental, social and governance report published online at the same time of this annual report.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the Share Option Scheme as disclosed in the section headed "Share Option Scheme" of this annual report, neither the Company nor any of its subsidiary undertakings was a party to any arrangements to enable Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate at any time during, or at the end of, FY2022.

## MANAGEMENT CONTRACTS

No contracts, other than the employment contracts, concerning management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during FY2022.

## USE OF NET PROCEEDS FROM THE SHARE OFFER

The Shares were listed and commenced trading on GEM on the Listing Date. 75,000,000 Shares were issued pursuant to the share offer at the offer price of HK$0.74 each with an aggregate nominal value of HK$750,000. The net proceeds (after deducting related underwriting fees and commissions and expenses payable in connection with the share offering) raised by the Company from Listing were approximately HK$5.2 million. The net issue price is approximately HK$0.07 per Share. As disclosed in the section headed "Future Plans and Use of Proceeds" of the Prospectus, the intended and actual usage of net proceeds are set out below. All the remaining net proceeds had been utilised during FY2022.

| | **Amount of net proceeds allocated**<br>*HK$ million (approximate)* | **Percentage of total amount**<br>*% (approximate)* | **Amount utilised during FY2022**<br>*HK$ million (approximate)* | **Amount utilised as at 31 December 2022**<br>*HK$ million (approximate)* |
|---|---|---|---|---|
| **Further developing the Group's air freight forwarding business** | | | | |
| – Financing the Group's additional payment obligation to procure new cargo spaces | 3.1 | 59.7 | 1.4 | 3.1 |
| – Placing bank guarantee | 1.0 | 19.2 | – | 1.0 |
| **Open new regional office in the PRC** | | | | |
| – Initial setup costs | 0.4 | 7.7 | – | 0.4 |
| – Recurring costs | 0.1 | 1.9 | – | 0.1 |
| **Undertaking charter flights** | 0.5 | 9.6 | – | 0.5 |
| **General working capital** | 0.1 | 1.9 | – | 0.1 |
| Total | 5.2 | 100.0 | 1.4 | 5.2 |

## CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the entitlements to attend and vote at the forthcoming annual general meeting on Wednesday, 31 May 2023, the register of members of the Company will be closed from Thursday, 25 May 2023 to Wednesday, 31 May 2023, both days inclusive, during which period no transfer of Shares will be registered. Shareholders are reminded to ensure all properly executed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 pm on Wednesday, 24 May 2023.

## REVIEW BY THE AUDIT COMMITTEE

This report including the Group's audited consolidated financial statements for FY2022 has been reviewed by the audit committee of the Company (the "**Audit Committee**"). The Audit Committee is of the opinion that the audited consolidated financial statements of the Group for FY2022 have been prepared in compliance with the applicable accounting standards and the GEM Listing Rules and that adequate disclosures have been made.

On behalf of the Board

**CHIU Ricky Tong**
*Chairman, Chief Executive Officer and Executive Director*

Hong Kong, 24 March 2023

# Corporate Governance Report

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability of the Company. The Directors also recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability.

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules as its own code of corporate governance.

During FY2022, the Company has applied the principles and complied with all applicable code provisions of the CG Code, save and except the deviation as follows:

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The roles of the Chairman and the CEO are currently both performed by Mr. Chiu. The Board believes that having Mr. Chiu acting as both the Chairman and the CEO will provide a strong and consistent leadership to the Group and allow for more effective strategic planning and management of the Group. Further, in view of Mr. Chiu's experience in the industry, personal profile and role in the Group and the historical development of the Group, the Board believes that it is to the benefit of the Group in the business prospects that Mr. Chiu continues to act as both the Chairman and the CEO. The Board considers that the balance of power and authority of the present arrangement will not be impaired as the Board comprises six other experienced and high-caliber individuals including one other executive Director, two non-executive Directors and three independent non-executive Directors, who would be able to offer advice from various perspectives. In addition, for major decisions of the Group, the Company will consult appropriate Board committees ("**Board Committees**") and senior management. Considering the present size and the scope of business of the Group, the Board considers that it is not in the best interest of the Company and Shareholders as a whole to separate the roles of the Chairman and the CEO, because the separation of which would render the decision-making process of the Company less efficient than the current structure. Therefore, the Directors consider that the present arrangement is beneficial to and in the best interest of the Company and the Shareholders as a whole and the deviation from code provision C.2.1 of the CG Code is appropriate in such circumstances.

In order to maintain good corporate governance and to fully comply with code provision C.2.1 of the CG Code, the Board will regularly review the need to appoint different individuals to perform the roles of the Chairman and the CEO separately.

## BOARD OF DIRECTORS

The Board is responsible for promoting the success of the Company by formulating overall business strategies and overseeing business, operation and risk management of the Group, as well as managing and supervising the accounting and financial function of the Group. The management is delegated with responsibility and authority by the Board for management of the day-to-day operation and administration of the Group. The management will provide a balanced and understandable assessment of the business performance, recent development and prospect of the Group on a regular basis.

The Board is the ultimate decision-making body for all matters considered material to the Group, and it is directly, and indirectly through various Board Committees, responsible for performing the corporate governance duties as set out in code provision A.2.1 of the CG Code, which include:

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

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

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

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

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

The Board has also delegated various responsibilities to the Board Committees. Further details of the Board Committees are set out below in this annual report.

## COMPOSITION OF THE BOARD

The composition of the Board during FY2022 and up to the date of this annual report is set out below:

### Executive Directors

Mr. Chiu Ricky Tong *(Chairman and Chief Executive Officer)*
Mr. Tse Chi Kwan Decky

### Non-executive Directors

Mr. Heung Wai Keung
Ms. Wong Sheng Ning Candace

### Independent non-executive Directors

Mr. Tam Ka Hei Raymond
Mr. Ng Hung Fai Myron
Mr. Yeung Kwong Wai
Mr. Yu Tak Chi Michael *(resigned on 2 November 2022)*

Save as disclosed in the section headed "Biographical Details of Directors and Senior Management" of this annual report, to the best knowledge of the Board, there were no other financial, business, family and other material/relevant relationships among the members of the Board as at the date of this annual report.

During FY2022, the Board at all times met Rules 5.05(1) and (2), and 5.05A of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors representing more than one-third of the Board, with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise. The Company has received from each independent non-executive Director an annual confirmation of his independence and the Company considers that as at the date of this annual report, all of the independent non-executive Directors were independent in accordance with Rule 5.09 of the GEM Listing Rules.

## DIVERSITY

### Board diversity

The Company has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach of which the Board could achieve and maintain a high level of diversity. The Company recognises the benefits of having a diversified Board, as such the Group will ensure that members of the Board have the appropriate balance of skills, experience and diversity of perspectives that are required to support the Group's business strategies and sustainable development.

Pursuant to the Board Diversity Policy, the Group seeks to achieve Board diversity by setting measurable objectives, including age, skills, know-how, regional and industry experience, background, race, gender, other qualities etc. Such objectives will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained.

The Board currently comprises seven members, including two executive Directors, two non-executive Directors and three independent non-executive Directors. The Directors obtained diplomas or degrees in various disciplines, including social studies, arts, business administration and accounting and finance. They also have a balanced mix of professional experience and industry background in logistics, credit control, risk management, corporate finance and accounting. The Group has also taken and will continue to take steps to promote gender diversity at all levels of the Company, including but without limitation at the Board and senior management levels. In particular, one of the existing board members of the Company is female, bringing the female representation to about 14% of the Board.

The Board is currently of the opinion that it generally meets the diversity requirements under the GEM Listing Rules. Yet, the Board will continue to take opportunities to increase the proportion of female members over time as and when suitable candidates are identified and will review the implementation and effectiveness of the Board Diversity Policy on an annual basis to ensure its continued effectiveness.

Details of the current members of the Board are set out as follows:

| | | |
|---|---|---|
| **Gender** | **Male** | **Female** |
| | 6 | 1 |
| **Nationality** | | **Chinese** |
| | | 7 |
| **Age group** | **40-49** | **50-59** |
| | 4 | 3 |
| **Length of service** | | **5 years or below** |
| | | 7 |

**Diversity in general**

As to diversity in respect of all employees, in FY2022, the Group had 41 full-time employees, of which 20 were male and 21 were female. The gender ratio in the workforce (including senior management) was approximately 1 male to 1.05 females, demonstrating a very balanced gender ratio achieved by the Group.

Yet, the Group will still (i) periodically review internal records on gender diversity; (ii) identify suitable female candidates for relevant positions within the Company; and (iii) try to ensure that there is gender diversity when recruiting staff at mid to senior level and engage more resources in career development and training female staff with the aim of promoting them to the senior management or directorship of the Company.

## BOARD PROCESS AND MEETINGS

The Board adopted the practice of holding meetings regularly, at least four times a year, and at approximately quarterly intervals.

At least 14 days' notice of a Board meeting will be given to all Directors to provide an opportunity to attend and include matters for discussion in the agenda for a regular meeting. For other Board and Board Committee meetings, reasonable notice will be given by the Company. Board members are provided with all agenda and adequate information for their review within reasonable time before the meetings. The Board's procedures comply with the Articles, as well as relevant rules and regulations.

Minutes of Board meetings and Board Committee meetings shall record in sufficient detail the matters considered and decisions reached. Draft and final versions of minutes shall be sent to all Directors for their comment and records, respectively, within a reasonable time after the Board meeting is held. Minutes of Board meetings and Board Committee meetings are kept by the company secretary of the Company and are available for inspection by the Directors at any reasonable time on reasonable notice. Each Director is entitled to seek independent professional advice in appropriate circumstances at the expense of the Company.

| | Attendance/No. of meetings held during FY2022 | | | | | |
|---|---|---|---|---|---|---|
| | Board | Audit Committee | Remuneration Committee | Nomination Committee | Financial Reporting Committee | Annual General Meeting |
| **Executive Directors** | | | | | | |
| Mr. Chiu Ricky Tong | 4/4 | N/A | N/A | N/A | N/A | 1/1 |
| Mr. Tse Chi Kwan Decky | 4/4 | N/A | N/A | N/A | N/A | 1/1 |
| **Non-executive Directors** | | | | | | |
| Mr. Heung Wai Keung | 4/4 | N/A | N/A | N/A | 4/4 | 1/1 |
| Ms. Wong Sheng Ning Candace | 4/4 | N/A | N/A | N/A | N/A | 1/1 |
| **Independent Non-executive Directors** | | | | | | |
| Mr. Tam Ka Hei Raymond | 4/4 | 4/4 | 1/1 | 1/1 | 4/4 | 1/1 |
| Mr. Ng Hung Fai Myron(1) | 4/4 | 1/1 | 1/1 | 1/1 | 1/1 | 1/1 |
| Mr. Yeung Kwong Wai(2) | 3/4 | 3/4 | N/A | N/A | 3/4 | 1/1 |
| Mr. Yu Tak Chi Michael(3) | 3/3 | 3/3 | 1/1 | 1/1 | 3/3 | 1/1 |

*Notes:*

(1) Appointed as a member of each of the Audit Committee and financial reporting committee of the Company (the "**Financial Reporting Committee**"), respectively on 2 November 2022.

(2) Appointed as a member of each of the Remuneration Committee and the nomination committee of the Company (the "**Nomination Committee**"), respectively on 2 November 2022.

(3) Resigned as an independent non-executive Director on 2 November 2022.

During FY2022, the Board also reviewed the implementation and effectiveness of mechanisms to ensure independent views and input are available to the Board. Taking into account the following channels, the Board considered that the Company had in place mechanisms which remain effective to ensure a strong independent element on the Board:

- a sufficient number of three independent non-executive Directors representing more than one-third of the Board and all of them continue to devote adequate time contribution to the Company;
- the independent non-executive Directors have an equal status to other Board members;
- all independent non-executive Directors share their views and opinions through regular quarterly meetings;
- annual meeting between the Chairman and all independent non-executive Directors without presence of other Directors providing effective platform for the Chairman to listen independent views on various issues concerning the Group;
- interaction with management and other Board members including the Chairman outside the boardroom upon request by the Directors; and
- independent professional advice would be provided to independent non-executive Directors upon reasonable request to assist them to perform their duties to the Company.

## TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors entered into a service contract with the Company and each of the non-executive Directors and independent non-executive Directors signed a letter of appointment. The said service contracts and letters of appointment are for an initial term of three years commencing from the Listing Date, subject to re-election in accordance with the Articles and termination in accordance with their respective terms.

Pursuant to article 84(1) of the Articles, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. However, article 84(2) of the Articles provides that a retiring Director shall be eligible for re-election.

As such, Mr. Heung Wai Keung, Mr. Tam Ka Hei Raymond and Nr. Ng Hung Fai Myron will retire from office as Directors and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company to be held on Wednesday, 31 May 2023 in accordance with the Articles.

## CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct for securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Model Code**"). Pursuant to rule 5.66 of the Model Code, the Directors have also requested any employee of the Company or director or employee of a subsidiary of the Company who, because of his office or employment in the Company or a subsidiary, is likely to possess inside information in relation to the securities of the Company, not to deal in securities of the Company when he would be prohibited from dealings by the Model Code as if he was a Director.

The Company had made specific enquiries with written guidelines in relation to the Model Code to all Directors and all Directors confirmed that they had complied with the required standards of dealings set out in the Model Code during FY2022. In addition, the Company was not aware of any non-compliance of the Model Code by the senior management of the Group during FY2022.

## DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

The Group acknowledges the importance of continuing professional development for the Directors for the enhancement of corporate governance and internal control system. In this regard and in compliance with code provision C.1.4 of the CG Code, the Group shall arrange and fund suitable training for all Directors to participate in continuous professional development organized in the form of in-house training and seminars so as to keep them refreshed of their knowledge and skills and understanding of the Group's business and to update their skills and knowledge on the latest development and changes in the roles, functions and duties of a listed company director, as well as the relevant statutes, the GEM Listing Rules and corporate governance practices.

According to the records kept by the Company, each of the Directors, namely Mr. Chiu Ricky Tong, Mr. Tse Chi Kwan Decky, Ms. Wong Sheng Ning Candace, Mr. Heung Wai Keung, Mr. Tam Ka Hei Raymond, Mr. Ng Hung Fai Myron, Mr. Yu Tak Chi Michael (up until 2 November 2022) and Mr. Yeung Kwong Wai had attended seminars and/or trainings that are relevant to the Directors' professional knowledge and skills and in performing their duties and responsibilities as Directors. Each Director keeps abreast of his/her responsibility as a Director and of the conduct, business activities and development of the Company.

## BOARD COMMITTEES

The Board established four Board Committees, namely the Audit Committee, Remuneration Committee, Nomination Committee and Financial Reporting Committee for overseeing particular aspects of the Group's affairs. All Board Committees were established with written terms of reference in compliance with the relevant code provisions of the CG Code, which are available at the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.grandpowerexpress.com).

### Audit Committee

The Audit Committee was established in compliance with Rule 5.28 of the GEM Listing Rules with written terms of reference in compliance with code provision D.3.3 of the CG Code. Among other things, the primary duties of the Audit Committee are to make recommendations to the Board on appointment or reappointment and removal of external auditor; review financial statements of the Company and judgments in respect of financial reporting; and oversee the effectiveness of the internal control procedures of the Group. During FY2022, up until 2 November 2022, the Audit Committee consisted of three independent non-executive Directors, namely Mr. Yu Tak Chi Michael (chairman), Mr. Tam Ka Hei Raymond and Mr. Yeung Kwong Wai, and thereafter, it consists of three independent non-executive Directors, namely Mr. Yeung Kwong Wai (chairman), Mr. Tam Ka Hei Raymond and Mr. Ng Hung Fai Myron.

The Audit Committee held four meetings during FY2022. Individual attendance records of each member of the Audit Committee are set out on page 38 of this report.

Summary of the work performed by the Audit Committee during FY2022:

– reviewed the audited consolidated financial statements, annual results announcement and the annual report for FY2021;

– reviewed the unaudited condensed consolidated financial statements for the three months, six months and nine months ended 31 March, 30 June and 30 September 2022, respectively;

– reviewed the financial reporting system, the risk management and internal control systems, and the effectiveness of the internal audit function;

– assessed the audit work of the auditor and its audit fee; and

– discussed with the auditor of the Company the audit matters before the commencement of the audit work.

### Remuneration Committee

The Remuneration Committee was established in compliance with Rule 5.34 of the GEM Listing Rules with written terms of reference in compliance with code provision E.1.2 of the CG Code. Among other things, the primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors, senior management and general staff of the Group and ensure that none of the Directors or any of their associates determine their own remuneration. During FY2022, up until 2 November 2022, the Remuneration Committee consisted of three independent non-executive Directors, namely Mr. Tam Ka Hei Raymond (chairman), Mr. Ng Hung Fai Myron and Mr. Yu Tak Chi Michael, and thereafter, it consists of three independent non-executive Directors, namely Mr. Tam Ka Hei Raymond (chairman), Mr. Ng Hung Fai Myron and Mr. Yeung Kwong Wai.

The Remuneration Committee held one meeting during FY2022. Individual attendance records of each member of the Remuneration Committee are set out on page 38 of this report.

Summary of the work performed by the Remuneration Committee during FY2022:

– discussed the remuneration of the Directors;

– assessed performance of executive Directors and approving the terms of executive Directors' service contracts;

– reviewed and made recommendations to the Board on the remuneration policy and structure for all Directors and senior management;

– reviewed and made recommendations to the Board on the remuneration packages of individual Directors and senior management (i.e. code provision E.1.2(c)(ii) of the CG Code was adopted); and

– reviewed and approved matters relating to the share scheme of the Company.

Details of the remuneration payable to each Director for FY2022 are set out in note 8 to the consolidated financial statements in this annual report.

Pursuant to code provision E.1.5 of the CG Code, the remuneration of the senior management (comprising the executive Directors) by band for FY2022 is set out below:

| **Emolument bands** | **No. of individuals** |
|---|---|
| HK$2,500,001 to HK$3,000,000 | 1 |
| HK$3,000,001 to HK$3,500,000 | 1 |

**Nomination Committee**

The Nomination Committee was established with terms of reference in compliance with code provision B.3.1 of the CG Code. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board annually; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to appointment or reappointment of Directors. During FY2022, up until 2 November 2022, the Nomination Committee consisted of three independent non-executive Directors, namely Mr. Ng Hung Fai Myron (chairman), Mr. Tam Ka Hei Raymond and Mr. Yu Tak Chi Michael, and thereafter, it consists of three independent non-executive Directors, namely Mr. Ng Hung Fai Myron (chairman), Mr. Tam Ka Hei Raymond and Mr. Yeung Kwong Wai.

To ensure that the Board maintains a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business, and to enhance the nomination process for a Director candidate, a nomination policy was adopted as a guidance on the selection process and board succession planning. The Nomination Committee utilizes various methods for identifying Director candidates, including recommendations from Board members, management, and professional search firms. The evaluation of Director candidates may include review of resume and job history, personal interviews, verification of professional and personal references and performance of background checks etc. In addition, the Nomination Committee will consider Director candidates, including incumbents and candidates nominated by the Shareholders, properly submitted by the Shareholders. The Nomination Committee will take into account whether a candidate has the qualifications, skills and experience, gender diversity, etc., that can add to and complement the range of skills, experience and background of existing Directors, and considers the following qualifications are at a minimum to be required of a Director candidate in recommendation to the Board, or the continued service of existing Director:

- the highest personal, professional ethics and integrity;
- proven achievement and competence in the nominee's field and the ability to exercise sound business judgment;
- skills that are complementary to those of the existing Board;
- the ability to assist and support management and make significant contributions to the Company's success;
- an understanding of the fiduciary responsibilities that is required of a member of the Board and the commitment of time and energy necessary to diligently carry out those responsibilities; and
- independence as required under the GEM Listing Rules.

The Board and the Nomination Committee will also make reference to the Board Diversity Policy, details of which are set out in the section headed "Board diversity" above.

The Nomination Committee held one meeting during FY2022. Individual attendance records of each member of the Nomination Committee are set out on page 38 of this report.

Summary of the work performed by the Nomination Committee during FY2022:

– reviewed the structure, size, composition and diversity of the Board, and the Board Diversity Policy;

– reviewed the nomination policy and procedures for directorship during FY2022;

– assessed the independence of the independent non-executive Directors; and

– made recommendations to the Board on relevant matters relating to the re-election of Directors.

**Financial Reporting Committee**

The primary duties of the Financial Reporting Committee are to oversee the Group's financial reporting system, risk management and internal control systems and review the Group's financial information and application of accounting policies. During FY2022, up until 2 November 2022, the Financial Reporting Committee consisted of four members, including three independent non-executive Directors, namely Mr. Yeung Kwong Wai (chairman), Mr. Yu Tak Chi Michael and Mr. Tam Ka Hei Raymond, and a non-executive Director, namely Mr. Heung Wai Keung, and thereafter, it consists of Mr. Yeung Kwong Wai (chairman), Mr. Ng Hung Fai Myron, Mr. Tam Ka Hei Raymond and Mr. Heung Wai Keung.

The Financial Reporting Committee held four meetings during FY2022, in order to review the financial results for FY2021, monitor integrity of the Company's financial statements and annual report and review significant financial reporting judgments contained in them, as well as review the Company's financial controls, risk management and internal control systems, the quarterly and interim results of 2022.

## COMPANY SECRETARY

The company secretary of the Company is responsible for advising the Board on corporate governance matters and maintaining minutes recorded in sufficient details of all the meetings of the Board and committees of the Company. All Directors have access to the advice and services of the company secretary of the Company to ensure that the Board procedures and all applicable laws, rules and regulations, are followed.

Mr. Li Chun Fung was appointed as the company secretary of the Company on 20 July 2018. Please refer to the section headed "Biographical Details of Directors and Senior Management" of this annual report for his biographical information.

Mr. Li confirmed that he has complied with Rule 5.15 of the GEM Listing Rules by taking no less than 15 hours of relevant professional training during FY2022.

## DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements which give a true and fair view of the state of affairs of the Group. In preparing the financial statements which give a true and fair view, it is fundamental that appropriate accounting policies should be selected and applied consistently. As at 31 December 2022, the Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements of the Group.

## INTERNAL CONTROL AND RISK MANAGEMENT

The Company recognises the importance of good internal control procedures and, as disclosed in the Prospectus, intends to adopt or have adopted a number of measures. In order to ensure compliance with applicable laws and regulations and related policies in different operational aspects, the Group has established and adopted an internal control system, covering areas such as, among other things (i) financial reporting; (ii) credit risk and cashflow mismatch; (iii) procurement and accounts payable; and (iv) human resources management.

The Board has acknowledged that it has the overall responsibility for the risk management and internal control systems and reviewing their effectiveness. The Group has an internal audit function which conducts review on adequacy and effectiveness of the risk management and internal control systems of the Group. Such review is conducted annually and cycles reviewed are under rotation basis. During FY2022, the Company engaged an external independent internal control consultant to conduct a review on the effectiveness of the Group's risk management and internal control systems. The Group has implemented the recommendations from the independent internal control consultant to improve and enhance the Group's risk management and internal control systems. The independent internal control consultant also performed a follow-up review on the status of the Group's actions and reported that the deficiencies identified in the FY2021 review have been remedied. As confirmed from the management of the Group, the Board believes that the internal control and the risk management measures implemented by the Group were adequate and effective, and could effectively ensure a proper risk management and control systems of the Group.

To strengthen the Group's internal control and ensure future compliance with the applicable laws and regulations (including the GEM Listing Rules), the Group has adopted the following additional internal control measures and processes:

- the Board will continuously monitor, evaluate and review the Group's internal risk management and control systems to ensure compliance with the applicable legal and regulatory requirements and will adjust, refine and enhance the Group's internal risk management and control systems as appropriate;

- the Group will regularly assess the credit rating of its customers and make amendments to their credit period and payment terms in accordance with the Group's assessment to minimise the risk of customer default and cashflow mismatch;

- the Group's management will continue to monitor the price change of cargo space in the market and frequently compare the purchase costs of the cargo space the Group sources from its suppliers against the prevailing market rates in order to maintain its price competitiveness;

- if necessary, the Group may consider arranging its Directors, members of senior management and relevant employees to attend trainings on the legal and regulatory requirements applicable to the Group's business operations from time to time; and

- the Group has appointed external legal advisers to advise it on matters relating to compliance with the GEM Listing Rules and if necessary, seek advice on the applicable laws and regulations in places of the Group's business operations.

The Audit Committee and the Financial Reporting Committee are also accountable for, and will review, the Company's financial controls, risk management and internal control systems on a regular basis.

## WHISTLEBLOWING POLICY

The whistleblowing policy has been put in place for all employees and those who have business dealings with the Group (including customers and suppliers) to deal with concerns related to fraudulent or unethical acts or non-compliances with laws and the Group's policies that have or could have significant adverse financial, legal or reputational impacts on the Group. They may raise concerns about the possible improprieties in any matters related to the Group, in person or in writing to the company secretary of the Company who shall report to the chairman of the Audit Committee in confidence and anonymity. The chairman of the Audit Committee shall then determine the course of action to pursue, with power to delegate, with respect to the report.

## ANTI-CORRUPTION POLICY

The Group has formulated its own anti-corruption policy to ensure the Directors and employees within the Group comply with the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong), the Criminal Law of the PRC, the Anti-Unfair Competition Law of the PRC and the Anti-Money Laundering Law of the PRC, where applicable. The policy sets out the integrity and conduct requirements and policies or controls in place which applies to all Directors and employees of the Group at all levels, and external parties doing business with the Group and those acting in an agency or fiduciary capacity on behalf of the Group (e.g., agents, consultants and contractors). The policy is reviewed from time to time to ensure that it remains appropriate.

## INSIDE INFORMATION

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company has developed a policy on disclosure of inside information which provides guidelines and procedures to the Directors, senior management and employees of the Company in evaluating and handling confidential information and monitoring information disclosure. Internal control measures have been implemented to ensure that the procedures for the handling and disclosure of inside information are in compliance with the continuous disclosure obligations under the GEM Listing Rules and the disclosure of inside information requirements under the SFO.

## AUDITOR'S REMUNERATION

For FY2022, the fees paid or payable in respect of the audit and non-audit services provided by the auditor of the Group, EY, were as follows:

| Nature of services | Amount |
|---|---|
| | *HK$'000* |
| Audit services | 2,030 |
| Non-audit services *(Note)* | 349 |
| Total | 2,379 |

*Note:* The non-audit services included the provision of advisory and tax compliance services.

## SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

### Procedures and Right for Shareholders to Convene Extraordinary General Meeting

The following procedures for Shareholders to convene an extraordinary general meeting are subject to the Articles, and the applicable legislation and regulations, in particular the GEM Listing Rules:

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders may make reference to article 58 of the Articles for further details.

### Procedures for Shareholders to Propose a Person for Election as a Director of the Company

If a Shareholder, who is duly qualified to attend and vote at the general meeting convened to deal with the appointment or election of Director(s), wishes to propose a person for election as a Director at that meeting, he/she may lodge a written notice at the Company's principal place of business in Hong Kong at Unit 611, 6/F, Tower 1 Harbour Centre, 1 Hok Cheung Street, Hung Hom, Kowloon, Hong Kong for the attention of the company secretary of the Company. Detailed procedures for Shareholders to propose a person for election as a Director can be found on the Company's website (www.grandpowerexpress.com).

### Communication with Shareholders

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its Shareholders.

The Company has adopted its Shareholders' communication policy ("**Shareholders' Communication Policy**") on 11 December 2020 reflecting mostly the current practices of the Company for communication with its Shareholders. Such policy aims to provide Shareholders and the investment community (including the Company's potential investors as well as analysts reporting and analysing the Company's performance) with information about the Company and enabling them to engage actively with the Company and exercise their rights as Shareholders in an informed manner.

In order to ensure timely, transparent and accurate communications between the Shareholders and the Company, the Shareholders' Communication Policy sets out various communication channels including, amongst others, the Company's financial reports (quarterly, half-year and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the (i) corporate communication documents including, but not limited to, copy of annual reports, half-year reports, quarterly reports, notices of meeting, circulars, proxy forms ("**Corporate Communication**"); (ii) other documents issued by the Company which are published on the website of the Stock Exchange for the information or action of holders of any of its securities, including announcements, monthly returns on movements in the Company's securities for each month and next day disclosure returns; (iii) constitutional documents of the Company and Board Committees; (iv) corporate information including list of Directors; and (v) other Corporate Communication which are published on the Company's website, including the procedures Shareholders can use to propose a person for election as a Director.

These channels allow the Company to communicate with and receive feedback from the Shareholders and investment community effectively. In addition, Shareholders and the investment community shall be provided with designated contacts, email addresses and enquiry lines of the Company in order to enable them to make any queries in respect of the Company.

The Board is responsible for regularly reviewing the effectiveness of the Shareholders' Communication Policy, and it was satisfied with the implementation and effectiveness of the Shareholders' Communication Policy in FY2022, as the policy has provided effective channels for Shareholders, potential investors and other stakeholders of the Group to communicate their views with the Company. The Company had complied with the principles and required practices as set out in the policy as described above during FY2022.

The latest news and updates of the Group's business and operation are also available on the Company's website (www.grandpowerexpress.com).

### Procedures for Shareholders to Send Enquiries to the Board

Shareholders may send written enquiries to the Company for the attention of the company secretary of the Company at the Company's principal place of business in Unit 611, 6/F, Tower 1 Harbour Centre, 1 Hok Cheung Street, Hung Hom, Kowloon, Hong Kong.

### Putting forward Proposals at Shareholders' meetings

A Shareholder shall make a written requisition to the Board or the company secretary of the Company at its principal place of business in Hong Kong at Unit 611, 6/F, Tower 1 Harbour Centre, 1 Hok Cheung Street, Hung Hom, Kowloon, Hong Kong, specifying the shareholding information of the Shareholder, his/her contact details and the proposal he/she intends to put forward at Shareholders' meeting regarding any specified transaction/business and its supporting documents.

## CONSTITUTIONAL DOCUMENTS

The Articles were conditionally adopted pursuant to written resolutions passed on 11 December 2020 and effective from 13 January 2021. A copy of the Articles is available at the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.grandpowerexpress.com). There had been no changes in the Articles since the Listing Date to the date of publication of this annual report.

As disclosed in the announcement of the Company dated 24 March 2023, the Board announced that in order to (i) bring the Articles in line with the relevant requirements of the applicable laws of the Cayman Islands and the GEM Listing Rules; and (ii) make other consequential and housekeeping amendments, and in view of the number of proposed changes, it proposes to amend the Articles and adopt the new Articles incorporating the said proposed amendments in substitution for, and to the exclusion of, the existing Articles (the "**Proposed Amendments**"). The Proposed Amendments are subject to the approval of the Shareholders by way of a special resolution at the Company's forthcoming annual general meeting.

# Independent Auditor's Report

**Ernst & Young**
27/F, One Taikoo Place,
979 King's Road,
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌
英皇道 979 號
太古坊一座 27 樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
www.ey.com

To the shareholders of
**Grand Power Logistics Group Limited**
*(Incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of Grand Power Logistics Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 58 to 127, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2022, 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.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were 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 these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

## KEY AUDIT MATTERS *(Continued)*

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Loss allowances for expected credit loss ("ECL") of trade receivables*** | |
| As at 31 December 2022, the Group had trade receivables of HK$138,846,000 after providing an ECL allowance of HK$1,052,000.<br><br>In determining the ECL for trade receivables, the management of the Group assesses whether the trade receivables are credit impaired, and considers 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 engaged an independent professional valuer to provide valuation in this regard. The impairment of trade receivables is estimated by management through the application of judgement and use of highly subjective assumptions.<br><br>The accounting policies and disclosures of the trade receivables and their impairment are included in notes 2.4, 3 and 14. | Our audit procedures included:<br><br>a) enquiring the management of the Group to understand the Group's process for estimating the ECL of trade receivables;<br><br>b) evaluating the competence, capabilities and objectivity of the independent professional valuer engaged by the Group;<br><br>c) assessing the methodologies used and the key assumptions adopted;<br><br>d) evaluating the judgement made by the management of the Group in identifying credit-impaired trade receivables;<br><br>e) assessing whether the loss allowances for ECL of trade receivables are properly supported by referring to available forward-looking information, the debtors' ageing analysis, settlement record and history of bad debt;<br><br>f) recalculating the loss allowances for ECL of trade receivables made by the management of the Group; and<br><br>g) involving our internal valuation specialists to assist us to evaluate the methodologies and assumptions used in the ECL calculation. |

## KEY AUDIT MATTERS *(Continued)*

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Impairment of property, plant and equipment*** | |
| As at 31 December 2022, the Group had property, plant and equipment of HK$30,863,000 which were stated at cost less accumulated depreciation and impairment losses.<br><br>The Group's management performed impairment assessment of property, plant and equipment by estimating their recoverable amounts based on the higher of fair value less costs of disposal and value in use. Impairment loss of HK$4,500,000 has been recognised in profit or loss during the year to reduce the carrying amounts of certain property, plant and equipment to their estimated recoverable amounts. The Group has engaged an independent professional valuer to estimate the fair value of certain leasehold land and buildings. For remaining property, plant and equipment, the Group's management determined the recoverable amounts based on value in use calculation using the discounted cash flow method which involved significant judgements and assumptions, including the expected future cash flow forecast, associated growth rates and discount rate applied. The estimation process is inherently subjective and dependent on assumptions.<br><br>The accounting policies and disclosures of the property, plant and equipment and their impairment are included in notes 2.4, 3 and 13. | Our audit procedures included:<br><br>a) evaluating the Group's policies and procedures in identifying impairment indicators;<br><br>b) evaluating the competence, capabilities and objectivity of the independent professional valuer engaged by the Group and examining the inputs used, including the unit rates per square foot and the saleable areas;<br><br>c) assessing the methodologies used in the value in use calculation and the key assumptions adopted by reviewing budgeted gross margins, growth rates and discount rate; and<br><br>d) involving our internal valuation specialists to assist us to evaluate the methodologies and assumptions used in the determination of the recoverable amounts of those property, plant and equipment based on value in use calculation. |

## OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

## RESPONSIBILITIES OF THE DIRECTORS 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made solely to you, as a body, 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.

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

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

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

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

- 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.

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lai Ho Yin.

**Ernst & Young**
*Certified Public Accountants*

Hong Kong
24 March 2023

# Consolidated Statement of Profit or Loss

*Year ended 31 December 2022*

| | Notes | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|---|
| **Revenue** | 5 | **674,387** | 892,468 |
| Cost of services | | **(647,142)** | (809,576) |
| Gross profit | | **27,245** | 82,892 |
| Other income | 6 | **699** | 347 |
| Administrative and other operating expenses | | **(53,952)** | (54,513) |
| Reversal of provision for impairment loss on trade receivables | 14(b) | **171** | 333 |
| Finance costs | 7 | **(1,724)** | (992) |
| **(Loss)/profit before tax** | 7 | **(27,561)** | 28,067 |
| Income tax expense | 10 | **(29)** | (5,087) |
| **(Loss)/profit for the year** | | **(27,590)** | 22,980 |
| **(Loss)/earnings per share attributable to ordinary equity holders of the Company** | | *HK cents* | *HK cents* |
| Basic and diluted | 12 | **(9.20)** | 7.72 |

# Consolidated Statement of Comprehensive Income

*Year ended 31 December 2022*

| | 2022 | 2021 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **(Loss)/profit for the year** | **(27,590)** | 22,980 |
| **Other comprehensive (loss)/income:** | | |
| *Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:* | | |
| Exchange differences on translation of foreign operations | **(1,833)** | 1,474 |
| **Total comprehensive (loss)/income for the year attributable to ordinary equity holders of the Company** | **(29,423)** | 24,454 |

# Consolidated Statement of Financial Position

*31 December 2022*

| | Notes | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 13 | **30,863** | 35,524 |
| Deferred tax assets | 19 | **–** | 322 |
| Other receivables | 14 | **78** | 78 |
| Total non-current assets | | **30,941** | 35,924 |
| **Current assets** | | | |
| Trade receivables, other receivables and prepayments | 14 | **140,925** | 235,437 |
| Tax recoverable | | **5,007** | 396 |
| Pledged bank deposits | 15 | **30,071** | 30,068 |
| Cash and bank balances | 15 | **29,553** | 64,932 |
| Total current assets | | **205,556** | 330,833 |
| **Current liabilities** | | | |
| Trade and other payables | 16 | **71,918** | 158,151 |
| Tax payable | | **–** | 392 |
| Interest-bearing borrowings | 17 | **24,494** | 40,289 |
| Lease liabilities | 18 | **1,735** | 597 |
| Total current liabilities | | **98,147** | 199,429 |
| **Net current assets** | | **107,409** | 131,404 |
| **Total assets less current liabilities** | | **138,350** | 167,328 |
| **Non-current liabilities** | | | |
| Lease liabilities | 18 | **1,837** | 1,392 |
| Total non-current liabilities | | **1,837** | 1,392 |
| **NET ASSETS** | | **136,513** | 165,936 |

# Consolidated Statement of Financial Position

*31 December 2022*

| | Notes | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| **Equity** | | | |
| Share capital | *20* | **3,000** | 3,000 |
| Reserves | *21* | **133,513** | 162,936 |
| **TOTAL EQUITY** | | **136,513** | 165,936 |

The consolidated financial statements on pages 58 to 127 were approved and authorised for issue by the Board of Directors on 24 March 2023 and signed on its behalf by

**Chiu Ricky Tong**
*Director*

**Tse Chi Kwan Decky**
*Director*

# Consolidated Statement of Changes in Equity

*Year ended 31 December 2022*

| | Share capital *HK$'000* *(Note 20)* | Share premium *HK$'000* *(Note 21(a))* | Capital reserve *HK$'000* *(Note 21(b))* | Exchange fluctuation reserve *HK$'000* *(Note 21(c))* | Statutory reserve *HK$'000* *(Note 21(d))* | Retained profits *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|---|---|
| At 1 January 2021 | –* | – | 97,438 | (1,228) | 110 | 6,176 | 102,496 |
| Profit for the year | – | – | – | – | – | 22,980 | 22,980 |
| **Other comprehensive income for the year:** | | | | | | | |
| Exchange differences on translation of foreign operations | – | – | – | 1,474 | – | – | 1,474 |
| **Total comprehensive income for the year** | – | – | – | 1,474 | – | 22,980 | 24,454 |
| Issue of shares by way of share offer *(Note 20(a))* | 750 | 54,750 | – | – | – | – | 55,500 |
| Capitalisation issue *(Note 20(b))* | 2,250 | (2,250) | – | – | – | – | – |
| Transaction costs attributable to issue of new shares *(Note 20(a))* | – | (16,514) | – | – | – | – | (16,514) |
| At 31 December 2021 and 1 January 2022 | 3,000 | 35,986** | 97,438** | 246** | 110** | 29,156** | 165,936 |
| Loss for the year | – | – | – | – | – | (27,590) | (27,590) |
| **Other comprehensive loss for the year:** | | | | | | | |
| Exchange differences on translation of foreign operations | **–** | **–** | **–** | **(1,833)** | **–** | **–** | **(1,833)** |
| **Total comprehensive loss for the year** | **–** | **–** | **–** | **(1,833)** | **–** | **(27,590)** | **(29,423)** |
| **At 31 December 2022** | **3,000** | **35,986**** | **97,438**** | **(1,587)**** | **110**** | **1,566**** | **136,513** |

* *The amount is less than HK$1,000*

** *These reserve accounts comprise the consolidated reserves of HK$133,513,000 (2021: HK$162,936,000) in the consolidated statement of financial position.*

# Consolidated Statement of Cash Flows

*Year ended 31 December 2022*

| | Notes | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| (Loss)/profit before tax | | **(27,561)** | 28,067 |
| Adjustments for: | | | |
| Interest income | 6 | **(69)** | (17) |
| Finance costs | 7 | **1,724** | 992 |
| Depreciation | 7 | **3,164** | 2,776 |
| Reversal of provision for impairment loss on trade receivables, net | 7 | **(171)** | (333) |
| Loss on disposal of items of property, plant and equipment | 7 | **–** | 26 |
| Impairment of property, plant and equipment | 7 | **4,500** | – |
| Impairment of deposits | 7 | **883** | – |
| | | **(17,530)** | 31,511 |
| Decrease/(increase) in trade receivables, other receivables and prepayments | | **93,051** | (39,563) |
| (Decrease)/increase in trade and other payables | | **(85,876)** | 35,171 |
| **Cash (used in)/generated from operations** | | **(10,355)** | 27,119 |
| Hong Kong profits tax paid | | **(4,710)** | (12,791) |
| Interest paid | | **(1,724)** | (992) |
| **Net cash flows (used in)/from operating activities** | | **(16,789)** | 13,336 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Increase in pledged bank deposits | | **(3)** | (5,372) |
| Interest received | | **69** | 17 |
| Purchase of items of property, plant and equipment | 13 | **(122)** | (1,237) |
| Proceeds from disposal of items of property, plant and equipment | | **–** | 7 |
| **Net cash flows used in investing activities** | | **(56)** | (6,585) |

# Consolidated Statement of Cash Flows

*Year ended 31 December 2022*

| | Notes | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issue of shares | 20(a) | – | 55,500 |
| Share issue expenses | 20(a) | – | (16,514) |
| Inception of interest-bearing borrowings | 23(b) | **39,775** | 25,009 |
| Repayment of interest-bearing borrowings | 23(b) | **(55,570)** | (32,758) |
| Repayment of lease liabilities | 23(b) | **(1,334)** | (1,029) |
| **Net cash flows (used in)/from financing activities** | | **(17,129)** | 30,208 |
| **Net (decrease)/increase in cash and cash equivalents** | | **(33,974)** | 36,959 |
| **Cash and cash equivalents at beginning of year** | | **64,932** | 27,580 |
| Effect of foreign exchange rate changes, net | | **(1,405)** | 393 |
| **Cash and cash equivalents at end of year** | | **29,553** | 64,932 |
| **ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS** | | | |
| **Cash and bank balances** | 15 | **29,553** | 64,932 |

## 1. CORPORATE AND GROUP INFORMATION

Grand Power Logistics Group Limited (the "Company", together with its subsidiaries are collectively referred to as the "Group") was incorporated in the Cayman Islands as an exempted company with limited liability on 29 March 2018 under the Companies Act of the Cayman Islands. The shares of the Company were listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 January 2021. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business and the Group's headquarter is situated at Unit 611, 6/F, Tower 1 Harbour Centre, 1 Hok Cheung Street, Hung Hom, Kowloon, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of air-freight and ocean-freight forwarding services as an integrated logistics services provider.

### Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

| Name | Place of incorporation/ registration and business | Issued ordinary/ registered share capital | Percentage of equity attributable to the Company Direct | Percentage of equity attributable to the Company Indirect | Principal activities |
|---|---|---|---|---|---|
| Grand Power Logistics Holdings Limited@ | BVI/BVI | United States dollars ("US$") 10,002 | 100% | – | Investment holding |
| Grand Power Express International Limited@ | Hong Kong/ Hong Kong | HK$92,750,000 | – | 100% | Provision of air-freight and ocean-freight forwarding services |
| Grand Power Express Forwarders Company Limited@ | Macau/Macau | Macau Pataca 2,200,000 | – | 100% | Provision of air-freight forwarding services |
| 裕程國際貨運有限公司 (Grand Power Express International (China) Limited*)# | Peoples' Republic of China (the "PRC")/ Mainland China | US$7,250,000 | – | 100% | Provision of air-freight and ocean-freight forwarding services |
| United Air Cargo & Express Limited@ | BVI/Macau | US$100 | – | 100% | Provision of air-freight forwarding services and holding property for own use |
| 港裕程國際貨運代理(深圳)有限公司 (Grand Power Express International (Shenzhen) Limited*)# | The PRC/Mainland China | Renminbi ("RMB") 5,000,000 | – | 100% | Provision of air-freight and ocean-freight forwarding services |
| Lumen Corporation Limited@ | Hong Kong/ Hong Kong | HK$1 | – | 100% | Holding property for own use |
| Metroplus Asia Limited@ | BVI/BVI | US$50,000 | – | 100% | Investment holding |
| Redcap Logistics Limited@ | Hong Kong/ Hong Kong | HK$10,000 | – | 100% | Provision of air-freight and ocean-freight forwarding services |

# These subsidiaries are registered as limited liability companies (Taiwan, Hong Kong and Macao Corporation Owned Enterprises) under PRC law.

@ These subsidiaries are registered as limited liability companies of the relevant jurisdictions.

* *English translation is for identification purposes only.*

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise Indicated.

**Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

| | |
|---|---|
| Amendments to HKFRS 3 | *Reference to the Conceptual Framework* |
| Amendments to HKAS 16 | *Property, Plant and Equipment: Proceeds before Intended Use* |
| Amendments to HKAS 37 | *Onerous Contracts – Cost of Fulfilling a Contract* |
| *Annual Improvements to HKFRSs 2018-2020* | Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 |

The adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

| | |
|---|---|
| Amendments to HKFRS 10 and HKAS 28 (2011) | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3] |
| Amendments to HKFRS 16 | *Lease Liability in a Sale and Leaseback*[2] |
| HKFRS 17 | *Insurance Contracts*[1] |
| Amendments to HKFRS 17 | *Insurance Contracts*[1,5] |
| Amendment to HKFRS 17 | *Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[6] |
| Amendments to HKAS 1 | *Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[2, 4] |
| Amendments to HKAS 1 | *Non-current Liabilities with Covenants (the "2022 Amendments")*[2] |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | *Disclosure of Accounting Policies*[1] |
| Amendments to HKAS 8 | *Definition of Accounting Estimates*[1] |
| Amendments to HKAS 12 | *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1] |

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. 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. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise deferred tax for all temporary differences related to leases at the beginning of the earliest comparative period presented. The amendments are not expected to have any significant impact on the Group's financial statements.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Fair value measurement

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Impairment of non-financial assets

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

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Related parties

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

(a) the party is a person or a close member of that person's family and that person

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

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

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Property, plant and equipment and depreciation

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

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

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

| | |
|---|---|
| Buildings | Shorter of 50 years and the unexpired term of the lease |
| Leasehold improvements | 20% – 50% |
| Computer equipment | 20% – 33.33% |
| Furniture and fixtures | 10% – 20% |
| Motor vehicles | 20% |

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

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Leases**

The Group assesses at contract inception whether a contract is, or contains, 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.

***Group as a lessee***

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

*(a) Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows.

| | |
|---|---|
| Leasehold land | Over the unexpired term of the lease |
| Buildings | Shorter of 50 years and the unexpired term of the lease |
| Office equipment | Over the unexpired term of the lease |

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**Leases** *(Continued)*

***Group as a lessee*** *(Continued)*

*(b) Lease liabilities*

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

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

**Investments and other financial assets**

***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Investments and other financial assets** *(Continued)*

***Initial recognition and measurement*** *(Continued)*

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

***Subsequent measurement***

The subsequent measurement of financial assets depends on their classification as follows:

*Financial assets at amortised cost (debt instruments)*

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

***General approach***

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

***General approach*** *(Continued)*

Level 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Level 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Level 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

***Simplified approach***

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

**Financial liabilities**

***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, interest-bearing borrowings and lease liabilities.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Financial liabilities** *(Continued)*

***Subsequent measurement***

The subsequent measurement of financial liabilities depends on their classification as follows:

*Financial liabilities at amortised cost (loans and borrowings)*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

**Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

### Provision

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Income tax** *(Continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Income tax** *(Continued)*

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

**Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

**Revenue recognition**

***Revenue from contracts with customers***

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Revenue recognition** *(Continued)*

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

*Provision for freight forwarding services*

Revenue from the provision of freight forwarding is recognised over time, which is measured based on the actual service provided to date as a proportion of the total services to be provided, because the customer simultaneously receives and consumes the benefits provided by the Group.

*Other income*

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

**Contract liabilities**

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

**Share-based payments**

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Share-based payments** *(Continued)*

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Other employee benefits

***Pension schemes***

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

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

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

### Estimation uncertainty

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

***Provision for expected credit losses on trade receivables***

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the logistics sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 14 to the financial statements.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

**Estimation uncertainty** *(Continued)*

***Impairment of property, plant and equipment (including right-of-use assets)***

The Group determines whether property, plant and equipment and right-of-use assets are impaired when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of the property, plant and equipment and right-of-use assets exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair values less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market price less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

***Income tax***

The Group is subject to income taxes in several jurisdictions, mainly Hong Kong and Mainland China. The Group carefully evaluates tax implications of transactions in accordance with the prevailing tax regulations and makes tax provision accordingly. However, judgement is required in determining the Group's provision for income taxes as there are many transactions and calculations of which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provision in the period in which such determination is made.

## 4. OPERATING SEGMENET INFORMATION

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

1) Air-freight forwarding segment: provision of air-freight forwarding services; and

2) Ocean-freight forwarding segment: provision of ocean-freight forwarding services.

## 4. OPERATING SEGMENET INFORMATION (CONTINUED)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that other income, administration and other operating expenses, reversal of provision for impairment loss on trade receivables and finance costs are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

| | Air-freight forwarding *HK$'000* | Ocean-freight forwarding *HK$'000* | Total *HK$'000* |
|---|---|---|---|
| **Year ended 31 December 2022** | | | |
| **Revenue** | | | |
| Export | **598,597** | **74,987** | **673,584** |
| Import | **703** | **100** | **803** |
| **Segment revenue** | **599,300** | **75,087** | **674,387** |
| **Segment results** | **24,826** | **2,419** | **27,245** |
| Reconciliation: | | | |
| Other income | | | **699** |
| Administrative and other operating expenses | | | **(53,952)** |
| Reversal of provision for impairment loss on trade receivables | | | **171** |
| Finance costs | | | **(1,724)** |
| Loss before tax | | | **(27,561)** |

## 4. OPERATING SEGMENET INFORMATION *(Continued)*

| | Air-freight forwarding *HK$'000* | Ocean-freight forwarding *HK$'000* | Total *HK$'000* |
|---|---|---|---|
| Year ended 31 December 2021 | | | |
| **Revenue** | | | |
| Export | 843,129 | 47,791 | 890,920 |
| Import | 159 | 1,389 | 1,548 |
| **Segment revenue** | 843,288 | 49,180 | 892,468 |
| **Segment results** | 80,750 | 2,142 | 82,892 |
| Reconciliation: | | | |
| Other income | | | 347 |
| Administrative and other operating expenses | | | (54,513) |
| Reversal of provision for impairment loss on trade receivables | | | 333 |
| Finance costs | | | (992) |
| Profit before tax | | | 28,067 |

## 4. OPERATING SEGMENET INFORMATION *(Continued)*

### Geographical information

The following table sets out information about the geographical location of (a) the Group's revenue from external customers and (b) the Group's property, plant and equipment (the "Specified Non-current Assets"). The geographical location of the revenue is presented based on the export shipments by destination and import shipments by origin. The geographical location of the Specified Non-current Assets is presented based on the physical location of the assets.

#### a) *Location of revenue*

*Revenue generated from export shipments by destination*

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Europe | **258,254** | 379,029 |
| Asia | **52,994** | 84,800 |
| North America | **319,885** | 405,799 |
| Others | **42,451** | 21,292 |
| | **673,584** | 890,920 |

*Revenue generated from import shipments by origin*

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Europe | **27** | 1,449 |
| Asia | **724** | 24 |
| North America | **52** | 1 |
| Others | **–** | 74 |
| | **803** | 1,548 |

## 4. OPERATING SEGMENET INFORMATION *(Continued)*

### Geographical information *(Continued)*

#### *b) Location of the Specified Non-current Assets*

| | 2022 | 2021 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Hong Kong | **25,573** | 29,458 |
| Macau | **4,926** | 5,186 |
| The PRC | **364** | 880 |
| | **30,863** | 35,524 |

### Information about major customers

Revenue from customers derived from air-freight and ocean-freight forwarding segments individually contributing 10% or more of the total revenue of the Group is as follows:

| | 2022 | 2021 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Customer A | **139,977** | 263,758 |
| Customer B | **N/A*** | 102,894 |
| Customer C | **92,286** | 96,170 |
| Customer D | **70,651** | N/A* |
| | **302,914** | 462,822 |

* Less than 10% of the total revenue of the Group.

## 5. REVENUE

An analysis of revenue is as follows:

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| **Revenue from contracts with customers** | | |
| Air-freight forwarding services | **599,300** | 843,288 |
| Ocean-freight forwarding services | **75,087** | 49,180 |
| | **674,387** | 892,468 |

### (a) Disaggregated revenue information

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Timing of revenue recognition: | | |
| – Over time | | |
| Air-freight forwarding services | **599,300** | 843,288 |
| Ocean-freight forwarding services | **75,087** | 49,180 |
| | **674,387** | 892,468 |

**5. REVENUE** *(Continued)*

**(b) Performance obligations**

Information about the Group's performance obligations is summarised below:

***Provision of freight forwarding services***

The performance obligation is satisfied over time as services are rendered and payment is generally due up to 90 days from the invoice date.

As a practical expedient, the transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are not disclosed in the notes to the financial statements because all the remaining performance obligations in relation to the provision of freight forwarding services are part of the contracts that have an original expected duration of one year or less.

**6. OTHER INCOME**

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest income | **69** | 17 |
| Government grant *(Note)* | **518** | – |
| Exchange gains, net | **–** | 251 |
| Recovery of bad debts previously written off | **27** | 36 |
| Sundry income | **85** | 43 |
| | **699** | 347 |

*Note:*

Government grant primarily consisted of the fiscal support that the relevant government authority offered to the Group's entities for subsidising staff costs under COVID-19. There were no unfulfilled conditions or contingencies relating to this grant.

## 7. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| ***Finance costs*** | | |
| Interest on interest-bearing borrowings | **1,592** | 937 |
| Interest on lease liabilities | **132** | 55 |
| | **1,724** | 992 |
| ***Employee benefit expense (including directors' emoluments (Note 8))*** | | |
| Salaries, discretionary bonus, allowances and other benefits in kind | **18,147** | 27,702 |
| Pension scheme contributions (defined contribution schemes)* | **953** | 860 |
| Total staff costs | **19,100** | 28,562 |
| ***Other items*** | | |
| Auditor's remuneration | **2,030** | 2,000 |
| Depreciation *(Note 13)* | **3,164** | 2,776 |
| Foreign exchange differences, net | **84** | (251) |
| Recovery of bad debts previously written off | **(27)** | (36) |
| Reversal of provision for impairment loss on trade receivables, net *(Note 14(b))* | **(171)** | (333) |
| Loss on disposal of items of property, plant and equipment | **–** | 26 |
| Impairment of property, plant and equipment *(Note 13)* | **4,500** | – |
| Impairment of deposits *(Note 14)* | **883** | – |

* *There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.*

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Fees | **940** | 902 |
| Other emoluments: | | |
| Salaries, allowances and benefits in kind | **5,103** | 4,288 |
| Discretionary bonus | **390** | 7,000 |
| Pension scheme contributions | **59** | 59 |
| | **5,552** | 11,347 |
| | **6,492** | 12,249 |

**Year ended 31 December 2022**

| | Fees | Salaries, allowances and benefits in kind | Discretionary bonus | Pension scheme contributions | Total |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| *Executive directors* | | | | | |
| Mr. Chiu Ricky Tong | 120 | 3,000 | 100 | 18 | 3,238 |
| Mr. Tse Chi Kwan Decky | 120 | 2,103 | 290 | 41 | 2,554 |
| *Non-executive directors* | | | | | |
| Ms. Wong Sheng Ning Candace | 120 | – | – | – | 120 |
| Mr. Heung Wai Keung | 120 | – | – | – | 120 |
| *Independent non-executive directors* | | | | | |
| Mr. Tam Ka Hei Raymond | 120 | – | – | – | 120 |
| Mr. Ng Hung Fai Myron | 120 | – | – | – | 120 |
| Mr. Yu Tak Chi Michael *(Note)* | 100 | – | – | – | 100 |
| Mr. Yeung Kwong Wai | 120 | – | – | – | 120 |
| | 940 | 5,103 | 390 | 59 | 6,492 |

*Note:*

Mr. Yu Tak Chi Michael resigned as an independent non-executive director of the Company with effect from 2 November 2022.

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

Year ended 31 December 2021

| | Fees | Salaries, allowances and benefits in kind | Discretionary bonus | Pension scheme contributions | Total |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| *Executive directors* | | | | | |
| Mr. Chiu Ricky Tong | 116 | 2,439 | 4,000 | 18 | 6,573 |
| Mr. Tse Chi Kwan Decky | 116 | 1,849 | 3,000 | 41 | 5,006 |
| *Non-executive directors* | | | | | |
| Ms. Wong Sheng Ning Candace | 90 | – | – | – | 90 |
| Mr. Heung Wai Keung | 116 | – | – | – | 116 |
| *Independent non-executive directors* | | | | | |
| Mr. Tam Ka Hei Raymond | 116 | – | – | – | 116 |
| Mr. Ng Hung Fai Myron | 116 | – | – | – | 116 |
| Mr. Yu Tak Chi Michael | 116 | – | – | – | 116 |
| Mr. Yeung Kwong Wai | 116 | – | – | – | 116 |
| | 902 | 4,288 | 7,000 | 59 | 12,249 |

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

## 9. FIVE HIGHEST PAID EMPLOYEES

An analysis of the five highest paid employees during the year is as follows:

| | Number of individuals | |
|---|---|---|
| | **2022** | 2021 |
| Director | **2** | 2 |
| Non-director | **3** | 3 |
| | **5** | 5 |

## 9. FIVE HIGHEST PAID EMPLOYEES *(Continued)*

Details of the directors' and chief executive's remuneration are set out in note 8 above. Details of the remuneration of the 3 (2021: 3) highest paid employees who are neither a director nor chief executive of the Company are as follows:

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Salaries, allowances and benefits in kind | **2,186** | 1,760 |
| Discretionary bonus | **250** | 1,412 |
| Pension scheme contributions | **54** | 54 |
| | **2,490** | 3,226 |

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

| | **Number of employees** | |
|---|---|---|
| | **2022** | 2021 |
| Nil to HK$1,000,000 | **3** | 1 |
| HK$1,000,001 to HK$1,500,000 | **–** | 2 |
| | **3** | 3 |

## 10. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year. In the prior year, Hong Kong profits tax was provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during that year, except for one subsidiary of the Group which was a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 of assessable profits of this subsidiary were taxed at 8.25% and the remaining assessable profits were taxed at 16.5%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

| | 2022 | 2021 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Current – Hong Kong** | | |
| Charge for the year | – | 5,281 |
| (Overprovision)/underprovision in prior years | (293) | 2 |
| Deferred *(Note 19)* | 322 | (196) |
| **Total tax charge for the year** | 29 | 5,087 |

A reconciliation of the tax (credit)/expense applicable to (loss)/profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax charge at the effective tax rates is as follows:

| | 2022 | 2021 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| (Loss)/profit before tax | (27,561) | 28,067 |
| Income tax at the statutory tax rate | (4,590) | 4,652 |
| Lower tax rates enacted by local authority | – | (165) |
| Adjustments in respect of current tax of previous periods | (293) | 2 |
| Income not subject to tax | (93) | (23) |
| Expenses not deductible for tax | 511 | 249 |
| Deferred tax assets not recognised | 4,487 | 369 |
| Others | 7 | 3 |
| Tax charge for the year at the Group's effective tax rate of -0.1% (2021: 18.1%) | 29 | 5,087 |

## 11. DIVIDENDS

No dividend was paid or declared by the Company during the years ended 31 December 2022 and 2021.

## 12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 300,000,000 in issue during the year. In the prior year, the calculation of the basic earnings per share amount was based on the profit for that year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 297,534,000 in issue during that year as if the capitalisation issue (Note 20(b)) had been effective on 1 January 2021.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

The calculations of basic and diluted earnings/(loss) per share are based on:

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| *(Loss)/earnings* | | |
| (Loss)/profit attributable to ordinary equity holders of the Company, used in the basic and diluted (loss)/earnings per share calculations | **(27,590)** | 22,980 |
| | ***'000*** | *'000* |
| *Shares* | | |
| Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings/(loss) per share calculation | **300,000** | 297,534 |

## 13. PROPERTY, PLANT AND EQUIPMENT

### 31 December 2022

| | Right-of-use assets | | | | Owned assets | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Leasehold land | Buildings | Office equipment | Total | Buildings | Leasehold improvements | Computer equipment | Furniture and fixtures | Motor vehicles | Total | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **At 1 January 2022:** | | | | | | | | | | | |
| Cost | 37,268 | 2,455 | 12 | 39,735 | 2,632 | 7,366 | 1,191 | 542 | 2,676 | 14,407 | 54,142 |
| Accumulated depreciation | (8,209) | (499) | (12) | (8,720) | (584) | (5,676) | (994) | (493) | (2,151) | (9,898) | (18,618) |
| Net carrying amount | 29,059 | 1,956 | – | 31,015 | 2,048 | 1,690 | 197 | 49 | 525 | 4,509 | 35,524 |
| At 1 January 2022, net of accumulated depreciation | 29,059 | 1,956 | – | 31,015 | 2,048 | 1,690 | 197 | 49 | 525 | 4,509 | 35,524 |
| Additions | – | 2,151 | – | 2,151 | – | 29 | 82 | 11 | – | 122 | 2,273 |
| Revision of lease terms arising from changes in the non-cancellable periods of leases | – | 801 | – | 801 | – | – | – | – | – | – | 801 |
| Depreciation provided during the year *(Note 7)* | (1,173) | (1,375) | – | (2,548) | (83) | (329) | (60) | (19) | (125) | (616) | (3,164) |
| Impairment *(Note 7)* | – | (3,500) | – | (3,500) | – | (741) | (218) | (41) | – | (1,000) | (4,500) |
| Exchange realignment | – | (33) | – | (33) | – | – | (1) | – | (37) | (38) | (71) |
| **At 31 December 2022, net of accumulated depreciation and impairment** | 27,886 | – | – | 27,886 | 1,965 | 649 | – | – | 363 | 2,977 | 30,863 |
| **At 31 December 2022:** | | | | | | | | | | | |
| Cost | 37,268 | 4,942 | 12 | 42,222 | 2,632 | 7,395 | 1,186 | 505 | 2,631 | 14,349 | 56,571 |
| Accumulated depreciation and impairment | (9,382) | (4,942) | (12) | (14,336) | (667) | (6,746) | (1,186) | (505) | (2,268) | (11,372) | (25,708) |
| **Net carrying amount** | 27,886 | – | – | 27,886 | 1,965 | 649 | – | – | 363 | 2,977 | 30,863 |

## 13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

31 December 2021

| | Right-of-use assets | | | | Owned assets | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Leasehold land *HK$'000* | Buildings *HK$'000* | Office equipment *HK$'000* | Total *HK$'000* | Buildings *HK$'000* | Leasehold improvements *HK$'000* | Computer equipment *HK$'000* | Furniture and fixtures *HK$'000* | Motor vehicles *HK$'000* | Total *HK$'000* | Total *HK$'000* |
| At 1 January 2021: | | | | | | | | | | | |
| Cost | 37,268 | 1,605 | 12 | 38,885 | 2,632 | 6,823 | 1,000 | 522 | 2,388 | 13,365 | 52,250 |
| Accumulated depreciation | (7,036) | (1,028) | (8) | (8,072) | (501) | (5,433) | (963) | (456) | (2,163) | (9,516) | (17,588) |
| Net carrying amount | 30,232 | 577 | 4 | 30,813 | 2,131 | 1,390 | 37 | 66 | 225 | 3,849 | 34,662 |
| At 1 January 2021, net of accumulated depreciation | 30,232 | 577 | 4 | 30,813 | 2,131 | 1,390 | 37 | 66 | 225 | 3,849 | 34,662 |
| Additions | – | 2,413 | – | 2,413 | – | 543 | 196 | 15 | 483 | 1,237 | 3,650 |
| Disposals | – | – | – | – | – | – | (12) | – | (21) | (33) | (33) |
| Depreciation provided during the year *(Note 7)* | (1,173) | (1,045) | (4) | (2,222) | (83) | (243) | (24) | (32) | (172) | (554) | (2,776) |
| Exchange realignment | – | 11 | – | 11 | – | – | – | – | 10 | 10 | 21 |
| At 31 December 2021, net of accumulated depreciation | 29,059 | 1,956 | – | 31,015 | 2,048 | 1,690 | 197 | 49 | 525 | 4,509 | 35,524 |
| At 31 December 2021: | | | | | | | | | | | |
| Cost | 37,268 | 2,455 | 12 | 39,735 | 2,632 | 7,366 | 1,191 | 542 | 2,676 | 14,407 | 54,142 |
| Accumulated depreciation | (8,209) | (499) | (12) | (8,720) | (584) | (5,676) | (994) | (493) | (2,151) | (9,898) | (18,618) |
| Net carrying amount | 29,059 | 1,956 | – | 31,015 | 2,048 | 1,690 | 197 | 49 | 525 | 4,509 | 35,524 |

*Note:*

As at 31 December 2022, certain of the Group's leasehold land and buildings with a total net carrying amount of approximately HK$29,851,000 (2021: HK$31,107,000) were pledged to secure banking facilities granted to the Group *(Note 17)*.

At 31 December 2022, the Group was loss making and the Group's management estimated corresponding recoverable amounts of certain property, plant and equipment. Based on these estimates, an impairment loss of HK$4,500,000 (2021: Nil) were recognised to write down the carrying amounts of these items of property, plant and equipment to their recoverable amounts as at 31 December 2022. The recoverable amounts were determined based on value in use calculation using cash flow projection based on financial budget covering the remaining useful lives of the property, plant and equipment. The pre-tax discount rate applied for the cash flow projection was 14%.

## 14. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

| | Notes | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| **Trade receivables** | | **139,898** | 233,940 |
| *Less:* Loss allowances | *14(b)* | **(1,052)** | (1,233) |
| | *14(a)* | **138,846** | 232,707 |
| **Other receivables and prepayments** | | | |
| Prepayments | | **312** | – |
| Deposits and other receivables *(Note)* | | **2,728** | 2,808 |
| *Less:* Loss allowances *(Note)* | | **(883)** | – |
| | | **2,157** | 2,808 |
| | | **141,003** | 235,515 |
| Analysed into: | | | |
| Current portion | | **140,925** | 235,437 |
| Non-current portion | | **78** | 78 |
| | | **141,003** | 235,515 |

*Note:* Deposits and other receivables mainly represent rental deposits and deposits with suppliers. The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. Except for certain credit-impaired deposits of HK$883,000 (2021: Nil), of which impairment provision of HK$883,000 (2021: Nil) was recognised during the year, the loss allowances were assessed to be minimal as at 31 December 2022 and 2021.

The movements in the loss allowance for impairment of the deposits are as follows:

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| At beginning of year | **–** | – |
| Provision for impairment loss | **883** | – |
| At end of year | **883** | – |

## 14. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

**14(a)** The Group's trading terms with its customers are mainly on credit. The credit terms granted to customers are varied and are generally the result of negotiations between individual customers and the Group. The average credit period granted was up to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. As at 31 December 2022, the Group had certain concentrations of credit risk as 23% (2021: 24%) of the Group's trade receivables were due from the Group's largest trade debtor, and 74% (2021: 68%) of the Group's trade receivables were due from the Group's five largest trade debtors. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 30 days | **56,465** | 121,467 |
| 31 to 60 days | **48,100** | 101,992 |
| 61 to 90 days | **33,537** | 9,244 |
| Over 90 days | **744** | 4 |
| | **138,846** | 232,707 |

At the end of the reporting period, the ageing analysis of trade receivables (net of loss allowances) by due date is as follows:

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Not yet due | **136,207** | 232,703 |
| Past due: | | |
| Within 30 days | **2,263** | – |
| 31 to 60 days | **196** | – |
| 61 to 90 days | **176** | – |
| Over 90 days | **4** | 4 |
| | **2,639** | 4 |
| | **138,846** | 232,707 |

## 14. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

### 14(b) Loss allowances

The movements in the loss allowances for impairment of trade receivables are as follows:

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| At beginning of year | **1,233** | 1,566 |
| Reversal of provision for impairment losses, net *(Note 7)* | **(171)** | (333) |
| Exchange realignment | **(10)** | – |
| At end of year | **1,052** | 1,233 |

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. For trade receivables relating to accounts which are long overdue with significant amounts with known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance.

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

***At 31 December 2022***

| | **Weighted average loss rate** | **Gross carrying amount** | **Loss allowance** | **Carrying amount** |
|---|---|---|---|---|
| | **%** *(approximately)* | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| Non-credit impaired | **0.8%** | **139,898** | **(1,052)** | **138,846** |

## 14. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

### 14(b) Loss allowances *(Continued)*

***At 31 December 2021***

| | Weighted average loss rate % *(approximately)* | Gross carrying amount *HK$'000* | Loss allowance *HK$'000* | Carrying amount *HK$'000* |
|---|---|---|---|---|
| Non-credit impaired | 0.5% | 233,940 | (1,233) | 232,707 |

## 15. PLEDGED BANK DEPOSITS, CASH AND BANK BALANCES

| | **2022** *HK$'000* | 2021 *HK$'000* |
|---|---|---|
| Cash and bank balances | **29,553** | 64,932 |
| Pledged time deposits *(Note 17)* | **30,071** | 30,068 |
| | **59,624** | 95,000 |

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to HK$7,419,000 (2021: HK$9,577,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

## 16. TRADE AND OTHER PAYABLES

| | Notes | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| **Trade payables** | *16(a)* | **67,894** | 154,491 |
| **Other payables** | | | |
| Accruals and other payables *(Note)* | | **2,700** | 2,720 |
| Salaries payables | | **1,138** | 940 |
| Contract liabilities | *16(b)* | **186** | – |
| | | **4,024** | 3,660 |
| | | **71,918** | 158,151 |

*Note:* Balance included an amount due to a related company of HK$900,000 (2021: Nil) as at 31 December 2022. The amount due to a related company is unsecured, interest-free and has no fixed terms of repayment. Mr. Chiu Ricky Tong, the controlling shareholder of the Company, has significant influence over the related company.

**16(a)** The trade payables are non-interest bearing and are normally settled on 60-day terms.

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

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Within 30 days | **53,176** | 112,336 |
| 31 to 60 days | **12,026** | 39,070 |
| 61 to 90 days | **2,447** | 2,293 |
| Over 90 days | **245** | 792 |
| | **67,894** | 154,491 |

**16(b)** Contract liabilities represent short-term advances received to provide freight forwarding services. The increase in contract liabilities in 2022 was mainly due to the increase in short-term advances from customers in relation to the provision of freight forwarding services at the end of the year.

## 17. INTEREST-BEARING BORROWINGS

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest-bearing borrowings – secured | **24,494** | 40,289 |

The weighted average effective interest rate per annum of the interest-bearing borrowings as at 31 December 2022 was approximately 4.36% (2021: 3.43%).

All borrowings are in Hong Kong dollars.

The interest-bearing borrowings are secured by:

(i) certain leasehold land and buildings with an aggregate net carrying amount at the end of the reporting period of approximately HK$29,851,000 (2021: HK$31,307,000) *(Note 13)*;

(ii) pledged bank deposits with a carrying amount at the end of the reporting period of HK$30,071,000 (2021: HK$30,068,000) *(Note 15)*; and

(iii) guarantee provided by the Government of the Hong Kong Special Administrative Region.

## 17. INTEREST-BEARING BORROWINGS *(Continued)*

The Group regularly monitors its compliance with these covenants and does not consider it probable that the banks will exercise their discretion to demand repayment so long as the Group continues to make payments according to the schedule of the loans. Further details of the Group's management of liquidity risk are set out in note 27. At 31 December 2022 and 2021, none of the covenants relating to drawn down facilities had been breached.

## 18. LEASE LIABILITIES

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

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Carrying amount at 1 January | **1,989** | 596 |
| New leases | **2,151** | 2,413 |
| Accretion of interest recognised during the year | **132** | 55 |
| Payments | **(1,466)** | (1,084) |
| Revision of lease terms arising from changes in the non-cancellable periods of leases | **801** | – |
| Exchange realignment | **(35)** | 9 |
| Carrying amount at 31 December | **3,572** | 1,989 |
| Analysed into: | | |
| Current portion | **1,735** | 597 |
| Non-current portion | **1,837** | 1,392 |
| | **3,572** | 1,989 |

The maturity analysis of lease liabilities is disclosed in note 27 to the financial statements.

**18. LEASE LIABILITIES** *(Continued)*

The amounts recognised in profit or loss in relation to leases are as follows:

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on lease liabilities | **132** | 55 |
| Depreciation charge of right-of-use assets | **2,548** | 2,222 |
| Impairment of right-of-use assets | **3,500** | – |
| Total amount recognised in profit or loss | **6,180** | 2,277 |

Certain lease contracts of leased assets contain extension or termination options. These options aim to provide flexibility to the Group in managing the leased assets. During the years ended 31 December 2022 and 2021, no lease contract contains variable lease payment terms.

The total cash outflow for leases is disclosed in note 23(c) to the financial statements.

At 31 December 2022 and 2021, the Group has no commitment to lease contracts in relation to leased properties that have not yet commenced.

Maturity profile of lease liabilities:

| | **Lease payments** | | **Present value of lease payments** | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Within one year | **1,850** | 677 | **1,735** | 597 |
| In the second year | **1,606** | 589 | **1,516** | 535 |
| In the third to fifth years, inclusive | **326** | 892 | **321** | 857 |
| | **3,782** | 2,158 | **3,572** | 1,989 |
| *Less:* discount amount | **(210)** | (169) | **–** | – |
| Total lease liabilities | **3,572** | 1,989 | **3,572** | 1,989 |

## 19. DEFERRED TAX

The movements in the deferred tax assets during the year are as follows:

| | Decelerated tax depreciation *HK$'000* | Impairment of financial assets *HK$'000* | Total *HK$'000* |
|---|---|---|---|
| At 1 January 2021 | 126 | – | 126 |
| Deferred tax credited to the statement of profit or loss during the year *(Note 10)* | 34 | 162 | 196 |
| At 31 December 2021 and 1 January 2022 | 160 | 162 | 322 |
| Deferred tax charged to the statement of profit or loss during the year *(Note 10)* | (160) | (162) | (322) |
| At 31 December 2022 | – | – | – |

**Deferred tax assets are not recognised for the following items:**

| | **2022** ***HK$'000*** | 2021 *HK$'000* |
|---|---|---|
| Deductible temporary differences | **7,442** | 3,287 |
| Tax losses | **25,232** | 6,922 |
| At the end of the reporting period | **32,674** | 10,209 |

The Group has tax losses arising in Hong Kong of HK$18,389,000 (2021: nil) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group has tax losses arising in Mainland China of HK$6,843,000 (2021: HK$6,922,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of the above items as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the above items can be utilised.

## 20. SHARE CAPITAL

| | 2022 | 2021 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Authorised: | | |
| 2,000,000,000 ordinary shares of HK$0.01 each | **20,000** | 20,000 |
| Issued and fully paid: | | |
| 300,000,000 ordinary shares of HK$0.01 each | **3,000** | 3,000 |

A summary of movements in the Company's share capital is as follows:

| | Notes | Number of ordinary shares | Nominal value of ordinary shares |
|---|---|---|---|
| | | | *HK$'000* |
| At 1 January 2021 | | 10,000 | – |
| Issue of shares by way of share offer | *(a)* | 75,000,000 | 750 |
| Capitalisation issue | *(b)* | 224,990,000 | 2,250 |
| At 31 December 2021, 1 January 2022 and 31 December 2022 | | 300,000,000 | 3,000 |

*Notes:*

(a) On 13 January 2021, the shares of the Company were listed on GEM of the Stock Exchange and 75,000,000 ordinary shares of HK$0.01 each were issued at HK$0.74 per share by way of share offer. The gross proceeds from the share offer amounted to HK$55,500,000.

In connection with the Company's initial public offering, 75,000,000 ordinary shares of HK$0.01 each were issued at HK$0.74 per share for a total consideration, before expenses, of HK$55,500,000. The proceeds of HK$750,000 representing the par value, were credited to the Company's share capital. The remaining proceeds of HK$54,750,000 before transaction costs attributable to the issue of new shares of HK$16,514,000, were credited to the share premium account. The Company' shares have been listed on GEM of the Stock Exchange since 13 January 2021.

(b) Pursuant to the resolution in writing of the Company's shareholders passed on 11 December 2020, subject to the share premium account of the Company being credited as a result of the offering of the Company's shares, the directors of the Company were authorised to allot and issue a total of 224,990,000 shares of HK$0.01 each to the then existing shareholders, credited as fully paid at par by way of capitalisation of the sum of HK$2,249,900 standing to the credit of the share premium account of the Company and the shares to be allotted and issued pursuant to this resolution shall carry the same rights as all shares in issue. The capitalisation issue was fully completed on 13 January 2021.

## 21. RESERVES

### 21(a) Share premium

The share premium represents the excess of the net proceeds from issuance of the Company's shares over their par value.

### 21(b) Capital reserve

The capital reserve represents (i) the aggregate amount of the nominal value of the issued/registered capital of the entities now comprising the Group less consideration paid to acquire the relevant interests (if any), after adjusting the issued/registered capital held by those attributable to the non-controlling interests prior to the reorganisation undergone by the Group and (ii) staff costs borne by the ultimate controlling parties, Mr. Chiu Ricky Tong and Ms. Wong Sheng Ning Candace, in prior years.

### 21(c) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all relevant exchange differences arising from the translation of the financial statements of foreign operations.

### 21(d) Statutory reserve

As stipulated by the relevant laws and regulations for enterprises incorporated/established in the PRC, the Group's subsidiaries in the PRC are required to appropriate to the statutory reserve an amount of not less than 10% of the profit after tax (as reported in the respective statutory financial statements of the PRC subsidiaries prepared in accordance with the PRC accounting regulations). If the accumulated statutory reserve reaches 50% of the registered share capital of the respective PRC subsidiaries, the subsidiary may not be required to make any further appropriation. The statutory reserve can be used to make up for losses, expand the existing operation and be converted to additional capital.

## 22. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to the written resolutions of the shareholders passed on 11 December 2020.

Under the Scheme, the board of directors (the "Board") may at its discretion offer to any individual who is an employee of the Group (including directors) or any entity in which the Company holds any equity interest and such other persons (the "Participants") in the sole discretion of the Board, has contributed or will contribute to the Group of the options to subscribe for shares in the Company in accordance with the terms of the Scheme and Chapter 23 of the GEM Listing Rules. The principal purposes of the Scheme are to recognise and acknowledge the contributions made by the Participants, to attract skilled and experienced personnel, to incentivise them to remain with the Company and to motivate them to strive for the future development and expansion of the Group. The Scheme commenced on 11 December 2020 and will end on the day immediately prior to the tenth anniversary thereof.

The maximum number of shares in respect of which options may be granted under the Scheme and any other share option scheme of the Company may not exceed 10% of the issued share capital of the Company, or may not exceed a maximum of 30%, should the shareholders renew the 10% limit, from time to time which have been duly allotted and issued. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted under the Scheme where applicable to a director, chief executive, substantial shareholder or to any of their associates, are subject to approval in advance by the independent non-executive directors (excluding any independent non-executive directors who or whose associates are the proposed grantee of an option). In addition, any share options granted to a substantial shareholder or any independent non-executive director of the Company, or any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

An option may be exercised in accordance with the terms of the Scheme where applicable at any time during the option period after the option has been granted by the Board. The option period, during which an option may be exercised, is determined by the Board under the Scheme, but may not be later than ten years after the date of the grant of the option. According to the Scheme where applicable, there is no provision requiring a minimum holding period before an option may be exercised. A nominal consideration of HK$1.0 is payable on acceptance of the grant of an option under the Scheme where applicable.

**22. SHARE OPTION SCHEME** *(Continued)*

The subscription price for the shares subject to options will be a price determined by the Board and notified to each 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 options, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of the options; and (iii) the nominal value of a share.

No option has been granted or exercised under the Scheme as at 31 December 2022 and 2021.

**23. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS**

**(a) Major non-cash transactions**

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$2,151,000 (2021: HK$2,413,000) and HK$2,151,000 (2021: HK$2,413,000), respectively, in respect of lease arrangements for property, plant and equipment.

**(b) Changes in liabilities arising from financing activities**

| | Interest-bearing borrowings *HK$'000* | Lease liabilities *HK$'000* |
|---|---|---|
| At 1 January 2022 | 40,289 | 1,989 |
| Changes from financing cash flows | (15,795) | (1,334) |
| New leases | – | 2,151 |
| Revision of lease terms | – | 801 |
| Foreign exchange movement | – | (35) |
| Interest expense | 1,592 | 132 |
| Interest paid classified as operating cash flows | (1,592) | (132) |
| At 31 December 2022 | 24,494 | 3,572 |

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

### (b) Changes in liabilities arising from financing activities *(Continued)*

| | Interest-bearing borrowings *HK$'000* | Lease liabilities *HK$'000* |
|---|---|---|
| At 1 January 2021 | 48,038 | 596 |
| Changes from financing cash flows | (7,749) | (1,029) |
| New leases | – | 2,413 |
| Foreign exchange movement | – | 9 |
| Interest expense | 937 | 55 |
| Interest paid classified as operating cash flows | (937) | (55) |
| At 31 December 2021 | 40,289 | 1,989 |

### (c) Total cash outflow for leases

| | **2022** ***HK$'000*** | 2021 *HK$'000* |
|---|---|---|
| Within operating activities | **132** | 55 |
| Within financing activities | **1,334** | 1,029 |
| | **1,466** | 1,084 |

## 24. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's interest-bearing borrowings are included in note 17 to the financial statements.

## 25. RELATED PARTY TRANSACTIONS

**(a)** In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the reporting periods:

| Name of related companies | Nature of transactions | 2022 | 2021 |
|---|---|---|---|
| | | *HK$'000* | *HK$'000* |
| H.C. Patterson and Company Limited *(Note (i))* | Travelling expenses | **64** | 54 |
| Bao Shinn Express Company Limited *(Note (i))* | Reimbursement of expenses | **7** | 46 |
| Rightway Tours Limited *(Note (ii))* | Operating expenses | **1,690** | – |
| Sky Stalwart Investment Limited *(Note (ii))* | Reimbursement of expenses | **5** | – |

*Notes:*

(i) The companies are controlled by Mr. Chiu Ricky Tong, the controlling shareholder of the Company, and his brother, Mr. Chiu Man Lam. The expenses were made at prices and terms mutually agreed between the respective parties.

(ii) Mr. Chiu Ricky Tong, the controlling shareholder of the Company, has significant influence over the companies. The expenses were made at prices and terms mutually agreed between the respective parties.

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

| | 2022 | 2021 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Short term employee benefits | **6,433** | 12,190 |
| Pension scheme contributions | **59** | 59 |
| Total compensation paid to key management personnel | **6,492** | 12,249 |

Further details of the directors' and the chief executive emoluments are included in Note 8 to the financial statements.

## 26. FAIR VALUE OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, pledged bank deposits, trade and other receivables, trade payables, financial liabilities included in other payables and interest-bearing borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

## 27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise trade and other receivables, pledged bank deposits, cash and bank balances, trade and other payables, interest-bearing borrowings and lease liabilities. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

### Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's interest-bearing borrowings of HK$18,100,000 (2021: HK$31,000,000) with floating interest rates at 31 December 2022. The Group currently does not have a policy to hedge against the interest rate risk as the management of the Group does not expect any significant interest rate risk at the end of the reporting period.

At the end of the reporting period, if interest rate had been 1% higher/lower and all other variables were held constant, the Group's pre-tax results would have decreased/increased by HK$181,000 (2021: HK$310,000) for the year ended 31 December 2022.

The sensitivity analysis above has been determined assuming that the change in interest rate had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for the closing balance of interest-bearing borrowings in existence at the end of the reporting period. The stated changes represent management's assessment of a reasonably possible change in interest rates over the next 12 months after the end of the reporting period.

## 27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### Foreign currency risk

The Group's transactions are mainly denominated in HK$, US$, RMB and EUR.

Certain financial assets and financial liabilities of the Group are denominated in currencies other than the functional currency of the respective group entities and therefore exposed to foreign currency risk. The carrying amounts of those financial assets and liabilities are analysed as follows:

| | **Financial assets** | |
|---|---|---|
| | **2022** | 2021 |
| | ***HK$'000*** | *HK$'000* |
| HK$ | **1,044** | 3,357 |
| US$ | **12,446** | 16,690 |
| EUR | **864** | 302 |

| | **Financial liabilities** | |
|---|---|---|
| | **2022** | 2021 |
| | ***HK$'000*** | *HK$'000* |
| US$ | **140** | 1,216 |
| RMB | **14** | 134 |
| EUR | **12** | 392 |

The following table indicates the approximate increase/(decrease) in the Group's pre-tax results if exchange rates of HK$, US$, RMB and EUR appreciated against the functional currencies of the respective group entities by 10% and all other variables were held constant at the end of the reporting period.

| | **2022** | 2021 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| HK$ | **104** | 336 |
| US$ | **1,231** | 1,547 |
| RMB | **(1)** | (13) |
| EUR | **85** | (9) |

The sensitivity analysis has been determined assuming that the changes in foreign exchange rates had occurred at the end of the reporting period and had been applied to the Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

## 27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

**Foreign currency risk** *(Continued)*

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the next 12 months after the end of the reporting period.

**Credit risk**

The Group trades with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group limits its exposure to credit risk by selecting the counterparties with reference to their past credit history and/or market reputation. The management of the Group also reviews the recoverable amount of each individual debtor, at the end of the reporting period to ensure adequate allowance is made for irrecoverable amount.

***Maximum exposure and year-end staging***

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

## 27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

**Credit risk** *(Continued)*

***Maximum exposure and year-end staging*** *(Continued)*

**As at 31 December 2022**

| | 12-month expected credit losses Stage 1 HK$'000 | Lifetime expected credit losses Stage 3 HK$'000 | Lifetime expected credit losses Simplified approach HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Trade receivables* | – | – | 139,898 | 139,898 |
| Deposits and other receivables | | | | |
| – Normal** | 1,845 | – | – | 1,845 |
| – Doubtful** | – | 883 | – | 883 |
| Pledged bank deposits | | | | |
| – Not yet past due | 30,071 | – | – | 30,071 |
| Cash and bank balances | | | | |
| – Not yet past due | 29,553 | – | – | 29,553 |
| | 61,469 | 883 | 139,898 | 202,250 |

As at 31 December 2021

| | 12-month expected credit losses Stage 1 HK$'000 | Lifetime expected credit losses Stage 3 HK$'000 | Lifetime expected credit losses Simplified approach HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Trade receivables* | – | – | 233,940 | 233,940 |
| Deposits and other receivables | | | | |
| – Normal** | 2,808 | – | – | 2,808 |
| Pledged bank deposits | | | | |
| – Not yet past due | 30,068 | – | – | 30,068 |
| Cash and bank balances | | | | |
| – Not yet past due | 64,932 | – | – | 64,932 |
| | 97,808 | – | 233,940 | 331,748 |

## 27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

**Credit risk** *(Continued)*

***Maximum exposure and year-end staging*** *(Continued)*

* *For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 14 to the financial statements.*

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

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 14 to the financial statements.

At 31 December 2022, the Group had a concentration of credit risk as 23% (2021: 24%) of the total trade receivables were due from the Group's largest trade debtor, and 74% (2021: 68%) of the total trade receivables were due from the Group's five largest trade debtors.

**Liquidity risk**

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial liabilities and financial assets (e.g. trade and other receivables) and projected cash flows from operations.

The Group's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and cash equivalents as well as adequate banking facilities to meet its operation needs at any time.

## 27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### Liquidity risk *(Continued)*

The maturity profile of the Group's financial liabilities at the end of the reporting period based on contractual undiscounted payments is summarised below:

| | **Total carrying amount** *HK$'000* | **Total contractual undiscounted cash flow** *HK$'000* | **On demand or less than 1 year** *HK$'000* | **1 to 2 years** *HK$'000* | **3 to 5 years** *HK$'000* |
|---|---|---|---|---|---|
| **At 31 December 2022** | | | | | |
| Trade and other payables | **70,594** | **70,594** | **70,594** | **–** | **–** |
| Interest-bearing borrowings *(Note)* | **24,494** | **24,494** | **24,494** | **–** | **–** |
| Lease liabilities | **3,572** | **3,782** | **1,850** | **1,606** | **326** |
| | **98,660** | **98,870** | **96,938** | **1,606** | **326** |

| | Total carrying amount *HK$'000* | Total contractual undiscounted cash flow *HK$'000* | On demand or less than 1 year *HK$'000* | 1 to 2 years *HK$'000* | 3 to 5 years *HK$'000* |
|---|---|---|---|---|---|
| At 31 December 2021 | | | | | |
| Trade and other payables | 157,211 | 157,211 | 157,211 | – | – |
| Interest-bearing borrowings (Note) | 40,289 | 40,289 | 40,289 | – | – |
| Lease liabilities | 1,989 | 2,158 | 677 | 589 | 892 |
| | 199,489 | 199,658 | 198,177 | 589 | 892 |

*Note:* The amounts repayable under bank loan agreement that includes a clause that gives the bank an unconditional right to call the borrowings at any time are classified under the category of "on demand or less than 1 year". However, the management of the Group does not expect that the bank would exercise such right to demand the repayment and thus, the borrowings, which included the related interest, would be repaid according to the below schedule as set out in the bank loan agreement as follows:

## 27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### Liquidity risk *(Continued)*

| | Total carrying amount | Total contractual undiscounted cash flow | On demand or less than 1 year | 1 to 2 years | 2 to 5 years | Over 5 years |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **At 31 December 2022** | | | | | | |
| Interest-bearing borrowings | **24,494** | **25,941** | **20,392** | **533** | **1,598** | **3,418** |

| | Total carrying amount | Total contractual undiscounted cash flow | On demand or less than 1 year | 1 to 2 years | 2 to 5 years | Over 5 years |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 31 December 2021 | | | | | | |
| Interest-bearing borrowings | 40,289 | 41,871 | 34,276 | 2,091 | 1,598 | 3,906 |

## 28. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide returns for equity owners. The Group manages its capital structure and makes adjustments, including payment of dividend to equity owners, calling for additional capital from equity owners or sale of assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 December 2022 and 2021.

The Group monitors capital using a gearing ratio, which is calculated based on the total debts, which include interest-bearing borrowings and lease liabilities, divided by total equity. The gearing ratio as at the end of the reporting period was 20.6% (2021: 25.5%).

## 29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is set out below:

| | Notes | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment in a subsidiary | | **–*** | –* |
| **Current assets** | | | |
| Prepayments | | **105** | – |
| Due from a subsidiary | 29(a) | **38,044** | 39,673 |
| Cash and bank balances | | **1** | 1 |
| Total current assets | | **38,150** | 39,674 |
| **Current liabilities** | | | |
| Other payables | | **120** | – |
| Due to a subsidiary | 29(a) | **4,592** | 4,592 |
| Total current liabilities | | **4,712** | 4,592 |
| **Net current assets** | | **33,438** | 35,082 |
| **NET ASSETS** | | **33,438** | 35,082 |
| **Capital and reserves** | | | |
| Share capital | 20 | **3,000** | 3,000 |
| Reserves | 29(b) | **30,438** | 32,082 |
| **TOTAL EQUITY** | | **33,438** | 35,082 |

** Represent amounts less than HK$1,000.*

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

### 29(a) Balances with subsidiaries

Balances with subsidiaries are unsecured, interest-free and repayable on demand.

### 29(b) Reserves of the Company

| | **Share premium** | **Accumulated losses** | **Total** |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 January 2021 | – | (3,726) | (3,726) |
| Loss and total comprehensive loss for the year | – | (178) | (178) |
| Issue of shares by way of share offer *(Note 20(a))* | 54,750 | – | 54,750 |
| Capitalisation issue *(Note 20(b))* | (2,250) | – | (2,250) |
| Transaction costs attributable to issue of new shares *(Note 20(a))* | (16,514) | – | (16,514) |
| At 31 December 2021 and 1 January 2022 | 35,986 | (3,904) | 32,082 |
| Loss and total comprehensive loss for the year | – | (1,644) | (1,644) |
| **At 31 December 2022** | **35,986** | **(5,548)** | **30,438** |

## 30. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 March 2023.

# Five-Year Financial Summary

A summary of the results and assets and liabilities of the Group for the last five financial years, as extracted from the Company's annual reports and the accountant's report as contained in the Prospectus, is set out below.

## RESULTS

| | For the year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2022** | 2021 | 2020 | 2019 | 2018 |
| | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Revenue** | **674,387** | 892,468 | 871,883 | 353,341 | 463,050 |
| **(Loss)/profit before tax** | **(27,561)** | 28,067 | 31,120 | (7,133) | 6,693 |
| **Income tax expenses** | **(29)** | (5,087) | (7,946) | (306) | (2,455) |
| **(Loss)/profit and total comprehensive (loss)/income for the year** | **(27,590)** | 22,980 | 23,174 | (7,439) | 4,238 |

## ASSETS AND LIABILITIES

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| | **2022** | 2021 | 2020 | 2019 | 2018 |
| | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Total assets** | **236,497** | 366,757 | 280,837 | 190,052 | 231,194 |
| **Total liabilities** | **(99,984)** | (200,821) | (178,341) | (110,331) | (143,493) |
| **Total equity** | **136,513** | 165,936 | 102,496 | 79,721 | 87,701 |