China Oral Industry Group Holdings Limited
中國口腔產業集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8406)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the "**Board**") of directors (the "**Directors**") of China Oral Industry Group Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") hereby announces the audited annual results of the Company and its subsidiaries for the year ended 31 December 2022.

This announcement, containing the full text of the 2022 annual report of the Company (the "**Annual Report**"), complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") in relation to the information to accompany the preliminary announcement of annual results. Printed version of the Annual Report containing the information required by the GEM Listing Rules will be despatched to the shareholders of the Company in due course in the manner as required by the GEM Listing Rules.

By order of the Board
China Oral Industry Group Holdings Limited
Yan Ping
Chairlady and executive Director

Hong Kong, 29 March 2023

As at the date of this announcement, the Board comprises Ms. Yan Ping, Mr. Liu Yao Guang and Mr. Xiao Jiansheng as executive Directors; and Ms. Shen Jindan, Ms. Deng Xin and Ms. Lian Jingyu as independent non-executive Directors.

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

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BOARD OF DIRECTORS

Executive Directors
Ms. Yan Ping *(Chairlady)*
Mr. Liu Yao Guang *(Chief Executive Officer)*
Mr. Xiao Jiansheng

Independent Non-executive Directors
Ms. Shen Jindan
Ms. Yang Haili (resigned on 30 June 2022)
Mr. Wang Mo (resigned on 30 June 2022)
Ms. Deng Xin (appointed on 30 June 2022)
Ms. Lian Jingyu (appointed on 30 June 2022)
Mr. Yam Hiu Ping Bruce (appointed on 30 June 2022 and resigned on 1 November 2022)

BOARD COMMITTEE

Audit Committee
Ms. Lian Jingyu *(Chairlady)* (appointed on 30 June 2022)
Ms. Deng Xin (appointed on 30 June 2022)
Mr. Yam Hiu Ping Bruce (appointed on 30 June 2022 and resigned on 1 November 2022)
Ms. Yang Haili (resigned on 30 June 2022)
Mr. Wang Mo (resigned on 30 June 2022)
Ms. Shen Jindan Note (1)

Remuneration Committee
Ms. Deng Xin *(Chairlady)* (appointed on 30 June 2022)
Ms. Lian Jinyu (appointed on 30 June 2022)
Mr. Liu Yao Guang
Ms. Yang Haili (resigned on 30 June 2022)
Ms. Shen Jidan Note (1)

Nomination Committee
Ms. Yan Ping *(Chairlady)*
Ms. Shen Jindan Note (1)
Mr. Yam Hiu Ping Bruce (appointed on 30 June 2022 and resigned on 1 November 2022)
Ms. Yang Haili (resigned on 30 June 2022)
Mr. Wang Mo (resigned on 30 June 2022)
Ms. Lian Jingyu (appointed on 1 November 2022)

Note:

(1) Ms. Shen Jindan, an independent non-executive Director, resigned as the chairlady of the Remuneration Committee and a member of the Audit Committee, and was redesignated as a member of the Nomination Committee on 30 June 2022. On 1 November 2022, Ms. Shen Jindan was appointed as a member of the Audit Committee.

COMPLIANCE OFFICER

Mr. Xiao Jiansheng

AUTHORISED REPRESENTATIVES

Ms. Yan Ping
Ms. Chan Sze Ting

COMPANY SECRETARY

Ms. Chan Sze Ting

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Windward 3, Regatta Office Park
PO Box 1350, Grand Cayman
KY1-1108, Cayman Islands

HEAD OFFICE

Dongcheng Industrial Zone
Xinping Road, Minzhong Town
Zhongshan City, Guangdong Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place
348 Kwun Tong Road Kowloon
Hong Kong
(with effect from 26 September 2022)

AUDITOR

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F., Gloucester Tower, The Landmark
11 Pedder Street, Central, Hong Kong

LEGAL ADVISER

CFN Lawyers in association with Broad & Bright
Room 4101-04, 41st Floor, Sun Hung Kai Centre
30 Harbour Road, Wan Chai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road, Hong Kong
(with effect from 15 August 2022)

PRINCIPAL BANKERS

Bank of China
Industrial & Commercial Bank of China (Asia) Limited

GEM STOCK CODE

8406

COMPANY'S WEBSITE

www.chinaoral.co

CHAIRLADY'S STATEMENT

On behalf of the board (the "**Board**") of Directors of the Company, I am pleased to present the annual report of the Group for the year ended 31 December 2022 (the "**Year**").

Review

The Group has been carrying on designing, manufacturing and selling high-quality inflatable playgrounds and other inflatable products for over 20 years. Our operations are mainly located in China, with the majority of sales in overseas. The COVID-19 global pandemic which began in early 2020 continued to have a significant impact on our operations in 2022. For the year ended 31 December 2022, the Group recorded total revenue of approximately RMB212,519,000 (2021: approximately RMB294,917,000), representing a decrease of approximately RMB82,398,000. Loss for the Year was approximately RMB34,851,000 (2021: loss of approximately RMB2,133,000), representing an increase of approximately RMB32,718,000 or 1,533.9%.

Outlook

Looking forward, the Group will be continuing to maintain its inflatable products business in 2023 and will further expand its business into health care industry, especially China's domestic oral care business.

We will continue to be prudent in managing our business operations and financial resources and maximise business potential during this challenging time.

Appreciation

I would like to take this opportunity to express my gratitude to all shareholders, customers, business partners and suppliers for their continuing support. At the same time, I would like to thank our management and staff for their support, trust and contributions to the Group throughout the years.

Yan Ping
Chairlady and Executive Director
China Oral Industry Group Holdings Limited

Hong Kong, 29 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Founded in 2003, the Group has nearly 20 years of experience in designing, manufacturing, and selling high-quality inflatable amusement parks and other inflatable products. The Group is mainly engaged in the manufacturing and sales of inflatable products and related accessories.

Due to the uncertainty of the global pandemic, the Group's main business is affected to varying degrees. The Group manufactures its inflatable products in the production facilities in Dongcheng Industrial Zone located in Zhongshan City, Guangdong Province. The Group is committed to maintain high standards of quality in all of the products and follow stringent quality control procedures throughout its production processes. The Group believes its product design and development capabilities will help strengthen its competitiveness through product differentiation and innovation.

Looking forward, the Group will be continuing to maintain its inflatable products business in 2023 and will further expand its business into the health care industry, especially China's domestic oral care business.

The Group has always been committed to maintaining high standards of its products and will also provide high-quality products for the oral care industry going forward.

FINANCIAL REVIEW

REVENUE

The Group's revenue was approximately RMB212,519,000 for the Year, representing a decrease of approximately RMB82,398,000 or 27.9% as compared to the revenue of approximately RMB294,917,000 for the year ended 31 December 2021. Revenue from the sales of inflatable playgrounds with air blowers for the Year was approximately RMB187,627,000 (2021: approximately RMB265,658,000 representing a decrease of approximately RMB78,031,000 or 29.4% as compared with the corresponding period in 2021, which accounted for approximately 88.3% of the Group's total revenue (2021: approximately 90.1%); revenue from the sales of other inflatable products for the Year was approximately RMB262,000 (2021: approximately RMB1,091,000), representing a decrease of approximately RMB829,000 or 76.0% as compared with the corresponding period in 2021, which accounted for approximately 0.1% of the Group's total revenue (2021: approximately 0.4%); revenue from the sale of electronic solar products for the Year was approximately RMB21,628,000 (2021: approximately RMB10,328,000), representing an increase of approximately RMB11,300,000 or 109.4% as compared with the corresponding period in 2021, which accounted for approximately 10.1% of the Group's total revenue (2021: approximately 3.5%); revenue from the sales of other inflatable products related accessories and subcontracting work for the Year was approximately RMB3,002,000 (2021: approximately RMB17,840,000), representing a decrease of approximately RMB14,838,000 or 83.2% as compared with the corresponding period in 2021, which accounted for approximately 1.4% of the Group's total revenue (2021: approximately 6.0%).

An analysis of the Group's revenue for the Year by geographical location is set out in note 5 to the consolidated financial statements.

COST OF SALES

The cost of sales was approximately RMB194,948,000 for the Year, representing a decrease of approximately RMB40,112,000 or 17.1% as compared to approximately RMB235,060,000 for the year ended 31 December 2021.

The decrease was primarily due to the decrease in (i) purchase of raw materials and (ii) direct wages.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group recorded a gross profit of approximately RMB17,571,000 for the Year, representing a decrease of approximately RMB42,286,000 as compared with that for the year ended 31 December 2021 (2021: approximately RMB59,857,000). The gross profit margin was approximately 8.3% for the Year, representing a decrease of approximately 12% as compared to that of the previous year (2021: approximately 20.3%).

OTHER INCOME AND GAINS

Total other income and gains was approximately RMB8,813,000 for the Year, representing an increase of approximately RMB6,603,000 or 298.8% as compared with that for the year ended 31 December 2021 (2021: approximately RMB2,210,000). The increase was mainly due to an increase in rental income of approximately RMB1,100,000, an increase in grants and subsidies in PRC of approximately RMB541,000 and exchange gains of approximately RMB5,803,000, partly offset by a decrease in other income of approximately RMB588,000.

DISTRIBUTION AND SELLING EXPENSES

Total distribution and selling expenses was approximately RMB23,461,000 for the Year (2021: approximately RMB31,653,000), representing a decrease of approximately RMB8,192,000 or 25.9% as compared with last year. The decrease was mainly due to the decrease in (i) freight and transportation expenses of approximately RMB5,707,000 and (ii) commission and sales services expenses of approximately RMB2,384,000.

ADMINISTRATIVE AND OTHER OPERATING EXPENSES

The administrative and other operating expenses was approximately RMB24,165,000 for the Year (2021: approximately RMB21,590,000), representing an increase of approximately RMB2,575,000 or 11.9% as compared with last year.

IMPAIRMENT LOSS ON NON-FINANCIAL ASSETS

During the Year, in view of the loss sustained by the Group, management considered indicators of impairment of property, plant and equipment, right-of-use assets and intangible assets existed at 31 December 2022 and performed an impairment assessment. For the purpose of impairment testing, the estimates of recoverable amount were determined based on the value-in-use calculation. Based on the impairment assessment, impairment loss of approximately RMB4,485,000, RMB5,686,000 and RMB281,000 were recognised on property, plant and equipment, right-of-use assets and intangible assets respectively in profit or loss during the year ended 31 December 2022 in order to write down the carrying amount of the property, plant and equipment, right-of-use assets and intangible assets to their recoverable amounts.

In addition, certain assets of the Group have been classified as held for sale during the year and accordingly, the Group recognised an impairment loss on property, plant and equipment of approximately RMB1,920,000 as included in the impairment loss on non-financial assets upon reclassification.

FINANCE COSTS

The Group recorded interest expense on lease liabilities of approximately RMB1,607,000 for the Year, representing a decrease of approximately RMB340,000 or 17.5% (2021: approximately RMB1,947,000).

INCOME TAX CREDIT/EXPENSE

Income tax credit was approximately RMB917,000 for the Year (2021: income tax expense of approximately RMB4,968,000), representing a decrease of approximately RMB5,885,000 or 118.4% as compared with last year. An analysis of the Group's income tax credit for the Year is set out in note 8 to the consolidated financial statements.

LOSS AND TOTAL COMPREHENSIVE EXPENSE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Loss and total comprehensive expense attributable to owners of the Company for the Year was approximately RMB32,816,000 (2021: Loss and total comprehensive expense of approximately RMB3,197,000).

The deterioration of the Group's performance for the year ended 31 December 2022 compared to the corresponding period in 2021 was mainly attributable to (i) a decrease in sales from approximately RMB294,917,000 for the year ended 31 December 2021 to approximately RMB212,519,000 for the year ended 31 December 2022 and a decrease in gross profit from approximately RMB59,857,000 for the year ended 31 December 2021 to gross profit approximately RMB17,571,000 for the year ended 31 December 2022 due to lower sales volume and margins from inflatable playgrounds with air blowers; and (ii) impairment losses of approximately RMB12,372,000 made for the year ended 31 December 2022 to the Group's certain property, plant and equipment, right-of-use assets and intangible assets, representing an increase of approximately RMB8,572,000 as compared to RMB3,800,000 for the year ended 31 December 2021.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group finances its liquidity and financial requirements primarily through cash generated from operating and financing activities and equity contributed from the shareholders of the Company.

The Company's shares were listed on GEM of the Stock Exchange on 7 December 2017 (the "Listing").

There has been no change in the capital structure of the Group since the date of Listing and up to the date of this annual report.

As at 31 December 2022, the Group's total equity attributable to owners of the Company amounted to approximately RMB123,148,000 (2021: approximately RMB118,709,000).

The current ratio of the Group as at 31 December 2022 was approximately 2.83 times as compared to that of approximately 2.58 times as at 31 December 2021. The quick ratio of the Group as at 31 December 2022 was approximately 2.03 times as compared to that of approximately 1.36 times as at 31 December 2021. The Directors believe that the Group is in a healthy financial position to expand its core business and to achieve its business objectives.

Since no borrowing was outstanding as at 31 December 2022 and 31 December 2021, no gearing ratio was applicable.

CAPITAL EXPENDITURE

During the Year, there was capital expenditure of approximately RMB616,000 (2021: approximately RMB1,792,000) which was used in the purchase of property, plant and equipment.

FINAL DIVIDEND

The Board does not propose the payment of any final dividend for the year ended 31 December 2022 (2021: Nil) to the shareholders of the Company.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any significant contingent liabilities (2021: Nil).

PLEDGE OF ASSETS

As at 31 December 2022, the Group had no assets pledged for bank borrowings or for other purpose (2021: Nil).

CAPITAL COMMITMENTS

As at 31 December 2022, in addition to the commitment to contribute to the registered capital of the indirect wholly-owned subsidiary of RMB5,000,000 (2021: Nil), the Group has entered into contractual commitments for the acquisition of property, plant and equipment of approximately RMB1,000,000 (2021: RMB429,000).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, AFFILIATED COMPANIES AND JOINT VENTURES

During the Year, the Group has entered into investment agreement with an independent third party for the proposed acquisition of the entire equity interest in companies which are principally engaged in providing dental related services in the oral care industry in the PRC. The Group has paid RMB13,000,000 as deposit for securing the aforesaid potential investment.

Save as disclosed above, the Group did not have any material acquisitions and disposal of subsidiaries, affiliated companies and joint ventures (2021: Nil).

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

As at 31 December 2022, the Group has invested RMB30,899,000 in unlisted financial products which are classified as financial assets at fair value through profit or loss, and recognized a fair value gain of RMB231,000 in the profit or loss during the Year.

In 2021, there was no significant investment held by the Group.

FUTURE PLAN FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

The Group does not have any plan for material investment and capital assets for the coming year.

FOREIGN CURRENCY EXPOSURE

As approximately 95% and 87% of the Group's revenue for the years ended 31 December 2022 and 31 December 2021 respectively are denominated in US Dollars but the costs incurred for the production are denominated in Renminbi ("**RMB**"), significant fluctuation in the exchange rate between RMB against US Dollars may materially affect the Group's business results of operations. As a result of the Group's business expansion to overseas markets, the Group may continue to generate a significant amount of sales, assets and liabilities denominated in a currency other than RMB. In this case, the Group would be exposed to risks related to the exchange rate and the currency in which its assets and liabilities are denominated. A depreciation of RMB would require the Group to use more RMB funds to service the same amount of foreign currency liabilities, or a depreciation of foreign currency against RMB would result in receipts from receivables substantially less than the contractual amounts in terms of RMB at the settlement date.

Having considered the cost effectiveness with reference to the Group's business model, the Group currently does not have a formal foreign currency hedging policy or engage in hedging activities designed or intended to manage such exchange rate risk during the Year. Because RMB is not freely convertible, the Group's ability to reduce foreign exchange rate risk is limited.

TREASURY POLICIES

The Group is exposed to credit risk primarily arising from trade receivables and bank deposits. Trade receivables are from customers with good collection track records with the Group. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history to mitigate credit risks. During the Year, allowance for credit losses in relation to trade receivables of approximately RMB547,000 was recognised (2021: allowance for credit losses in relation to trade receivables of approximately RMB242,000).

Bank deposits are mainly the deposits with banks with good credit ratings assigned by international credit-rating agencies or with good reputation. For bank deposits, the Group adopts the policy of dealing only with high credit quality counterparties.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group had 571 full-time employees (31 December 2021: 953). Most of the employees are located in Zhongshan City and Heyuan City, Guangdong Province, and Yongzhou City, Hunan Province, the PRC. The total employee remuneration, including remuneration of the Directors, for the year ended 31 December 2022 amounted to approximately RMB50,993,000 (2021: approximately RMB75,797,000).

The Group has established a fair, reasonable and competitive Remuneration Management System and Procedure (《薪酬管理制度》及《薪資福利管理程序》) that provides compensation to employees based on the principles of fairness, competition, incentives, rationality, and legality. The Group entered into separate labour contracts with each of the Group’s employees in accordance with the applicable labour laws in Hong Kong and the PRC. The Group provides its employees with various benefits including discretionary bonus, contribution to social insurance premium and housing provident fund, and contribution to mandatory provident fund. The Group also offers options that may be granted to employees under the share option scheme.

During the years ended and as at 31 December 2021 and 2022, no contribution was forfeited (by the Group on behalf of its employees who leave the defined contribution schemes prior to vesting fully in such contributions) and be used by the Group to reduce the existing level of contributions.

The Group has developed relevant training procedures to standardize the management of employees’ training and holds various training programs in order to improve the knowledge and skills of employees. The Group has developed an Annual Training Plan(《年度培訓計劃》)based on the training requirements from various departments, to enhance the employees’ skills and knowledge. In addition to internal training, the Group encourages and supports employees to participate in external personal and professional training to fulfill the needs of the Group’s development.

EXECUTIVE DIRECTORS

Ms. Yan Ping (嚴萍) ("Ms Yan"), aged 50, has been appointed as the chairlady of the Board and an executive Director since 17 December 2021. Ms. Yan is also the chairlady of the nomination committee of the Company (the "**Nomination Committee**"). Ms. Yan is the controlling shareholder of the Company (the "**Controlling Shareholder**").

From May 2001 to September 2009, Ms. Yan founded and served as the general manager of Xiamen Aidifei Trading Co., Ltd.* (廈門市愛迪菲商貿有限公司). From May 2010 to June 2015, Ms. Yan served as the sole director of Angel Fly (HK) Int'l Investment Management Limited (安吉飛兒香港(國際)投資管理有限公司) (currently dissolved). From April 2017 to May 2020, Ms. Yan served as a regional general manager of Beijing Tongrentang Health Pharmaceutical Co., Ltd. (北京同仁堂健康藥業股份有限公司). Ms. Yan has been the chairlady of the board of China Oral Industry Group Limited (中國口腔產業集團有限公司) since June 2021.

Mr. Liu Yao Guang (劉耀光) ("Mr. Liu"), aged 52, has been appointed as the chief executive officer of the Company and an executive Director since 17 December 2021. Mr. Liu is also a member of the remuneration committee of the Company (the "**Remuneration Committee**").

From September 1993 to June 2002, Mr. Liu served as a training manager of the personnel department of Shijiazhuang Oriental City Plaza Co., Ltd.* (石家莊東方城市廣場有限公司). From July 2002 to July 2009, Mr. Liu served as a sales director and deputy general manager of Shandong Fengxiang Food Co., Ltd* (山東鳳祥食品有限公司). From August 2009 to December 2012, Mr. Liu served as a deputy general manager of Beijing Spicy Temptation Food Co., Ltd.* (北京麻辣誘惑食品有限公司). Mr. Liu is currently a partner, and serves as a director of Beijing Hejun Consulting Co., Ltd.* (北京和君諮詢有限公司), Hebei Hejun Enterprise Management Consulting Co., Ltd.* (河北和君企業管理諮詢有限公司) and Hebei Deyun Enterprise Management Consulting Co., Ltd.* (河北德運企業管理諮詢有限公司) since January 2013, May 2014 and January 2018 respectively.

Mr. Liu obtained his bachelor's degree in education (major in physical education) from Hebei Institute of Physical Education (河北體育學院) in July 1993.

Mr. Xiao Jiansheng (肖健生) ("Mr. Xiao"), aged 60, is an executive Director. Mr. Xiao is responsible for overseeing the Group's operation, business development, finance and administration. Mr. Xiao joined the Group in June 2003. He was appointed as the director on 1 February 2016, re-designated as the chief executive officer and executive Director of the Company on 5 March 2016, and resigned as the chief executive officer of the Company, a member of each of the Remuneration Committee and the Nomination Committee on 17 December 2021.

Mr. Xiao has over 32 years of experience in the amusement products design and manufacturing industry. Mr. Xiao obtained a bachelor's degree in hydraulic transmission from Wuhan Huazhong Institute of Technology (武漢華中工學院) in July 1982.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Shen Jindan (沈錦丹) ("Ms. Shen"), aged 43, has been appointed as an independent non-executive Director since 17 December 2021. Ms. Shen is also a member of each of audit committee of the Company (the "**Audit Committee**") and the Nomination Committee.

From February 2016 to December 2018, Ms. Shen served as a tutor of Guandong Limingtang Digital Culture Technology Development Co., Ltd.* (廣東立明堂數位文化科技發展有限公司) ("**Limingtang**"). From January 2019 to December 2020, Ms. Shen served as a general manager of the education center of Limingtang. Ms. Shen has been a director of the overseas business department of Limingtang since October 2019 and has been a deputy general manager of Limingtang since January 2021.

Ms. Lian Jingyu (連菁鈺) ("Ms. Lian"), aged 47, has been appointed as an Independent non-executive Director since 30 June 2022. Ms. Lian is also the chairlady of the Audit Committee and a member of each of Remuneration Committee and Nomination Committee.

Ms. Lian obtained a bachelor's degree in Account from Hubei University in June 2011. Ms. Lian is qualified as a Certified Public Accountant in China since 2002.

Ms. Lian has over 20 years of accounting and financial related work experience in different accounting firms. From January 2002 to May 2014 and May 2015 to December 2018, Ms. Lian served as a senior project manager of the BDO China Shu Lun Pan CPAs Xiamen Branch (立信會計師事務所廈門分所). From December 2018 to May 2022, Ms. Lian served as deputy manager accountant of the Xiamen Taixin CPA Limited Company (廈門鈦信會計師事務所有限公司).

Ms. Deng Xin (鄧昕) ("Ms. Deng"), aged 49, has been appointed as an Independent non-executive Director since 30 June 2022. Ms. Deng is also the chairlady of the Remuneration Committee and a member of Audit Committee.

Ms. Deng has over 27 years of experience in Stomatology and holds a national mid-level qualification in Stomatology since December 2011. From December 1995 to March 2011, Ms. Deng served as a registered doctor of the Jilin Hospital of Integrated Traditional Chinese and Western Medicine (吉林省吉林中西醫結合醫院) as known as the Jilin Third People's Hospital (吉林市第三人民醫院). From September 2011 to March 2014, Ms. Deng served as the Dean of the Jilin Jikang Dental Hospital (吉林市吉康口腔醫院). From April 2014 to November 2019, Ms. Deng served as a regional general manager in Bybo Medical Group Limited (拜博醫療集團有限公司). From November 2019 to May 2022, Ms. Deng served as the Dean of Xiamen Kanger Dental OPD Limited Company (廈門康爾口腔門診部有限責任公司).

SENIOR MANAGEMENT

Mr. Wang Haifeng (王海峰), aged 52, joined the Group in June 2003 and is the Financial Controller of the Group now. Mr. Wang has over 22 years of experience in financial accounting.

Mr. Wang is primarily responsible for overseeing and enhancing the accounting function of the Group's accounts and finance department. He has been a director of one of the subsidiaries, Swiftech Company, since August 2015. Mr. Wang obtained his associate degree in corporate financial accounting from Shaanxi Finance & Economics Institute (陝西財經學校) in July 1995. He obtained the qualification of assistant accountant conferred by the Ministry of Finance of the PRC in May 1998. He obtained an associate degree in accounting from China Central Radio and TV University (中央廣播電視大學) in January 2009.

Ms. Lin Yannong (林燕儂), aged 50, joined the Group in June 2003 and is the Marketing Director of the Group now. Ms. Lin has over 22 years of experience in sales and marketing.

Ms. Lin is primarily responsible for planning and handling marketing and promotional activities. She obtained a bachelor's degree in international business and economics from Shantou University (汕頭大學) in June 1994 and a postgraduate diploma in business-to-business market management from the School of Professional and Continuing Education of the University of Hong Kong (香港大學專業進修學院) in August 2015.

Ms. Li Qiuhong (李秋紅), aged 51, joined the Group in June 2003 and is the Head of Production Department of the Group now. Ms. Li has over 22 years of experience in factory management.

Ms. Li is primarily responsible for overseeing the production of the Group, she completed an international business administration workshop (國際高級工商管理總裁研修班) at the School of Continuing Education, Tsinghua University (清華大學繼續教育學院) in October 2011.

Mr. Zhu Wenyi (朱文軼), aged 44, joined the Group in May 2004 and is the Art Director of the Group now. Mr. Zhu has over 12 years of experience in product design.

Mr. Zhu is primarily responsible for product design of the Group, he obtained a bachelor's degree in Arts and Design from Guangzhou Academy of Fine Arts (廣州美術學院) in July 2003.

COMPANY SECRETARY

Ms. Chan Sze Ting (陳詩婷) ("Ms. Chan"), aged 41, has been appointed as the company secretary of the Company since 17 December 2021. Ms. Chan is a director of the corporate services division of Tricor Services Limited, which is a global professional services supplier specializing in integrated business, corporate and investor services. Ms. Chan has over 17 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Chan is a Chartered Secretary (CS), a Chartered Governance Professional (CGP) and an Associate of both The Hong Kong Chartered Governance Institute (HKCGI) and The Chartered Governance Institute (CGI) in the United Kingdom. Ms. Chan holds a bachelor of arts from Hong Kong Polytechnic University and a bachelor's degree in law from the University of London, Britain.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. During the Year, the Group is principally engaged in the manufacturing and sales of inflatable products and related accessories. The Company is about to launch medical and healthcare related services including, but not limited to, investing in and operating chain dental clinics, internet hospitals, biopharmaceuticals and health management service platforms and related upstream and downstream supply chain businesses.

An analysis of the Group's performance for the Year by geographical segments is set out in note 5 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the Year and the financial position of the Group at that date are set out in the consolidated financial statements on pages 76 to 77.

The Board does not recommend the payment of any final dividend for the year ended 31 December 2022 to the shareholders of the Company (2021: Nil).

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years, as extracted from the published annual reports and audited financial statements of the Company for the year ended 31 December 2022, is set out on page 140 in this annual report.

BUSINESS REVIEW AND PERFORMANCE

A review of the business of the Company and a discussion and analysis of the Group's performance during the Year and the outlook of Company's business can be found in the Management Discussion and Analysis set out on pages 6 to 10 of this annual report. This discussion forms part of this Report of the Directors.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's key risk exposures are summarised as follows:–

1. The Group's past revenue and profit margin may not guarantee the Group's future revenue and profit margin.

2. The Group is subject to risks of fluctuations in the exchange rate between RMB and US Dollars.

3. The Group is subject to risks associated with marketing, distribution and sales of its products internationally.

4. Sales of the Group's products are subject to changes in consumer perception and preference.

5. The Group may be subject to product liability claims.

6. Fluctuations in the price and supply of raw materials may bring negative impact to the performance of the Group.

7. The Group is dependent on a skilled workforce in the PRC to run its production facilities and the Group may experience a shortage of labour or its labour costs may increase.

8. The Group is subject to environmental protection regulations and requirements.

9. The Group is subject to changes in economic, political and social conditions in the PRC and policies adopted by the PRC government.

10. The PRC legal system is not fully developed and has inherent uncertainties which could limit the legal protections available to the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

During the Year, the Group continued to focus on improving its performance in environmental protection, enhancing the awareness of environmental protection and proactively addressing the environmental issues. The Group endeavoured to adopt various energy saving and emission reduction measures in its business operation, so as to reduce the consumption of natural resources by using environmentally-friendly products and verified materials.

Please refer to the Environmental, Social and Governance Report as set out on pages 40 to 71 of this annual report for the details of environmental policies and performance of the Group.

COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company and its subsidiaries during the Year.

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS, SUBCONTRACTORS AND EMPLOYEES

Customers

The Group considers its customers as one of the most important stakeholders. The Group's commitment to continue its dedication to quality control, product safety and customer service are essential in maintaining the trust of its customers. Besides selling its products in the domestic market, the Group also sold to over 40 countries in Europe, Australia and Oceania, North America, Asia, Central and South America and Africa during the Year. During the Year, the Group recorded revenue of approximately RMB202,544,000 from the sales to overseas customers (2021: approximately RMB264,925,000), which accounted for approximately 95.3% of the total revenue (2021: approximately 89.8%). The Group recorded approximately 60.8% of the total revenue from the Group's top five customers (2021: approximately 47.8%). The Directors believe that the well-established relationships with major customers of the Group and market conditions, together with the reliable and high-quality products and dedicated customer service, will continue to strengthen market presence and future expansion of the Group.

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

Suppliers

The Group selects the suppliers on the basis of product quality, their background and credibility, reputation, service, price, scale of production and ability to meet the delivery schedule and requests. The Group typically works with reputable and reliable suppliers to secure key raw materials such as air blowers used in production process. The Group has established stable and good relationships with its suppliers of principal raw materials. The raw materials are generally available from a number of domestic suppliers, and the Group normally will have at least two sources of supply for each type of raw materials to avoid dependency. The Group requires goods provided by the Group's suppliers to meet high quality standards and to conduct regular evaluation on suppliers. During the Year, purchases of materials from the Group's five largest suppliers amounted to approximately RMB59,234,000 (2021: approximately RMB100,454,000) and represented approximately 62.7% of the total cost of goods purchased (2021: approximately 60.4%).

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

Subcontractors

During the Year, the Group subcontracted a portion of sewing, printing and packaging works to 9 subcontractors (2021: 19), which are mainly local factories involving in sewing and packaging works. The total subcontracting fees amounted to approximately RMB16,004,000 (2021: approximately RMB17,775,000), representing approximately 8.2% of the total cost of goods (2021: approximately 7.6%). Subcontractors are selected based on assessment of (i) service quality; (ii) timeliness on delivery; (iii) quotation; and (iv) whether they have a quality assurance system that meets the Group's work requirements.

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

Employees

The Group recognises employees as valuable assets of the Group, the Group intends to use the best effort and retain appropriate and suitable personnel to serve the Group. The Group assesses available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of the Group. The Directors believe that good working relationship is maintained with its employees.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the Year attributable to the Group's major customers and suppliers are as follows:

Sales	
– the largest customer	25.5%
– five largest customers in aggregate	60.8%
Purchases	
– the largest supplier	22.1%
– five largest suppliers in aggregate	62.7%

None of the Directors or any of their close associates or any shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in these major customers or suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in note 27 to the consolidated financial statements.

DEBENTURE ISSUE

For the year ended 31 December 2022, the Company has not issued any debenture.

RESERVES

Details of movements in the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity on page 78 of this annual report and note 38 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

RELATED PARTY TRANSACTION

Save as disclosed in note 36 to the consolidated financial statements, no other related party transactions were conducted by the Group during the Year.

None of the related party transactions constituted connected transactions under Chapter 20 of the GEM Listing Rules which were required to be disclosed.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's reserves available for distribution to its shareholders amounted to approximately RMB61,438,000 (2021: approximately RMB43,312,000).

DIVIDEND POLICY

The Group adopted a dividend policy (the "**Dividend Policy**") on 31 December 2018. A summary of this policy is disclosed as below.

The dividend policy of the Company is to distribute to its shareholder the funds surplus to the operating needs, current and future business development of the Group as determined by the Board. The Company may declare and pay dividends to the shareholders of the Company, subject to the criteria as set out below.

In accordance with the articles of association of the Company and subject to the relevant laws under the Cayman Islands, the Company in general meeting may from time to time declare dividends in any currency to be paid to the shareholders of the Company but no dividend shall be declared in excess of the amount recommended by the Board.

Dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Board determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the relevant laws under the Cayman Islands.

Subject to compliance with applicable laws, rules, regulations and the articles of association of the Company, in deciding whether to propose a dividend payout, the Board will take into account, among other things, the financial results, the earnings, losses and distributable reserves, the operations and liquidity requirements, the debt ratio and possible effect on the credit lines, the capital requirements, the current and future development plans of the Company, the interests of the shareholders of the Company, dividends received from the Company's subsidiaries, and other factors that the Board considered relevant.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme on 15 November 2017 (the "**Scheme**") pursuant to the written resolution of the shareholders of the Company on 15 November 2017 for the purpose of providing additional incentives eligible participants for their contribution to the Group and/or enabling the Group to attract and retain best available personnel that are valuable to the Group. As at the date of this annual report, the remaining term of the Scheme was approximately 5 years.

The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

The summary of the principal terms of the Scheme are as follows:

1.	Purpose of the Scheme	Provide additional incentive to eligible participants for attracting and retaining the best available personnel, to promote the success of the business of the Group.
2.	Eligible participants	Any eligible employee (full-time or part-time), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group.
3.	Total number of shares available for issue under the Scheme and percentage to the issued share capital as at the date of this report	96,000,000 shares (equivalent to 10% of total issued share capital as at the date of this report).
4.	Maximum entitlement of each participant	Not exceeding 1% of the issued share capital of the Company for the time being in any 12 month period. Any further grant of share option in excess of such limit must be separately approved by Company's shareholders in general meeting.
5.	The period within which the shares must be taken up under an option	A period (which may not expire later than 10 years from the date of offer of that option) to be determined and notified by Directors to the grantee thereof.

6.	The minimum period for which an option must be held before it can be exercised	Unless otherwise determined by the Directors, there is no minimum period required under the Scheme for the holding of an option before it can be exercised.
7.	The amount payable on application or acceptance of the option	An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.
8.	The basis of determining the exercise price	Being determined by the Directors and being not less than the highest of: (a) the closing price of shares of the Company as stated in the Stock Exchange's daily quotation sheet on the offer date; (b) the average closing prices of the shares of the Company as stated in the Stock Exchange's daily quotation sheet for the five business days immediately proceeding the offer date; and (c) the nominal value of the share on the offer date.
9.	The remaining life of the Scheme	The Scheme is valid and effective for a period of 10 years commencing on 15 November 2017 (being the date of adoption of the Scheme).

No share option has been granted under the Scheme since its adoption and up to the date of this annual report.

DIRECTORS

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

Executive Directors
Ms. Yan Ping *(Chairlady)*
Mr. Liu Yao Guang *(Chief Executive Officer)*
Mr. Xiao Jiansheng

Independent non-executive Directors
Ms. Shen Jindan
Ms. Yang Haili (resigned as independent non-executive Director on 30 June 2022)
Mr. Wang Mo (resigned as independent non-executive Director on 30 June 2022)
Ms. Lian Jingyu (appointed as independent non-executive Director on 30 June 2022)
Ms. Deng Xin (appointed as independent non-executive Director on 30 June 2022)
Mr. Yam Hiu Ping Bruce (appointed as independent non-executive Director on 30 June 2022 and resigned as independent non-executive Director on 1 November 2022)

In accordance with the articles of association of the Company, 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 by rotation at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the annual general meeting. All Directors appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after their appointment and be subject to re-election at such meeting and all Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is provided pursuant to the articles of association of the Company and the relevant laws and regulations and is currently in force and was in force throughout the Year. The Company has arranged insurance cover in respect of legal action against its Directors. The insurance coverage is reviewed annually to ensure that the Directors and officers are adequately protected against potential liabilities.

DIRECTORS' SERVICE CONTRACTS

Mr. Xiao Jiansheng entered into a service agreement with the Company for an initial fixed term of three years commencing on the Listing Date and he has entered into a new service agreement with the Company for a term of three years with effect from 30 June 2022. Ms. Yan Ping and Mr. Liu Yao Guang entered into service agreements with the Company on 17 December 2021 and such agreements expired at the closure of the 2022 annual general meeting of the Company (the "**2022 AGM**") and each of Ms. Yan Ping and Mr. Liu Yao Guang has entered into a new service agreement with the Company for a term of three years with effect from 30 June 2022. All of the service agreements mentioned above are terminable by either party giving to the other not less than three months' prior notice in writing.

Ms. Shen Jindan signed a letter of appointment with the Company dated 17 December 2021 that expired at the closure of the 2022 AGM and she has entered into a new letter of appointment for a term of one year with effect from 30 June 2022. Ms. Lian Jingyu and Ms. Deng Xin has each entered into a letter of appointment for an initial term of one year with effect from 30 June 2022. All of the letter of appointments mentioned above are terminable by either party giving to the other not less than three months' prior notice in writing.

None of the Directors who are proposed for re-election at the forthcoming annual general meeting of the Company (the "**2023 AGM**") has a service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in this annual report, neither the Company nor any of its subsidiaries had entered into any contract of significance with the Company's Controlling Shareholder, or any contract of significance for the provision of services to the Company or any of its subsidiaries by the Controlling Shareholder, during the Year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any Director of the Company or a connected entity of the Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Year.

CHANGES IN DIRECTORS' AND CHIEF EXECUTIVE'S INFORMATION UNDER RULE 17.50A(1) OF THE GEM LISTING RULES

Ms. Yang Haili resigned on 30 June 2022 as an independent non-executive Director and a member of the audit committee, remuneration committee and nomination committee. Mr. Wang Mo resigned on 30 June 2022 as independent non-executive Director and a member of the audit committee and nomination committee. Ms. Yang Haili and Mr. Wang Mo resigned from their positions due to their other business engagements which require more of their time and dedications. Ms. Lian Jingyu, Ms. Deng Xin and Mr. Yam Hiu Ping Bruce were appointed as independent non-executive Directors on 30 June 2022. Details are set out in the circular of the Company dated 7 June 2022 and the announcement of the Company dated 30 June 2022.

Mr. Yam Hiu Ping resigned as an independent non-executive Director and a member of the audit committee and nomination committee on 1 November 2022 due to his wishes to devote more time to his personal commitments. Details are set out in the announcement of the Company dated 1 November 2022.

Save for the information above, the Company is not aware of any change in information of directors or chief executive which is required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the businesses of the Company were entered into or existed during the Year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed in the section headed "Share Option Scheme", at no time for the year ended 31 December 2022 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 11 to 13 of this annual report.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "Share Option Scheme", no equity-linked agreements were entered into by the Company at any time during the Year or subsisted at the end of the year.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in notes 10 and 11 to the consolidated financial statements, respectively. The emolument of the number of the highest paid individuals who are not the Directors for the Year are set out in note 11 to the consolidated financial statements.

The emoluments of the senior management of the Group for the Year falls within the following band:

Emolument Band	**Number of Senior Management**
Nil to HK$1,000,000	2
HK$1,000,001 to HK$1,500,000	1
	3

RETIREMENT BENEFITS PLANS

Details of retirement benefits plans are set out in note 30 to the consolidated financial statements.

REMUNERATION POLICY

The Company's remuneration policy comprises primarily a fixed component (in the form of a base salary) and a variable component (which includes discretionary bonus and other merit payments), considering other factors such as their experience, level of responsibility, individual performance, the profit performance of the Group and general market conditions.

The Remuneration Committee will meet at least once for each year to discuss remuneration related matters (including the remuneration of Directors and the senior management) and review the remuneration policy of the Group. It has been decided that the Remuneration Committee would determine, with delegated responsibility, the remuneration packages of individual executive Directors and the senior management.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2022, the interests and short positions of the Directors and chief executive of the Company (the "**Chief Executive**") in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept under section 352 of SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules (the "**Required Standard of Dealings**") were as follows:

Long position in ordinary shares of the Company

Name of Director/ Chief Executive	Capacity/Nature of interest	Number of shares held	Percentage of shareholding *(Note 1)*
Ms. Yan Ping	Beneficial owner	424,560,000	44.23%

Note:

(1) The percentage is calculated on the basis of 960,000,000 ordinary shares of the Company in issue as at 31 December 2022.

Save as disclosed above, as at 31 December 2022, none of the Directors or the Chief Executive or their respective associates had any interest or short position in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Required Standard of Dealings.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL AND OTHER SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2022, so far as is known to the Directors and the Chief Executive and based on the public records filed on the website of the Stock Exchange and records kept by the Company, there was no other person or corporation (other than the Directors and the Chief Executive) who had any interest or short position in the shares and underlying shares of the Company which would require disclosure to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, beneficially interested in 5% or more of the issued share capital of the Company, or as recorded in the register of interests required to be kept by the Company under section 336 of the SFO.

COMPETING AND CONFLICT OF INTERESTS

During the Year, the Directors and the Controlling Shareholder and her close associates do not have any interest in a business apart from the Group's business which competes and is likely to compete, directly or indirectly, with its business.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 21 October 2022 (after trading hours), the Company entered into the placing agreement with the CNI Securities Group Limited ("**Placing Agent**") pursuant to which the Placing Agent conditionally agreed to place as the Company's placing agent on a best effort basis the placing shares up to 160,000,000 new shares to not less than six placees at the placing price of HK$0.260 per placing share.

On 8 November 2022, the conditions of the placing have been fulfilled and all placing shares have been successfully placed by the Placing Agent to not less than six placees at the placing price of HK$0.26 per Placing Share pursuant to the terms and conditions of the Placing Agreement, representing approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the placing shares.

The net proceeds from the placing (after deduction of placing commission and other relevant costs and other expenses of the placing) amount to approximately HK$40,520,000. The Company intends to apply the net proceeds from the placing as to (i) HK$13,500,000 for any suitable investment in potential dental clinic(s) with proven track records in Guangdong Province when opportunities arise, and (ii) the remaining net proceeds from the placing of approximately HK$27,020,000 will be used as the working capital of the Group.

For further details of the placing, please refer to the Company announcements dated 21 October 2022, 26 October 2022 and 8 November 2022.

CLOSURE OF REGISTER OF MEMBERS

The 2023 AGM is scheduled to be held on Monday, 15 May 2023.

In order to establish entitlements to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Wednesday, 10 May 2023 to Monday, 15 May 2023, both days inclusive, during which period no transfer of the shares of the Company will be registered. Shareholders are reminded to ensure that all completed share 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 p.m. on Tuesday, 9 May 2023.

EVENTS AFTER THE REPORTING PERIOD

On 2 January 2023, the Group entered into a formal disposal agreement with an independent third party to dispose of the spunbond meltblown spunbond ("**SMS**") non-woven fabrics machineries at a cash consideration of approximately RMB3,540,000, net of value added tax. On the same date, the Group entered into an agreement with the lessee to terminate the operating lease in respect of the SMS machineries.

On 20 January 2023, the Group completed the acquisition of the entire equity interest in the targeted companies at a cash consideration of RMB13,000,000. Upon completion of the acquisition, the acquired target company and its subsidiary became wholly-owned subsidiaries of the Company and its financial results and financial position will be consolidated into the consolidated financial statements of the Company. As at the date of approval of this annual report, the management of the Group is still in the midst of determining the financial effect at the aforesaid acquisition.

Save as the abovementioned, the Board is not aware of any significant event requiring disclosure that has been taken place subsequent to 31 December 2022 and up to the date of this annual report.

DONATIONS

Charitable donations made by the Group during the Year ended 31 December 2022 amounted to RMB50,000 (2021: RMB50,000).

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 26 to 39 of this report.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this annual report, based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company maintained the amount of public float as required under the GEM Listing Rules.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors in writing an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers all the independent non-executive Directors to be independent.

INDEPENDENT AUDITORS

The consolidated financial statements of the Group for the year ended 31 December 2022 were audited by HLB Hodgson Impey Cheng Limited who will retire and, being eligible, offer themselves for re-appointment at the 2023 AGM. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company is to be proposed at the 2023 AGM. The auditors of the Company have not been changed for the three years ended 31 December 2022.

On behalf of the Board

Ms. Yang Ping
Chairlady and Executive Director

Hong Kong, 29 March 2023

CORPORATE GOVERNANCE PRACTICE

The Board considers that good corporate governance of the Company is central to safeguarding the interests of the shareholders of the Company and enhancing the performance of the Group. The board is committed to maintaining and ensuring high standards of corporate governance. The Company has applied the principles and code provisions in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules. In the opinion of the Board, the Company has complied with the CG Code during the Year.

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

The Company is aware that the Stock Exchange has amended Appendix 15 to the GEM Listing Rules, which has come into effect from 1 January 2022, and the title has also been changed to "Corporate Governance Code". The relevant code provisions numbers of the CG Code disclosed in this Corporate Governance Report will be presented according to the revised version.

BOARD OF DIRECTORS

Compositions and Responsibilities

The Board as at the date of this annual report:

Executive Directors

Ms. Yan Ping *(Chairlady)*
Mr. Liu Yao Guang *(Chief Executive Officer)*
Mr. Xiao Jiansheng

Independent non-executive Directors

Ms. Shen Jindan
Ms. Lian Jingyu
Ms. Deng Xin

In compliance with Rules 5.05A, 5.05(1) and 5.05(2) of the GEM Listing Rules, the Company has appointed three independent non-executive Directors representing more than one-third of the board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. The independent non-executive Directors play a significant role in the Board as they bring an impartial view on the Company's strategies, performance and control, as well as ensure that the interests of all shareholders of the Company are taken into account. None of the independent non-executive Directors held any other offices in the Company or any of its subsidiaries or is interested in any shares of the Company. The Company has received from each independent non-executive Director an annual confirmation of his/her independence, and the Company considers such directors to be independent in accordance with each and the various guidelines set out in Rule 5.09 of the GEM Listing Rules.

The principal focus of the Board is on the overall strategic development of the Group. The Board also monitors the financial performance and the internal controls of the Group's business operations. With a wide range of expertise and a balance of skills, the non-executive Directors bring independent judgement on issues of strategic direction, development, performance and risk management through their contribution at board meetings and committee work.

The day-to-day management, administration and operation of the Company are delegated to the executive Directors and the senior management of the Company. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the executive Director(s) and senior management. The Board also assumes the responsibilities of maintaining high standard of corporate governance, including, among others, developing and reviewing the Company's policies and practices on corporate governance, reviewing and monitoring the training and continuous professional development of Directors and senior management, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, and reviewing the Company's compliance with the CG Code and the disclosures in this annual report. All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective delivery of the Board functions. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee (as defined under the paragraph headed "**Board Committees**").

The biographical details of the Directors and senior management of the Company are set out in the section headed with "Biographical Details of the Directors and Senior Management" from pages 11 to 13 of this annual report. Save as disclosed in the section "Biographical Details of the Directors and Senior Management" in this annual report, each of the Board members has no financial, business, family or other material or relevant relationships with each other.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties as set out in paragraph A.2.1 of the CG Code, which include the following:

1. to develop and review the policies and practices on corporate governance of the Group;

2. to review and monitor the training and continuous professional development of the Directors and senior management;

3. to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

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

5. to review the Company's compliance with the CG Code and disclosure in the corporate governance report of the Company.

APPOINTMENT AND RE-ELECTION

Each of the executive Directors entered into a service contract with the Company and each of the independent non-executive Directors entered into letters of appointment with the Company. The service contracts with the executive Directors and the letters of appointment with each of the independent non-executive Directors are for an initial fixed term of three years and one year, respectively. The aforementioned service contracts and letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with the articles of association of the Company and the applicable GEM Listing Rules.

According to Article 108 of the articles of association of the Company, one-third of the Directors for the time being shall retire from office by rotation at every annual general meeting of the Company, provided that every Director shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years. Accordingly, Mr. Liu Yao Guang and Mr. Xiao Jiansheng will retire as executive Director at the 2023 AGM and, being eligible, will offer themselves for re-election at the 2023 AGM.

According to Article 112 of the articles of association of the Company, any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Any Director appointed under Article 112 of the articles of association of the Company shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting of the Company pursuant to Article 108 of the articles of association of the Company. Accordingly, Ms. Lian Jingyu and Ms. Deng Xin will retire as independent non-executive Directors at the 2023 AGM and, being eligible, will offer themselves for re-election at the 2023 AGM. Separate ordinary resolutions will be put forward to the shareholders of the Company at the 2023 AGM in relation to the aforesaid proposed elections.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of Chairman and Chief Executive Officer are separate and not performed by the same individual to avoid power being concentrated in any one individual. During the Year, Ms. Yan Ping is the Chairlady of the Board and Mr. Liu Yao Guang is the Chief Executive Officer of the Company.

CONTINUOUS PROFESSIONAL DEVELOPMENT

To assist Directors' continuing professional development, the Company recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills. All the Directors have received training hosted by the Company's legal adviser which was about, inter alias, the GEM Listing Rules, Companies Ordinance and Securities and Futures Ordinance.

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

The records of training and continuous professional development during the Year that have been received from the Directors still in office as at 31 December 2022 are summarised as follows:

Directors	Type of Training (Note)
Ms. Yan Ping	A and B
Mr. Liu Yao Guang	A and B
Mr. Xiao Jiansheng	A and B
Ms. Shen Jindan	A and B
Ms. Lian Jingyu (appointed on 30 June 2022)	A and B
Ms. Deng Xin (appointed on 30 June 2022)	A and B

Note:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops
B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

Board Independence Evaluation

The Company has established a Board independence evaluation mechanism (the "**Evaluation Mechanism**") during the Year which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board to effectively exercises independent judgment to better safeguard Shareholders' interests.

The objectives of the Evaluation Mechanism are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Evaluation Mechanism, the Board will conduct annual review on its independence. The Board independence evaluation report (the "**Evaluation Report**") will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

During the Year, all Directors have completed the independence evaluation in the form of a questionnaire individually. The Evaluation Report was presented to the Board and the evaluation results were satisfactory.

During the Year, the Board reviewed the implementation and effectiveness of the Evaluation Mechanism and the results were satisfactory.

BOARD COMMITTEES

The Board has established three Board Committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board Committees have been established with defined written terms of reference, which are posted on the Stock Exchange's website "www.hkexnews.hk" and the Company's website at "www.chinaoral.co". All the Board Committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of the Board Committees follow in line with, so far as practicable, those of the board meetings set out below.

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

Audit Committee

The Audit Committee was established on 20 June 2017. As at 31 December 2022, the chairlady of the Audit Committee is Ms. Lian Jingyu, an independent non-executive Director, and other members include Ms. Shen Jindan and Ms. Deng Xin, the independent non-executive Directors. The written terms of reference of the Audit Committee are in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and code provision D.3 of the CG Code and posted on the Stock Exchange's website and on the Company's website.

The primary duties of the Audit Committee are mainly to make recommendation to the Board on the appointment and removal of external auditors, review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has complied with Rule 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The Audit Committee has held five meetings during the Year to review and comment on the Company's 2021 annual results, 2022 interim results and quarterly results as well as the Company's internal control procedures and risk management system, the attendance of the members of the Audit Committee are summarised below:

	Number of attendance/ number of meetings
Ms. Lian Jingyu *(Chairlady)* (appointed on 30 June 2022)	3/3
Ms. Yang Haili *(Chairlady)* (resigned on 30 June 2022)	2/2
Ms. Shen Jindan Note (1)	0/3
Mr. Wang Mo (resigned on 30 June 2022)	2/2
Ms. Deng Xin (appointed on 30 June 2022)	3/3
Mr. Yam Hiu Ping Bruce (resigned on 1 November 2022)	2/2

Note:

(1) Ms. Shen Jindan, an independent non-executive director, resigned as a member of the Audit Committee on 30 June 2022 and re-appointed as a member of the Audit Committee on 1 November 2022.

The Group's consolidated financial statements for the year ended 31 December 2022 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 December 2022 comply with applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

Remuneration Committee

The Remuneration Committee was established on 20 June 2017. As at 31 December 2022, the chairlady of the Remuneration Committee is Ms. Deng Xin, an independent non-executive Director, and other members include Mr. Liu Yao Guang, being the Chief Executive Officer and an executive Director and Ms. Lian Jingyu, being an independent non-executive Director. The written terms of reference of the Remuneration Committee are in compliance with paragraph E.1.2 of the CG Code and posted on the Stock Exchange's website and the Company's website. No material matters relating to share schemes under Chapter 23 of GEM Listing Rules were required to be reviewed or approved by the Remuneration Committee during the Reporting Period.

The primary duties of the Remuneration Committee are, amongst other things, to make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management and on the Group's policy and structure for all remuneration of the Directors and senior management. From 2023 onwards, the Remuneration Committee will also review matters relating to the Scheme and other share schemes (if any) of the Company on an annual basis.

During the Year, the Remuneration Committee reviewed the policy, structure and remuneration of the Directors, and considered and recommended to the Board on the letters of appointment and remuneration packages of Ms. Lian Jingyu, Ms. Deng Xin and Mr. Yam Hiu Ping Bruce, the independent non-executive Directors appointed during the Year.

The Remuneration Committee has held one meeting during the Year, the attendance of the members of the Remuneration Committee are summarised below:

	Number of attendance/ number of meetings
Ms. Deng Xin *(Chairlady)* (appointed on 30 June 2022)	N/A
Ms. Shen Jindan Note (1)	0/1
Mr. Liu Yao Guang	1/1
Ms. Yang Haili (resigned on 30 June 2022)	1/1
Ms. Lian Jingyu (appointed on 30 June 2022)	N/A

Note:

N/A represents not applicable.

(1) Ms. Shen Jindan, an independent non-executive director, resigned as chairlady of the Remuneration Committee on 30 June 2022.

Nomination Committee

The Nomination Committee was established on 20 June 2017. As at 31 December 2022, the chairlady of the Nomination Committee is Ms. Yan Ping, the Chairlady of the Board and an executive Director, and other members include Ms. Shen Jindan and Ms. Lian Jingyu, being the independent non-executive Directors. The written terms of reference of the Nomination Committee are in compliance with paragraph B.3.2 of the CG Code and posted on the Stock Exchange's website and on the Company's website.

The primary duties of the Nomination Committee include reviewing and assessing the structure, size and composition (including the skills, knowledge and experiences) of the Board at least annually and making recommendations to the Board on any proposed changes to the Board to complement the Company's corporate strategy; identifying individuals suitably qualified as potential Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of the independent non-executive Directors; and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning of Directors, in particular that of the chairman and the chief executive officer of the Company.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy (as defined herein). The Nomination Committee would discuss and agree annually on measurable objectives for achieving diversity on the Board, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy (as defined herein) that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the Year, the Nomination Committee reviewed the structure, size and composition of the Board and the independence of the independent non-executive Directors, considered and recommended to the Board on the appointment of Ms. Lian Jingyu, Ms. Deng Xin and Mr. Yam Hiu Ping Bruce as independent non-executive Directors and made recommendation on the re-election of the retiring Directors at the annual general meeting of the Company held on 30 June 2022. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board in terms of age, gender, cultural and educational background, professional experience, skills, knowledge and length of service is maintained and did not recommend any changes to the measurable objectives set for implementing diversity on the Board. For the year ended 31 December 2022, the Board has fulfilled the measurable objectives of the Board Diversity Policy. The current Board's composition under diversified perspectives is disclosed in the biographical information of the Directors set out in the section headed "Biographical Details of the Directors and Senior Management" in this annual report.

The Nomination Committee has held three meetings during the Year, the attendance of the members of the Nomination Committee are summarised below:

	Number of attendance/ number of meetings
Ms. Yan Ping *(Chairlady)*	3/3
Ms. Yang Haili (resigned on 30 June 2022)	2/2
Mr. Wang Mo (resigned on 30 June 2022)	2/2
Ms. Shen Jindan Note (1)	0/1
Ms. Lian Jingyu (appointed on on 30 June 2022)	N/A
Mr. Yam Hiu Ping Bruce (resigned on 1 November 2022)	1/1

Note:

N/A represents not applicable.

(1) Ms. Shen Jindan, an independent non-executive director, appointed as member of the Nomination Committee on 30 June 2022.

ATTENDANCE RECORDS OF BOARD MEETING AND GENERAL MEETING

During the Year, eight Board meetings were held. Details of the attendance of each Director at the Board meetings annual general meeting and extraordinary general meeting of the Company are set out below:

	Number of attendance		
	Number of meetings	AGM	EGM
Executive Directors			
Ms. Yan Ping *(Chairlady)*	8/8	1/1	2/2
Mr. Liu Yao Guang *(Chief Executive Office)*	8/8	1/1	2/2
Mr. Xiao Jiansheng	8/8	1/1	2/2
Independent non-executive Directors			
Ms. Shen Jindan	1/8	0/1	1/2
Ms. Yang Haili (resigned 30 June 2022)	3/3	1/1	1/1
Mr. Wang Mo (resigned 30 June 2022)	3/3	1/1	1/1
Ms. Lian Jingyu (appointed on on 30 June 2022)	5/5	N/A	1/1
Ms. Deng Xin (appointed on on 30 June 2022)	5/5	N/A	1/1
Mr. Yam Hiu Ping Bruce (resigned 1 November 2022)	3/3	N/A	N/A

Note:

N/A represents not applicable.

Apart from regular Board meetings, the Chairlady also held a meeting with the Independent Non-executive Directors without the presence of other Directors during the year.

The Independent Non-executive Directors and executive Directors have attended general meeting of the Company to gain and develop a balanced understanding of the view of the Shareholders.

COMPANY SECRETARY

The company secretary of the Company (the "**Company Secretary**") assists the Board by ensuring the Board policy and procedures are followed. The Company Secretary is also responsible for advising that Board on corporate governance matters.

During the period from 1 January 2022 to 31 December 2022, the Company Secretary is Ms. Chan Sze Ting of Tricor Services Limited, external service provider. Her primary contact person of the Company is Ms. Wang Qitao, the chief financial officer of the Company. After the resignation of Ms. Wang Qitao in March 2023, Ms. Chan's primary contact person of the Company is changed to Mr. Liu Yao Guang, the chief executive officer of the Company.

In compliance with Rule 5.15 of the GEM Listing Rules, Ms. Chan Sze Ting has undertaken no less than 15 hours of relevant professional training to update her skill and knowledge during the Year. The Biographical of the Company Secretary is set out in the section headed "Biographical Details of the Directors and Senior Management" of this annual report.

AUDITORS' REMUNERATION

The amount of fees charged by the external auditors generally depends on the scope and volume of the external auditors' work performed.

An analysis of the remuneration paid/payable to the external auditor of the Company, HLB Hodgson Impey Cheng Limited, in respect of audit services and non-audit services for the year ended 31 December 2022 is set out below:

Service Category	**Fees Paid/Payable RMB'000**
Audit Services	
– Annual audit for the year ended 31 December 2022	822
Non-audit Services	9
TOTAL	831

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has overall responsibility for the establishment, maintenance and review of the Group's internal control system to safeguard shareholder investments and the assets of the Group. The internal control system of the Group aims to facilitate effective and efficient operation which in turn minimises the risks to which the Group is exposed. The system can only provide reasonable but not absolute assurance against misstatement or losses.

The Board has conducted a review of the implemented system and procedures, covering financial, operational and legal compliance controls and risk management functions. The Directors consider that the Group has implemented appropriate procedures safeguarding the Group's assets against unauthorised use or misappropriation, maintaining proper accounting records, execution with appropriate authority and compliance of the relevant laws and regulations.

A review on the internal control systems of the Company, including financial, operational and compliance controls and risk management functions has been carried out by an independent consultancy company with staff in possession of relevant expertise to conduct an independent review.

The Audit Committee reviewed the internal control review report issued by the independent consultancy company and the Company's risk management and internal control systems in respect of the year ended 31 December 2022 and considered that they are effective and adequate. The Board assessed the effectiveness of internal control systems by considering the internal control review report and reviews performed by the Audit Committee and concurred the same.

The Group has yet to establish its internal audit function during the Year as required under Code Provision D.2.5 of the CG Code. The Audit Committee and the Board, has considered the internal control review report prepared by an independent consultancy company to form the basis to review the adequacy and effectiveness of the Group's risk management and internal control systems. The Audit Committee and the Board will continue to review the need for an internal audit function on an annual basis.

There is currently no internal audit function within the Group. The Directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit function for the Group in order to meet its needs. Nevertheless, the Directors will continue to review at least annually the need for an internal audit function.

The Company understands its obligations under the SFO and the GEM Listing Rules and the overriding principle that inside information should be announced immediately after such information comes to the Company's attention and/or it is the subject of a decision unless it falls within the SFO safe harbours. Meanwhile, the Company has set up an inside information policy, the insider internal reporting obligations, reporting procedures and liability of disclosure of information of the personnel concerned has been clearly stated, and the Company shall arrange self-examination in a timely manner in accordance with the provisions of the relevant regulatory authorities. The real-time monitoring performed by the Company may involve the inside information, and should organize intermediary agencies to determine whether the information belongs to an inside information and practical, if it has fulfilled the disclosure requirements, will soon organize the disclosure and will strictly control the scope of the monitoring before the disclosure, the volatility of share price will be monitored until the disclosure of inside information is completed; if the disclosure requirements are not satisfied, the Company will also maintain strict confidentiality

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company during the Year.

BOARD DIVERSITY POLICY

The Board adopted a board diversity policy (the "**Board Diversity Policy**") on 31 December 2018. The Company embraced the benefits of having a diverse Board, as such, the Board Diversity Policy aimed to set out the approach to maintain diversity of the Board. A summary of the Board Diversity Policy, together with the measurable objectives set for implementing the Board Diversity Policy, and the progress made towards achieving those objectives are disclosed below.

Summary of the Board Diversity Policy

When determining the composition of the Board, the Company will consider board diversity in terms of, among other things, gender, age, experience, cultural and educational background, expertise, skills and know-how. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable Objectives

Selection of candidates for Board membership will be based on a range of diversity perspectives, including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how.

Monitoring and Reporting

The Nomination Committee will disclose the composition of the Board annually in the corporate governance report and monitor the implementation of the Board Diversity Policy.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure the effectiveness of the policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

* An analysis of the Board's current composition based on the measurable objectives is set out below:

Gender Male: 2 Directors Female: 4 Directors	**Age Group** 41-50: 4 Directors 51-60: 2 Directors
Designation Executive Directors: 3 Directors Non-executive Directors: 3 Directors	**Industry Experience:** Business Management: 4 Directors Accounting and Finance: 1 Director Medical: 1 Director
Nationality Chinese: 6 Directors	

* The Nomination Committee has reviewed the composition of the Board and considered that the Board is characterised by diversity, whether considered in terms of gender, industry experience and skills.

* The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at the date of this Annual Report:

	Female	Male
Board	66.7%	33.3%
	(4)	(2)
Senior Management	50.0%	50.0%
	(2)	(2)
Other employees	61.1%	38.9%
	(343)	(218)
Overall workforce	61.1%	38.9%
	(349)	(222)

The Board had targeted to achieve and had achieved at least 66.7% (4) of female Directors, 50.0% (2) of female senior management and 61.1% (343) of female employees of the Group and considers that the above current gender diversity is satisfactory.

Details on the gender ratio of the Group together with relevant data can be found in the Environmental, Social and Governance Report on pages 54 to 55 of this Annual Report.

DIRECTOR NOMINATION POLICY

The Company adopted a Director Nomination Policy (the "**Director Nomination Policy**") on 31 December 2018 which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

Selection Criteria

The Nomination Committee will evaluate, select and recommend candidate(s) for directorships to the Board by giving due consideration to criteria including but not limited to (collectively, the "**Criteria**"):

(a) Diversity in aspects including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how;

(b) Sufficient time to effectively carry out their duties; their services on other listed and non-listed companies should be limited to reasonable numbers;

(c) Qualifications, including accomplishment and experience in the relevant industries the Company's business is involved in;

(d) Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the GEM Listing Rules;

(e) Reputation for integrity;

(f) Potential contributions that the individual(s) can bring to the Board; and

(g) Commitment to enhance and maximize shareholders' value.

Nomination Process

The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following procedures and process:

(a) The Nomination Committee will, giving due consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort;

(b) The Nomination Committee may consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertising, recommendations from an independent agency firm and proposals from shareholders of the Company with due consideration given to the Criteria;

(c) The Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference checks;

(d) Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment.

(e) The Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment and the proposed remuneration package; and

(f) The Board will have the final authority on determining the selection of nominees.

Monitoring and Reporting

The Nomination Committee will monitor the implementation of the Director Nomination Policy and review it as appropriate, to ensure the effectiveness of the Director Nomination Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2022, as far as the Board and management are aware, there was no material breach of non-compliance with the applicable laws and regulations by the Group that has a significant impact on the businesses and operations of the Group.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONSHIP

The Company has adopted shareholders communication policy with objective of ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company.

The Company has established several channels to communicate with the shareholders as follows:

(i) corporate communications such as annual reports, quarterly reports, interim reports and circulars are issued printed form and are available on the Stock Exchange’s website and the Company’s website;

(ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) corporate information is made available on the Company’s website; and

(iv) the Hong Kong share registrar of the Company serves the shareholders in respect of share registration, dividend payment and related matters.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquires to the Board or the Company may be sent by post to the Company’s principal place of business in Hong Kong.

SHAREHOLDERS' RIGHTS

In order to enhance minority shareholders' rights, all resolutions put to votes by shareholders at general meetings were passed by poll. The poll results will be published on the websites of the Company and the Stock Exchange on the same date of the meetings. The Company's corporate communications including interim and annual reports, announcements and circulars as required under the GEM Listing Rules are published on the websites of the Company and the Stock Exchange.

Extraordinary general meeting may be convened by the Board on requisition of shareholders holding not less than one tenth of the paid up capital of the Company or by such shareholders who made the requisition (the "**Requisitionists**") (as the case may be) pursuant to Article 64 of the articles of association of the Company. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong. Shareholders should follow the requirements and procedures as set out in such article for convening an extraordinary general meeting. Shareholders may put forward proposals at a general meeting of the Company by sending the same to the Company at the principal office of the Company in Hong Kong. For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company.

Shareholders may send their enquiries or requests in respect of their rights to the Company's principal place of business in Hong Kong.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge and understand their responsibility for preparing the consolidated financial statements and to ensure that the consolidated financial statements of the Group are prepared in a manner which reflects the true and fair view of the financial position, financial performance and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required of the GEM Listing Rules. The Directors are of the view that the consolidated financial statements of the Group for the Year has been prepared on this basis.

To the best knowledge of the Directors, there are no 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. The Company's external auditors' responsibilities in respect of the consolidated financial statements is set out in the Independent Auditors' Report on pages 72 to 75 of this annual report.

CHANGES IN CONSTITUTIONAL DOCUMENTS

During the Year, amendment to the Company's Articles of Association was duly passed by way of special resolution at the AGM held on 30 June 2022, details of which is disclosed in the circular dated 6 June 2022. A copy of the latest Articles of Association is posted on the websites of the Company and Stock Exchange.

INTRODUCTION AND APPROACH TO ESG AND REPORTING

China Oral Industry Group Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**" or "**we**") is principally engaged in the manufacturing and sales of inflatable products and related accessories.

The Group is pleased to present the Environmental, Social and Governance ("**ESG**") report (the "**ESG Report**") for the financial year ended 31 December 2022 (the "**Reporting Period**" or "**2022**"). The ESG Report summarizes the initiatives, programs and performance of the Group as well as demonstrates its commitment to sustainability.

The Group believes sustainability is a key to achieve continuous success and has integrated this key concept into its business strategy. In order to pursue a successful and sustainable business model, the Group recognizes the importance of integrating ESG aspects into its risk management system and has taken corresponding measures in its daily operation and governance perspective.

ESG GOVERNANCE STRUCTURE

The Board of Directors (the "**Board**") assumes full responsibility for the Group's ESG strategies and reporting as well as for overseeing and managing the Group's ESG-related issues. In order to better manage the Group's ESG performance and potential risks, the Board discusses and reviews the Group's ESG issues at least once annually with the assistance of the ESG working group (the "**Working Group**") comprising of staff from relevant departments. With the aim to demonstrate the steadfastness of the Group on sustainable development, the Board had set targets on environmental aspects and implemented the latest ESG-related policies and guidelines for complying with the latest applicable laws and regulations. The Board is also responsible for ensuring the effectiveness of ESG risk management and internal control mechanism and facilitating the exchange of best practices with other comparable companies.

The Working Group is responsible for collecting ESG data which are reviewed and confirmed by respective department heads, assisting in the assessment and identification of the Group's ESG risks and the appropriateness and effectiveness of the Group's internal control system, and compiling ESG reports. The ESG performance of the Group, including environmental, labor practices, quality assurance and other ESG aspects, is monitored by the Working Group through keeping track of the progress with key performance indicators ("**KPIs**") against relevant ESG-related goals and targets set by the Board. Its findings, decisions and recommendations would be reported to the Board through meeting at least once annually. Where appropriate, external advisors would be engaged to provide expertise and professional advice for the ESG management process.

REPORTING SCOPE

The Group operates business in manufacturing and sales of inflatable products and related accessories. By assessing the performance of the Group and its resources allocation, this ESG Report covers all business operations and activities of the Group in the People's Republic of China (the "**PRC**") and the administrative office in Hong Kong unless specified otherwise. The reporting scope remains unchanged comparing with the financial year ended 31 December 2021 ("**2021**"). The Group will continue to expand the scope of disclosure in the future after the Group's data collection system becomes more mature and its work on sustainable development is strengthened.

REPORTING FRAMEWORK

This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") as set out in the Appendix 20 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Information relating to the corporate governance practices of the Group has been set out in the Corporate Governance Report of this annual report.

REPORTING PRINCIPLES

The Group attaches great importance to the materiality, quantitative, consistency and balance during the preparation for this ESG Report, and the Group has applied these reporting principles in the aforementioned ESG Reporting Guide as the following:

Materiality: Materiality assessment was conducted to diagnose material issues during the Reporting Period, thereby adopting the confirmed material issues as the focus for the preparation of the ESG Report. The materiality of issues was reviewed and confirmed by the Board and senior management. Please refer to the sections headed “STAKEHOLDER ENGAGEMENT” and “MATERIALITY ASSESSMENT” for further details.

Quantitative: The standards and methodologies used in the calculation of relevant data in the ESG Report, as well as the applicable assumptions were disclosed. The KPIs are supplemented by explanatory notes to establish benchmarks where feasible.

Consistency: The preparation approach of this ESG Report was substantially consistent with the previous year, and explanations were provided regarding data with changes in the scope of disclosure and calculation methodologies.

Balance: The ESG Report was prepared based on an objective and impartial manner to ensure that the information disclosed faithfully reflects the overall ESG performance of the Group.

STAKEHOLDER ENGAGEMENT

The Group values its stakeholders and their feedback regarding its businesses and ESG aspects. In order to understand and address their key concerns, the Group maintains close communication with the key stakeholders, including shareholders and investors, clients, employees, suppliers, government as well as communities and the public. The Group will continue to increase the involvement of stakeholders via constructive conversation with a view to charting a course for long-term prosperity. The Group’s communication channels with the key stakeholders and their respective interests and concerns are summarized as follows:

Stakeholders	Interests and concerns	Engagement channels
Shareholders and investors	• Corporate sustainability	• General meetings and other shareholder meetings • Financial reports • Announcements, notices of meetings, circulars • Corporate websites
Clients	• Operational compliance • Full compliance with regulations • Customer rights protection • Product and service quality	• Financial reports • Regular meetings and communication • Customer services
Employees	• Compensation and benefits • Occupational health and safety • Career development opportunities • Corporate culture	• In-house training programs • Performance reviews and appraisals • Complaints channels • Suggestion box
Suppliers	• Long-term partnership	• Field inspections • Audits and assessments
Government	• Compliance with laws and regulation	• Field inspections
Communities and the public	• Operational compliance • Environmental protection • Charity participation	• ESG reports • Charity activities

The Group aims to collaborate with its stakeholders to improve its ESG performance and create greater value for the wider community on a continuous basis.

MATERIALITY ASSESSMENT

The management responsible for the key functions in the Working Group has participated in preparing the ESG Report and assisted the Group in reviewing its operation, identifying key ESG issues, and assessing the importance of these issues to its business and stakeholders. The Group compiled a questionnaire with reference to the identified material ESG issues to collect opinion from stakeholders in order to evaluate the materiality of the key ESG issues.

A summary of the Group's key ESG issues and their relative materiality is as follows:

The ESG Reporting Guide	Key ESG issues	Materiality to the Group
A. Environmental		
A1. Emissions	Air Emissions	Low
	Greenhouse Gas ("**GHG**") Emissions	Low
	Waste Management	Low
A2. Use of Resources	Energy Management	Low
	Water Consumption	Low
	Use of Packaging Materials	Medium
A3. The Environment and Natural Resources	Noise Pollution	Low
A4. Climate Change	Climate Change	Low
B. Social		
B1. Employment	Recruitment, Promotion and Dismissal	Low
	Remuneration and Benefits	Medium
B2. Health and Safety	Occupational Health and Safety	Medium
B3. Development and Training	Development and Training of Employees	Medium
B4. Labor Standards	Prevention of Child Labor and Forced Labor	High
B5. Supply Chain Management	Fair and Open Procurement	Low
B6. Product Responsibility	Product Quality Supervision	High
B7. Anti-corruption	Anti-corruption	Low
B8. Community Investment	Community Investment	Low

The Group conducted stakeholder engagement and materiality assessment to diagnose material issues during the Reporting Period, thereby adopting the confirmed material issues as the focus for the ESG Report. Based on the materiality assessment results, the Group was informed of the topics that stakeholders were highly concerned about. The Group is particularly focused upon topics such as prevention of child or forced labor and product quality supervision. In the ESG Report, the Group will further disclose its performance in terms of relevant aspects, and consider the results as important reference points for the planning of ESG management for the next financial year.

CONTACT US

We welcome comments and suggestions from the Group's stakeholders. You may provide your comments on the ESG Report or towards our performance in respect of sustainability via email to info@chinaoral.co.

A. ENVIRONMENTAL

A1. Emissions

The Group attaches great importance to good environmental management and strives to protect the environment in order to fulfill its social responsibilities. The Group has formulated the Procedure for Operational Control on Environmental System (《環境體系運行控制程序》), which aims to prevent pollution and minimize possible environmental impacts from activities that have a significant impact on the environment during production and business operations. The procedure is applicable to the control of resources, energy management and pollutants in the Group's production and operation according to relevant requirements. The Group's factories are accredited with ISO 14001:2015 Environmental Management System.

The Group strictly complies with the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Water Pollution, the Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution, the Law of the People's Republic of China on Prevention and Control of Environmental Noise Pollution, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, the Waste Disposal Ordinance of Hong Kong, and other environmental protection related laws and regulations. The Group prepared and implemented various emissions and waste reduction measures based thereon. During the Reporting Period, the Group was not aware of any material non-compliance with environmental-related laws and regulations that would have a significant impact on the Group.

Air Emissions

The Group's major sources of air emissions were originated from diesel and petrol consumed by vehicles as well as diesel consumption for electricity generator. The Group targeted to maintain or reduce the air emission intensity in 2022 using such performance in 2021 as the baseline. In order to achieve the target, the Group has actively taken the following emissions reduction measures to minimize the impacts:

- Conduct regular vehicle inspection and maintenance to enhance vehicle and boiler efficiency;
- Encourage the use of public transportation for business travels;
- Avoid peak hour traffic;
- Encourage the use of bicycles;
- Encourage car-pooling;
- Reduce the number of business trips by utilizing electronic communication means, such as video conferences;
- Educate employees to turn off engines for idling vehicles; and
- Actively adopt other measures to reduce emissions, which are described in the section headed "GHG Emissions" under this aspect.

Regular inspections have been performed by an external professional assessment company to inspect the level of the pollutants generated. Inspections are conducted according to the Determination of Particulate Matter in Exhaust Gas and Sampling Method of Gaseous Pollutants in a Fixed Source of Pollution (GB/T 16157-1996) and have passed the National Standard Air Pollutant Release Standard (DB44/27-2001) as well as the Emission Standard for Order Pollutants (GB 14554-93). The level of exhaust gases such as benzene, toluene and xylene generated from the process of injecting oil into the inflatable playgrounds was satisfactory during the Reporting Period.

The air emission intensity[1] of nitrogen oxides ("**NOx**"), sulphur oxides ("**SOx**") and particulate matters ("**PM**") had decreased from approximately 31.10 g/employee, approximately 0.40 g/employee and approximately 2.68 g/employee respectively in 2021 to approximately 4.69 g/employee, approximately 0.39 g/employee and approximately 0.40 g/employee respectively in 2022 due to reduced usage of vehicles with effective implementation of the above measures, thus the previous target has been achieved. Following is the summary of the Group's air emissions performance:

Indicator[2]	**Unit**	**2022**	**2021**
NOx	kg	2.68	29.64
SOx	kg	0.22	0.38
PM	kg	0.23	2.55

Notes:

1. As at 31 December 2022, the Group had a total of 571 (as at 31 December 2021: 953) employees. This data has also been used for calculating other intensity data.

2. The calculation method of air emissions is based on How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs issued by the Stock Exchange.

Further to the progress of the previous target, the Group targets to maintain or reduce the air emission intensity in the financial year ending 31 December 2023 ("**2023**"), using such performance during 2021 as its baseline.

GHG Emissions

GHG emissions from the Group were primarily due to the petrol and diesel consumption for transportation, diesel consumption for electricity generator and refrigerant consumption (Scope 1) and purchased electricity (Scope 2). The Group targeted to maintain or reduce the GHG emission intensity in 2022 using such performance in 2021 as the baseline. In order to achieve the target, the Group adopted the following measures to reduce GHG emissions and enhance employee's awareness during operation:

- Actively adopt vehicle emission reduction measures. Relevant measures are described under "Air Emissions" in this aspect above; and

- Actively adopt environmental protection, energy conservation and water conservation measures which are described in the sections headed "Energy Management" and "Water Consumption" under aspect A2.

During the Reporting Period, the GHG emission intensity had decreased by approximately 18.47% from approximately 1.57 tonnes of carbon dioxide equivalent ("**tCO_2e**")/employee in 2021 to approximately 1.28 tCO_2e/employee in 2022 mainly attributable to reduced usage of vehicles and electricity, thus the previous target has been achieved. Following is the summary of GHG emissions performance:

Indicator[3]	Unit	2022	2021
Direct GHG emissions (Scope 1)	tCO_2e	115.02	70.70
Energy indirect GHG emissions (Scope 2)	tCO_2e	613.17	1,428.86
Total GHG emissions (Scope 1 and 2)	tCO_2e	727.18	1,499.56
Total GHG emissions intensity	tCO_2e/employee	1.28	1.57

Note:

3. GHG emissions data is presented in terms of carbon dioxide equivalent and based on, including but not limited to, The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards issued by the World Resources Institute and the World Business Council for Sustainable Development, How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs issued by the Stock Exchange, Global Warming Potential Values from the IPCC Fifth Assessment Report, 2014 (AR5), the "Notice on the Management of Enterprise Greenhouse Gas Emissions Reporting by Power Generation Industry in 2023-2025" issued by the Ministry of Ecology and Environment of the PRC and 2022 Sustainability Report published by CLP Power Hong Kong Limited.

Further to the progress of the previous target, the Group targets to maintain or reduce the GHG emission intensity in 2023, using such performance during 2021 as its baseline.

Sewage Discharge

The Group discharges two types of waste water, namely domestic sewage and industrial effluent.

Domestic Sewage

Domestic sewage is discharged from the accommodation that the Group provides to employees in the PRC. The Group strictly controls the discharge of sewage to minimize its environmental impacts. Regular inspection has been performed by a professional external assessment company to check against various standards such as the Standard Examination Methods for Drinking Water – Organoleptic and Physical Parameters (GB 5749-2006) and Technical Specifications Requirements for Monitoring of Surface Water and Waste Water (HJ/T 91-2002). According to the report conducted by the assessment company, the test results were satisfactory during the Reporting Period. The Group's sewage emissions comply with the Standard for Drinking Water Quality (GB 5749-2006) and Discharge Limits of Water Pollutants (DB44/26-2001) in the PRC. The amount of domestic sewage discharge represents the Group's water consumption; the data of water consumption will be described in the section headed "Water Consumption" under aspect A2.

Industrial Effluent

Water used in the production processes of producing the inflatable products eventually becomes industrial effluent, which is hazardous wastewater. Therefore, the Group engages a government-authorized service company to collect the effluent and perform water purification to remove undesirable matters through the process of screening, grit removal and sedimentation. Besides, the Group is continuously looking for possible ways to enhance recycling of effluent in the future.

During the Reporting Period, the sewage intensity had increased by approximately 25.00% from approximately 0.04 tonnes/employee in 2021 to approximately 0.05 tonnes/employee in 2022. Following is the summary of sewage discharge performance:

Indicator	Unit	2022	2021
Industrial effluent	tonnes	26.00	36.00
Total industrial effluent intensity	tonnes/employee	0.05	0.04

Waste Management

The Group recognizes the importance of good waste management practices which not only protects the reputation and quality of the products produced, but also safeguards the health and safety of its employees. Therefore, the Group has established a detailed Procedure for Operational Control on Environmental System (《環境體系運行控制程序》) that regulates the Group's waste management practices of non-hazardous waste and hazardous waste, and clearly states the procedures for the collection, storage and disposal of waste.

Hazardous Waste

The Group recognizes the importance of governing the management and disposal of hazardous waste. The Group has established Rules on Waste Classification (《垃圾分類細則》) and Hazardous Waste Collection Record Form (《危險廢棄物收集記錄表》), which clearly states the procedures of categorizing and handling hazardous waste, to guide the employees and monitor the collection and storage of hazardous waste. Specific areas are assigned for the temporary storage of hazardous waste for safety purposes and a licensed third party is engaged in the collection of waste for recycling and reuse purposes.

Due to the dangerous nature of hazardous waste, the Group will set up special containers for hazardous waste storage and arrange qualified professional environmental service suppliers for collection, transportation and disposal. The Group will hire external processing companies that have relevant licenses and business licenses approved by the government.

The Group targeted to maintain or reduce the production level of hazardous waste in 2022, using such performance during 2021 as its baseline. During the Reporting Period, the hazardous waste had increased by approximately 40.00% from approximately 0.0005 tonnes/employee in 2021 to approximately 0.0007 tonnes/employee in 2022, thus the previous target has not been achieved. Following is the summary of hazardous waste disposal performance:

Indicator	Unit	2022	2021
Waste lamp	tonnes	0.01	–
Waste of packaging bucket	tonnes	0.04	0.12
Waste of screen printing	tonnes	0.05	0.01
Used cleaning cloth from production	tonnes	0.20	0.32
Used battery	tonnes	0.01	–
Used active charcoal	tonnes	0.05	0.02
Used photographic plastic	tonnes	0.05	0.01
Total hazardous waste	tonnes	0.41	0.48
Total hazardous waste intensity	tonnes/employee	0.0007	0.0005

Towards the direction of the previous target, the Group targets to maintain or reduce the production level of hazardous waste in 2023, using such performance during 2021 as its baseline.

Non-hazardous Waste

The Group adheres to the principles of waste management and is committed to handling and disposing all waste generated by our business activities through abiding by the 3R principle (Reduce, Reuse and Recycle).

Besides, the Group had established the Waste Classification (《垃圾分類細則》) to guide the employees on waste management such as waste classification, collection, transportation and disposal.

All of our waste management practices comply with relevant environmental laws and regulations. The non-hazardous waste disposed by the Group's business activities were mainly scrap paper and metal. The Group targeted to maintain or reduce the production level of non-hazardous waste in 2022, using such performance during 2021 as its baseline. In order to achieve the target, we have taken the following measures to reduce non-hazardous waste in our business operation:

- Place recycling bins in office areas to cultivate employees' recycling habits;
- Distribute office memos to remind staff to only print necessary materials to avoid wastage;
- Record and monitor the paper consumption;
- Reuse envelops, folders and carton in office;
- Use recycled paper for printing and copying; and
- Promote double-sided printing to utilize paper efficiently.

During the Reporting Period, the non-hazardous waste had decreased by approximately 65.22% from approximately 0.023 tonnes/employee in 2021 to approximately 0.008 tonnes/employee in 2022 due to effective implementation of the above waste reduction measures, thus the previous target has been achieved. Following is the summary of non-hazardous waste disposal performance:

Indicator	**Unit**	**2022**	**2021**
Scrap metal	tonnes	4.09	20.93
Scrap paper	tonnes	0.39	1.25
Total non-hazardous waste	tonnes	4.48	22.18
Total non-hazardous waste intensity	tonnes/employee	0.008	0.023

Further to the progress of the previous target, the Group targets to maintain or reduce the production level of non-hazardous waste in 2023, using such performance during 2021 as its baseline.

A2. Use of Resources

The Group continues with initiatives to introduce resource efficiency and eco-friendly measures to the Group's operations and is committed to optimizing the use of resources in all of its business operations.

The Group has established relevant policies and procedures in governing the use of energy and water with reference to the objectives of achieving higher efficiency and reducing the unnecessary use of materials.

Energy Management

The Group has developed related energy measures and initiatives on the efficient use of energy, such measures and initiatives have been formally documented in the Operational Control on Environmental System (《環境體系運行控制程序》). Employees are required to take the related measures and initiatives and assume responsibility for the Group's overall energy efficiency. We developed Energy Usage Statistics Table (《能源使用統計表》) to record energy consumption of each department. If certain departments' electricity consumption exceeds the monthly consumption target, the Group will conduct investigation to find out the root cause and apply reduction controls to increase energy efficiency. We also regularly review our energy consumption objectives and targets to continuously enhance the Group's energy consumption performance.

The Group targeted to maintain or reduce the energy consumption intensity in 2022, using such performance during 2021 as its baseline. The Group has introduced various measures and initiatives to achieve the goal of electricity saving and efficient consumption. Such measures and initiatives include but not limited to the following:

- Post green messages in the workplaces;
- Switch off computers, printers, machines and other electronic devices after office hours or when leaving the workplace to reduce power consumption;
- Turn off all unnecessary lightings and use natural lightings as far as practicable; and
- Apply optimal temperature setting of air-conditioning.

During the Reporting Period, the energy consumption had decreased by approximately 35.63% from approximately 3.20 MWh/employee in 2021 to approximately 2.06 MWh/employee in 2022 due to the combined effect of the above electricity-saving initiatives and the emissions reduction measures described in the paragraph headed "Air Emissions", thus the previous target has been achieved. Following is the summary of energy consumption performance:

Indicator[4]	Energy Category	Unit	2022	2021
Direct energy	Petrol	MWh	87.53	239.89
	Diesel	MWh	12.86	19.25
Indirect energy	Electricity	MWh	1,075.88	2,796.84
Total energy consumption		MWh	1,176.27	3,055.98
Total energy consumption intensity		MWh/employee	2.06	3.20

Note:

4. The unit conversion method of energy consumption data is formulated based on the "Energy Statistics Manual" issued by the International Energy Agency.

Further to the progress of the previous target, the Group targets to maintain or reduce the energy consumption intensity in 2023, using such performance during 2021 as its baseline.

Water Consumption

Clean water is valuable since it remains a scarce resource in many parts of the world. Thus, we are committed to treasuring the water resources we have. The Group has implemented a variety of measures and initiatives which have been formally documented in the Operational Control on Environmental System (《環境體系運行控制程序》). We also regularly review our water consumption objectives and targets to continuously enhance the Group's water consumption performance.

The Group uses government-supplied water sources, mainly for production and employees' daily living purpose. The Group targeted to maintain or reduce the water consumption intensity in 2022, using such performance during 2021 as its baseline. In order to achieve the target, we encourage all employees to develop the habit of water conservation. The following are some measures we have implemented to increase water efficiency:

- Post water saving reminders and guide employees to consume water reasonably; and
- Fix dripping taps promptly to avoid further leakage and wastage.

In view of the geographical location of the Group's operations and nature of business, there is no problem in sourcing water.

During the Reporting Period, water consumption had increased by approximately 36.91% from approximately 92.88 m^3/employee in 2021 to approximately 127.16 m^3/employee in 2022 due to increased need for cleaning for sanitary purpose, thus the previous target has not been achieved. Following is the summary of water consumption performance:

Indicator	**Unit**	**2022**	**2021**
Total water consumption	m^3	72,609.19	88,514.79
Total water consumption intensity	m^3/employee	127.16	92.88

Towards the direction of the previous target, the Group targets to maintain or reduce the water consumption intensity in 2023, using such performance during 2021 as its baseline.

Use of Packaging Materials

Apart from energy and water resources, the main resources used by the Group are packaging materials. We consumed various types of packaging materials, such as plastics, paper cartons and wave balls in our daily operations. We conduct annual review based on the packaging material consumption rate. We also maximize the usage of packaging material. For example, we pack more products in larger boxes in order to avoid excessive packaging.

During the Reporting Period, the consumption of packaging materials has decreased by approximately 98.46% from approximately 348,530.00 kg in 2021 to approximately 5,377.64 kg in 2022 due to optimization of packaging.

A3. The Environment and Natural Resources

The Group pursues the best practices for environmental protection and focuses on the Group's business impacts on the environment and natural resources. In addition to complying with relevant environmental laws and international standards for protecting the natural environment, the Group has implemented the Environmental System Operational Control Program (《環境體系運行控制程序》), to integrate concepts of environmental protection and natural resource conservation into our internal management and daily operations in order to achieve environmental sustainability.

In the upcoming years, the Group plans to further enhance employees' awareness on environmental protection and improve the resource efficiency. The Group will also work closely with suppliers to reduce the negative environmental impact of the supply chain.

Plasticizers

The Group is committed to reducing the adverse impacts on the environment through using widely recognized environmentally friendly plasticizers. Plasticizers are the main raw materials used to soften PVC making it elastic, flexible and bendable. Many studies have been conducted to evaluate the impact of plasticizer on humans and on the environment. The Member States Committee of European Chemicals Agency stated that some elements of plasticizers are the endocrine disruptor that cause adverse endocrine effects in fish and other aquatic organisms. Therefore, the Group uses polyethylene terephthalate ("**PET**"), an eco-friendly plasticizer that is easy to reprocess and decompose into its basic monomers. PET can be recycled into different useful materials, such as polyester used in carpeting, car parts, fiberfill for coats, sleeping bags, shoes, luggage, t-shirts and other items. Moreover, according to the study conducted by scientists at the University of Pittsburgh on examining the environmental impacts of biopolymer production, PET ranks relatively lower compared to other plasticizers in terms of factors such as biodegradability, recycled percentage, mass from renewable sources, life cycle health hazards and life cycle energy use.

Working Environment

The Group is committed to providing employees with a comfortable working environment to enhance work efficiency. We maintain office discipline and environmental hygiene by keeping individual workspaces and public area clean and tidy. Our staff will monitor the condition of the staff quarters and workspaces from time to time. Emergency plans are set up in advance whereas prevention and control measures are adopted to identify problems and risks. We will deal with the identified problems and potential risks in time to maintain a sound working environment.

The Group has implemented the "Environmental and Safety Monitoring Management Procedures" (《環境及安全監測管理程序》) which specifies the frequency and methods of monitoring on specified key features for track record and assessment of the Group's operation related to the environment and safety.

Noise Pollution

The Group has always been aware of its impact of noise pollution on the surrounding communities and the health of workers. The Group actively communicates with nearby communities and its workers on noise issues and provides its workers with health and safety equipment for protection. In order to evaluate the Group's level of noise pollution, a third-party inspection is carried out every year. The inspection report verified that the Group has complied with Emission Standard for Industrial Enterprises Noise at Boundary (GB12348-2008) in the PRC. The noise level of the Group at daytime and mid-night was maintained at a reasonable level during the Reporting Period.

A4. Climate Change

Extreme weather events are becoming more frequent and severe, while tackling climate change has become a global consensus. The Group has realized that climate change will affect its business operations. Therefore, the Group has established a robust set of policies and procedures to identify, monitor and manage ESG issues, including climate change. Material climate-related risks are identified and managed under our enterprise risk management framework. The Group does not only adopt the industry's best practices to improve the energy efficiency of its operations, but also encourages its employees, suppliers and customers to minimize carbon emissions in their daily business activities. It incorporates climate change considerations into the internal control, enterprise risk management as well as procurement process. It encourages the use of low-carbon and energy-efficient products and materials with annual reports on its progress towards its carbon reduction goals.

In the future, the Group will continue to review its policies and assess the effectiveness of actions in order to enhance its resilience to climate-related risks.

Climate Change Issues

Following are the climate change risks that will impact the Group's business operations, these risks could be classified as physical risks and transition risks. Physical risks refer to the risks of increased frequency of extreme weather events that could impact the Group's business operations. On the other hand, transition risks refer to the risks of transitioning to a lower-carbon economy may entail extensive policy, legal, technology and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed and focus of these changes, transition risks may pose varying levels of financial and reputational risks to organizations. Further explanation will be discussed below.

Physical Risks

Increased frequency and severity of extreme weather events, such as extreme cold or heat, storms, heavy rains, typhoons, can disrupt operations by damaging the power grid and communication infrastructures, hampering and injuring our employees on the way or during their work. These events could disrupt supply chains, interrupt business operations and damage the Group's assets. The Group has taken different actions to manage the above-mentioned acute physical risks. For example, the Group maintains a comprehensive insurance coverage on assets that are prone to damage by extreme weather conditions. A business continuity plan is in place as a countermeasure for managing extreme weather events. In addition, the Group has developed the practice of communicating the arrangements under extreme weather conditions to employees in advance. Principally, the Group aims to ensure smooth business operations even during such conditions to mitigate the risks. The potential financial impacts posed to the Group are expected to be minimized with adequate preparations.

Transition Risks

There are more stringent climate legislations and regulations to support global vision for decarbonization. For example, the Stock Exchange has required the listed companies to enhance the climate-related disclosures in their ESG reports. Stricter environmental laws and regulations may expose enterprises to higher risks of claims and lawsuits. The Group's reputation may also be damaged due to failure to meet the compliance requirements for climate change. The Group's related capital investment and compliance costs thus increase. In response to the policy and legal risks as well as the reputation risks, the Group regularly monitors existing and emerging trends, policies and regulations relevant to climate change, and will alert the top management where necessary to avoid cost increments, non-compliance fines or reputational risks due to delayed response. Besides, we have set targets to reduce our energy consumption and GHG emissions during the Reporting Period to show our emphasis and effort in transition towards a low-carbon economy.

B. SOCIAL

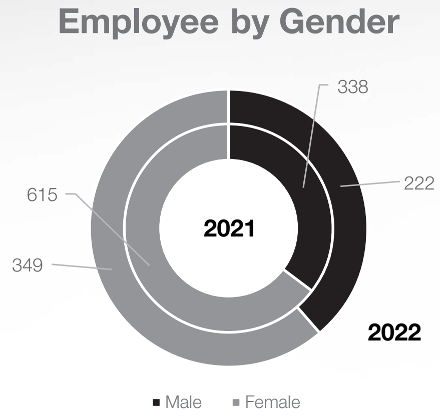
B1. Employment

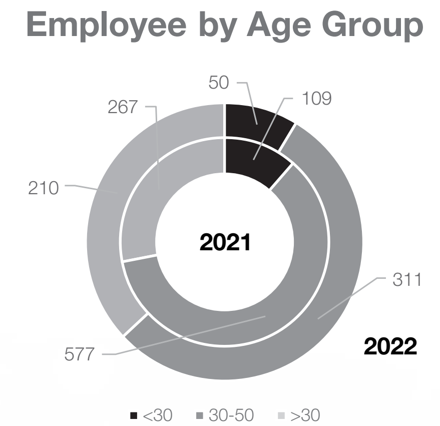
Human resources are the foundation of supporting the development of the Group. The Group's success relies heavily on the ability to attract, develop and retain employees. The Group adheres to the people-oriented principle, respects and protects the legitimate rights and interests of each employee. It regulates labor employment management, safeguards employees' occupational health and safety, strengthens democratic management, safeguards the interests of employees, and fully respects and values employees' enthusiasm, initiative and creativity so to build a harmonious labor relationship.

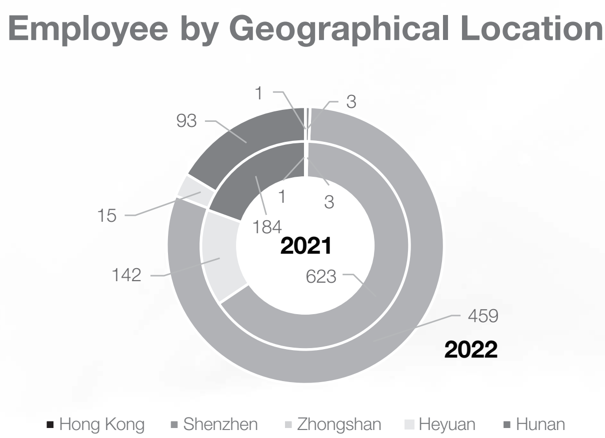
The Group has formally documented relevant employment policies in the Employee Handbook (《員工手冊》), covering recruitment, promotion and dismissal, remuneration and benefits, diversity and equal opportunities, etc. We review these policies and our employment process periodically to ensure the continuous improvement of our employment standards.

The Group complies with all related laws and regulations, including, but not limited to, the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China and Employment Ordinance of Hong Kong. The Group has established a series of human resource management policies to provide employees with a healthy, happy and motivated working atmosphere, and to guide employees to actively integrate their personal pursuit into the long-term development of the Group. During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations that would have a significant impact on the Group.

As at 31 December 2022, the Group had 571 employees in total (as at 31 December 2021: 953 employees), all of them are full-time employees. The following shows the breakdown of employees by gender, age group and geographical region.







The employee turnover rate was approximately 104.55%[5] during the Reporting Period (2021: approximately 63.69%). The following table shows the breakdown of employee turnover:

	Number of Employee Turnover		Breakdown of Employee Turnover[6]	
	2022	2021	2022	2021
By Gender				
Male	129	179	22%	29%
Female	468	428	78%	71%
By Age Group				
Age below 30	89	133	15%	22%
Age 30-50	359	339	60%	56%
Age over 50	149	135	25%	22%
By Geographical Location				
Hong Kong	–	–	–	–
Shenzhen	–	–	–	–
Zhongshan	266	231	44%	38%
Heyuan	106	205	18%	34%
Hunan	225	171	38%	28%

Notes:

5. Calculation of employee turnover rate:

$$\frac{\text{Number of employees who left during the reporting period}}{\text{Number of employees at the end of the reporting period}} \times 100\%$$

6. Calculation of breakdown of employee turnover:

$$\frac{\text{Number of employees who left in the specific category during the reporting period}}{\text{Total number of employees who left in the specific category at the end of the reporting period}} \times 100\%$$

Recruitment, Promotion and Dismissal

The Group seeks to build an elite workforce by recruiting outstanding employees. The Group has established the Recruitment Management Procedure (《僱用管理程序》) to standardize the hiring procedures and recruitment principles, and adheres to the hiring principles of morality, knowledge, ability, experience and fitness applicable to job positions as well as the principles of fairness, openness and justice, so as to continuously attract, employ and develop talents.

The Group offers promotion and development opportunities for outperforming employees through an open and fair assessment system so as to explore their capability, assist them on career development and contribute to the Group's sustainable growth. Staff performance reviews are carried out regularly to assess employees' work performance based on the principle of meritocracy, talents and competitiveness on an open and fair basis.

Besides, the Group does not tolerate the dismissal of employees under any unreasonable basis, and exit interviews are required to be conducted with the resigned staff to collect opinions for any possible improvements on the Group's policies.

Remuneration and Benefits

The Group has established a fair, reasonable and competitive remuneration system under the Remuneration Management System (《薪酬管理制度》) and Remuneration Management Procedure (《薪資福利管理程序》) that provides compensation to employees based on the principles of fairness, competition, incentives, rationality and legality. As stated in the policies, the remuneration package of the Group's employees consists of basic salary, performance bonus, overtime pay, working-age salary, food subsidy, related subsidies and various bonuses.

The Group signed and executed labor contracts with all employees in the PRC in accordance with the Labor Contract Law of the People's Republic of China. The Group pays five social insurances and one housing fund for its employees in the PRC in compliance with the laws and regulations, namely endowment insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance and housing provident fund to ensure employees are covered by social insurance. We also remit contributions to the Mandatory Provident Fund Schemes (the "**MPF Schemes**") under the Mandatory Provident Fund Schemes Ordinance for employees in Hong Kong.

In addition, the Group respects the rights of employees on rest and leave and regulates their working hours and their rights for various types of rest times and holidays. The Group offers a wide variety of leave entitlements for different circumstances such as maternity leave, paternity leave, marriage leave, study leave, compassionate leave and compensation leave.

Diversity, Equal opportunity and Anti-Discrimination

Sustainable growth of the Group relies on the diversity of talents and the provision of equal opportunities. Under the Anti-discrimination Procedure (《反歧視程序》), the Group endeavors to recruit and promote employees based on experience and expertise and make decisions independent of race, national origin, ancestry, sex, marital status, disability, religious or political affiliation, age, or sexual orientation. It is of the Group's firm belief that all employees should have the right to work in an environment free of discrimination, harassment, victimization and vilification. Therefore, the Group is committed to creating and maintaining an inclusive and collaborative workplace culture. In addition, the Group emphatically states its zero-tolerance stance on any above-mentioned behaviors in the workplace. In case of any violation, various communication channels including an employee suggestion box are in place for employees to report and voice out opinion. The procedure of dealing with complaints are set out in the Employee Complaints and Suggestions Management System (《員工投訴及建議管理制度》).

B2. Health and Safety

Occupational Health and Safety

We are committed to providing and maintaining a safe and healthy environment for all our employees, contractors, customers and others who visit or work on our premises and preventing work-related accidents, injuries and illnesses. The Group believes that employees are the valuable assets of an enterprise and regards human resources as its corporate wealth. The Group has established Operational Control Procedure on Occupational Health and Safety Policy (《職業健康安全體系運行控制程序》) which includes the prevention and remediation of safety accidents, detection on potential safety hazards in the workplace, and maintenance of a safe working environment.

We review and, if necessary, revise this policy and our health and safety practices at least annually to ensure continuous improvements of our health and safety standards.

The Group enforces relevant laws and regulations such as the Labor Law of the People's Republic of China, the Work Safety Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases and the Fire Protection Law of the People's Republic of China. During the Reporting Period, the Group was not aware of any material non-compliance with health and safety related laws and regulations, including but not limited to the Occupational Safety and Health Ordinance, that would have a significant impact on the Group. The Group does not operate any vehicle manufacturing, warehousing, displaying and maintenance and repair facilities. Therefore, the Group is not subject to significant health, work safety, social or environmental risks. Nonetheless, an Incident Investigation Control Procedure (《事故調查控制程序》) has been formulated to set out procedures on dealing with occupational incidents aiming to prevent recurrence. There were no work-related fatalities in each of the past three years including the Reporting Period, hence no claims or compensation were paid to its employees due to such accident.

Most of the equipment used in our factories are light-duty machinery. Thus, most of the employees' work-related injuries are minor injuries such as finger pricks and sprains. During the Reporting Period, the Group recorded 9 reported accidents due to work-related injury.

Indicator	Unit	2022	2021
Number of work-related injury	case	9	2
	person	9	2
Injury rate	per thousand employees	15.76	2.10
Number of lost days	day	132	6

Steps taken as remediation included provision of additional safety training for the injured employees followed by inspection of the site to identify any other potential safety hazards and to take precautionary measures if necessary.

Internal Health and Safety Management System

To pursue an injury-free working environment, the Group requires all employees to attend safety training before the commencement of work. We also emphasize to our employees that strict compliance with safety requirements is vital to protect themselves from accidents and injuries. Safety guidelines such as Safety Management System on Electricity Utilization (《安全用電管理制度》) and Production Equipment Management Regulation (《生產設備管理規定》) have been formulated to avoid any safety issues. When safety issues are spotted, employees are required to report in a timely manner. The Group has also formulated a series of emergency plans in case of any accidents and organized fire drills on a regular basis to further reinforce employees' safety awareness.

On the other hand, the Group had implemented Employee Occupational Health and Occupational Disease Management (《員工職業健康及職業病管理》), which provides staff with health and safety notifications to provide related information and increase their awareness. The Group also arranges body checks for employees, particularly paying attention to those who have abnormal examination result and providing treatment advice. Additionally, the Group will monitor staff's health with the regular release of List of Job with Occupational Disease Risk (《具有職業病風險的崗位清單》).

Fire Safety

The Group has formulated its fire safety system in accordance with the Fire Protection Law of the People's Republic of China and Provisions on the Supervision and Administration of Fire Protection of Construction Projects. To raise employees' fire prevention awareness, fire drills are conducted regularly and staffs are instructed to the correct use of fire extinguishers, and the Group's fire evacuation plans are improved. In response to emergencies, different locations of the Group's workplaces are also equipped and clearly located with first aid kits and fire extinguishers.

Other Health and Safety Measures

With the sustained COVID-19, the Group is highly aware of its potential health and safety impacts on employees. The Group has strengthened its operating environmental hygiene to ensure a healthy and safe working environment. The Group has also taken precautionary measures, such as:

- Perform temperature checks and registrations before entering offices and the factories;
- Require all vehicles and personnel to be disinfected when entering the factories;
- Provide adequate disinfection supplies, such as hand sanitizer, in its operations;
- Encourage employees to wash their hands frequently with soap and water, or with a hand sanitizer;
- Keep social distancing of at least 1 meter from one another when lining up for canteen meals and minimize meal gatherings;
- Cancel large-scale events such as spring dinner;
- Advocate employees to reduce non-essential cross-city travels; and
- Require employees that had cross-city travel records in their travel code ("行程碼") to provide a negative nucleic acid test report.

B3. Development and Training

The Group recognizes the valuable contribution its talents have made to the continued success of the Group. The Group believes that its ability to recruit and retain experienced and skilled labor is key to growth and development.

Development and Training of Employees

The Group has developed relevant training procedures to standardize the management of employees' training and holds various training programs in order to improve the knowledge and skills of employees. The Group has developed an Annual Training Plan (《年度培訓計劃》) based on the training requirements from various departments to enhance the employees' skills and knowledge.

The Group has conducted quality and environment management training programs to enhance the knowledge of employees on the standards of ISO9001 and ISO14001. The programs include quality assurance training in the production process, inspection assurance of materials received from suppliers, health and safety precautions in using production equipment and machinery as well as customer relationship management. This helps employees to become more professional in quality and environmental management. Training content is regularly updated to ensure contents are relevant to stakeholders' changing needs, such as change in law and regulatory requirements, market, product trends and customer behavior.

To help new employees adapt to the workplace, the Group provides induction training for new employees. Besides, the Group launches mentoring program, for which experienced employees act as mentors to guide newcomers. This program can effectively facilitate communication, build team spirit and strengthen their sense of belonging.

In addition to internal training, the Group encourages and supports employees to participate in external personal and professional training to fulfill the needs of the Group's development. To encourage employees in taking the initiative in learning and pursue further career development, the Group offers reimbursements to its employees who have received relevant training and completed development programs that pertain to their respective work positions and skills.

The percentage of employees trained was approximately 91.07% during the Reporting Period (2021: approximately 78.49%). The following table shows the breakdown of the employee trained:

Employee Trained	Percentage of Employees Trained[7] 2022	2021	Total Training Hours 2022	2021	Average Training Hours[8] 2022	2021
By Gender						
Male	81.98%	71.30%	1,527.50	2,067.00	8.39	8.58
Female	96.85%	82.31%	2,776.50	4,317.50	8.21	8.52
By Employment Category						
Senior management	76.92%	60.00%	80.00	83.00	8.00	9.22
Management	92.78%	93.98%	712.50	1,150.50	7.92	9.20
General staff	91.11%	76.27%	3,511.50	5,151.00	8.36	8.39
Total	91.07%	78.49%	4,304.00	6,384.50	8.28	8.54

Notes:

7. Calculation of percentage of employees trained:

$$\frac{\text{Number of employees trained in the specific category during the reporting period}}{\text{Number of employees in the specific category at the end of the reporting period}} \times 100\%$$

8. Calculation of average training hours:

$$\frac{\text{Number of training hours in the specific category during the reporting period}}{\text{Number of employees trained in the specific category during the reporting period}} \times 100\%$$

B4. Labor Standards

The Group adopts a people-oriented management approach. Thus, it prohibits any punitive measures, management methods, and behaviors such as abusive, corporal punishment, violence, mental stress, sexual harassment (including inappropriate language, posture and physical contact) for any reason.

Prevention of Child Labor or Forced Labor

Child and forced labor are strictly prohibited during the recruitment process as defined by laws and regulations. In view of this, the Group had implemented the Prohibition of Child Labor Control Program (《禁用童工控制程序》) and the Prohibition of Forced Labor Program (《禁止強迫勞工控制程序》) to prevent relevant departments from employing child and forced labor.

The Group has established a comprehensive recruitment process to examine candidates' background and official reporting procedures to handle any exceptions. Personal data are collected during the employment process to assist in the selection of suitable candidates and to verify candidates' personal data. The Human Resources Department ensures that the identity documents are carefully checked. The Human Resources Department is also responsible for inspecting employees from time to time to verify their actual age is consistent with personnel information provided.

To prevent any form of forced labor, a job description outlining the principal responsibilities of employee is attached in the labor contract. Furthermore, employees' overtime working is based on voluntary principle so as to avoid the violation of labor standards. To safeguard the rights and interests of employees, they are entitled to overtime salary or compensatory leave after working overtime.

If violation is involved, the Group will formulate a summary record internally, put forward rectification opinions, and instruct the Human Resources Department, which is responsible for such cases, to strengthen the employee inspection process and avoid the recurrence of similar incidents.

During the Reporting Period, the Group was not aware of any material non-compliance with child and forced labor-related laws and regulations, that would have a significant impact on the Group including but not limited to the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China and Employment Ordinance of Hong Kong that would have a significant impact on the Group.

B5. Supply Chain Management

As a socially responsible enterprise, it is critical to maintain and manage a reliable supply chain that is consistent with the Group's policies on sustainability. The Group is committed to building and maintaining close business relationships with its business partners. The Group has also established measures and procedures to reduce risks associated with the economy, environment, and society.

Procurement Practices

The Group has established a rigorous and standardized procurement system. The Group has formulated the Procurement Flow Chart (《採購流程》) and Supplier Selection Form (《供應商評審表》) to evaluate and select suppliers. During the supplier selection process, the Group not only reviews suppliers' basic information, but also considers a number of other factors such as the delivery schedule, pricing, possession of requisite licenses, certifications, and compliance to relevant industrial laws, regulations and standards.

In addition, all suppliers are evaluated carefully and subjected to regular monitoring and assessments. The Group reviews and evaluates supplier performance in accordance with its Supplier Monthly Assessment Form (《供應商月度綜合考核表》). The Group classifies them into different grades (A/B/C/D) based on monthly assessment results. The Group applied Purchase Order Material Tracking Form (《採購物料追蹤表》) to track the quality of material purchased. In order to ensure suppliers' capability in quality assurance, safety and environmental responsibility, field visit and investigation will be conducted. The investigation reviews the production capacity, technology level, quality assurance capabilities, supply capacity, safety and environment management qualifications.

In view of the increasing environmental concerns in society, the Group is aware of the importance of managing the environmental and social risks of its supply chain. The Group embedded environmental and social consideration in the procurement process and supplier communication. The Group has implemented the Supplier Selection and Evaluation Policy (《供應商的啟用和選擇》), which prioritizes suppliers that promote environmentally preferable products and services when selecting suppliers. The Group also informs suppliers of its environmental policy and requirements and its initiatives in green procurement through fax and mail. The Group especially requires suppliers who provide chemical substances to provide material safety data sheets ("**MSDS**") and other relevant test reports. To manage potential environmental and social risks in its supply chain, the Group has established a stringent and standardized procurement system and supplier selection process, and has implemented relevant practices relating to engaging suppliers and the requirement of environmental and social risk control to all suppliers.

During the Reporting Period, the Group had 39 major suppliers (2021: 68), all of which were located in the PRC. The Group was not aware of any key suppliers that had any actions or practices which have a significant negative impact on business ethics, environmental protection, human rights and labor practices. All major suppliers are subject to the above evaluation and monitoring regularly.

Fair and Open Procurement

Besides, the business cooperation process of the Group is conducted in an open, fair and impartial manner. The Group will not discriminate against any business partners and will not allow any corruption or bribery. Employees and other individuals who are interested in the relevant business partners will not be allowed to participate in related business activities. The Group focuses on the integrity of its partners and will only select business partners who have a good track record in the past and who do not have any serious non-compliance or violation of business ethics.

B6. Product Responsibility

The Group actively safeguards the quality of its products with its internal control process and maintains ongoing communication with its customers to ensure mutual understanding while fulfilling customers' needs and expectations. We aim to apprehend customers' needs and expectations and strive to continuously improve the quality of our products and services.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations that would have a significant impact on the Group, including, but not limited to, the Law of the People's Republic of China on the Protection of Consumer Rights and Interests, the Product Quality Law of the People's Republic of China, the Patent Law of the People's Republic of China, the Advertising Law of the People's Republic of China, and the Personal Data (Privacy) Ordinance of Hong Kong, Trade Descriptions Ordinance of Hong Kong and Copyright Ordinance of Hong Kong that would have a significant impact on the Group.

Product Quality Supervision

The Group recognizes the importance of achieving and maintaining high product quality standard to the sustainable growth of the Group. Our factory in Zhongshan has obtained the certificate of ISO 9001:2015 Quality Management System on the design and manufacture of inflatable products.

To maintain high product quality, we attach great emphasis on quality management. The Group has established a quality control team, Quality Control Handbook (《品質控制手冊》) and Unqualified Products Control Procedure (《不合格品控制程序》) to ensure the quality of the raw materials and products at each stage of production processes, as well as that of our end-products. Our raw materials and products comply with international product safety and quality standards, such as the standards of the American toy safety standard ASTM F963-11, European Commission standard EN71-1, EN71-2 and EN71-8, Australia and New Zealand toy standard AS/NZA ISO8124-1:2013 and ICTI Ethical Toy Program.

The quality control team is responsible for conducting product risk assessments for new products. A product quality and safety test report summarizing all findings will be submitted to the Engineering Department. The team will also conduct random sample testing during the trial production process. The Engineering Department is required to give solutions on the concerns raised by the quality control team. The products will not enter the market until the quality control team confirms that all the testing results are satisfactory and no quality and safety issues are being found. During the Reporting Period, there are no products sold and shipped subject to recalls for safety and health reasons.

Innovation Intellectual Property Rights

The Group views the effort in conducting research and development as indispensable to maintain a high product quality standard. The Group constantly seeks to develop new products and enhance its existing products with special features through its research and development capabilities. To expand its research and development capabilities, the Group has developed a design department comprising professional technicians and engineers.

To ensure that the products invented and designed by the Group are not being plagiarized, the Group has formulated Measures for the Protection of Intellectual Property Rights (《維護和保障智慧財產權措施》). The Group protects its intellectual property rights worldwide through administrative and legal means, cooperation with customs and litigation. If the Group notices competitive products or marketing materials that potentially infringe its intellectual property rights, the Group will further investigate and follow up as required. As at 31 December 2022, the Group's valid intellectual property rights are as follows:

Chinese design patent	98
Chinese utility patent	10
Chinese invention patent	2
Software copyright	1
Work registration certificate	174
Trademark	29

Customer Services

The Group provides delighting and high-quality service experience to customers through standardized service quality management. We value our customers' opinions. We regularly conduct customer satisfaction surveys and have an online opinion form on the Group's website to collect public opinions. Besides, the Group reviews all complaints from customers, suppliers, and partners in accordance with internal procedures and guidelines.

Appropriate follow-up measures will be taken. If applicable, the Group will conduct relevant investigations to resolve complaints and make improvements accordingly. The Group believes that complaints are good opportunities to receive feedback from the community and customers, so as to continuously enhance our service and products. During the Reporting Period, the Group did not receive any material complaints from customers.

Protection of Privacy

The Group is committed to protecting customers' confidential information, privacy and interests of the Group and its stakeholder. We have formulated Information Security Regulations (《信息安全規定》) and Data Protection Policy (《資料保護政策》) to ensure privacy and data security. Employees should strictly abide by these regulations, including, but not limited to, updating the operating system and anti-virus software on a prompt and regular basis, using encryption technology to protect sensitive data files, and avoiding downloading software or programs from unknown sources. They are also prohibited from disclosing information regarding the Group's business decisions or any information that would be unfavorable to the Group's benefit and reputation. Our information technology engineers will also check the information system regularly to minimize potential risks of data leakage.

Advertising and Labelling

The Group owns different brands such as Happyhop Brand, Happyhop Pro Brand and Action Air. We promote our products mainly through advertisements, social networking pages and industry exhibitions. We emphasize the importance of proper advertising and compliance with relevant requirements of media advertisements. We verify all information regarding our products and business before the publication of promotion materials or product sales to prevent any false, misleading or deceptive information being publicized.

B7. Anti-corruption

The Group considers ethical conduct is of utmost importance in corporate sustainable development and long-term success. Therefore, the Group values the importance of anti-corruption work and is committed to building a fair, open, honest and transparent corporate culture. During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations related to bribery, extortion, fraud, and money laundering, including but not limited to, Company Law of the People's Republic of China, Bidding Law of the People's Republic of China, Anti-Unfair Competition Law of the People's Republic of China and Prevention of Bribery Ordinance of Hong Kong that would have a significant impact on the Group. There were no concluded legal cases regarding corrupt practices brought against the Group or its employees during the Reporting Period.

The Group has adopted a zero-tolerance approach towards all forms of corruption, including deception, bribery, forgery, extortion, conspiracy, embezzlement, money laundering and collusion. The Group has established anti-bribery and anti-corruption control procedures, anti-fraud mechanism and anti-conflict of interest regulation to guide the employees, ensuring that the Group strictly adheres to a high standard of business conduct.

The Group has formulated an Employee Complaints and Suggestions Management System (《員工投訴及建議管理制度》). Under the policy, employees are encouraged to report to the management if any illegal activities such as corruption are suspected or discovered. All complaints filed are confidential and the Group is responsible for protecting the legitimate rights and interests of the whistle-blower. As specified in the Employee Handbook (《員工手冊》), the Group may terminate the employment contract with any employee who is involved in the misconduct or malpractice and reserves the right to take further legal action against such person.

In order to uphold business ethics and raise awareness, our Directors, employees and suppliers are given anti-corruption trainings at least once annually. During the Reporting Period, the Group has delivered its anti-corruption policies and procedures to 12 Directors, 531 employees and 29 suppliers, while 5 Directors and 306 employees received a total of 3 hours and 306 hours of anti-corruption training respectively. The trainings are in form of internal seminar that familiarize the Directors and different levels of staff with their corresponding role and responsibility regarding anti-corruption and business ethics under applicable laws and regulations.

B8. Community Investment

The Group is committed to emboldening and supporting the public by means of social participation and contribution as part of its strategic development, and to nurture the corporate culture and practices of corporate citizens in the daily work life throughout the Group. The Group aims to promote the stability of the society and support the underprivileged in rehabilitation to improve the quality of life. To cater the specific needs of the local community, the Group has formulated the Community Investment Policy to understand the needs of the community, identify the focus areas and allocate appropriate resources to empower the community. The Group is an active member of the Red Cross Society of China ("**RCSC**"), a humanitarian social relief organization, and support RCSC through donation. During the Reporting Period, the Group donated RMB50,000 to the Zhongshan Branch of RCSC.

The Group hopes to foster employees' sense of social responsibility by encouraging them to participate in charitable activities to make greater contributions to the community. The Group believes that by participating in activities that contribute to the community, the Group can enhance the civic awareness of its employees and establish correct values within them.

INDEX TABLE OF ESG REPORTING GUIDE OF THE STOCK EXCHANGE

Mandatory Disclosure Requirements	Section/Statement
Governance Structure	ESG Governance Structure, Stakeholder Engagement, Materiality Assessment
Reporting Principles	Reporting Framework
Reporting Boundary	Reporting Scope

"Comply or Explain" Provisions	Description	Section/Statement
A1. Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and Sulphur hexafluoride. Hazardous wastes are those defined by national regulations.	Emissions
KPI A1.1	The types of emissions and respective emissions data.	Emissions – Air Emissions, GHG Emissions, Sewage Discharge, Waste Management
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions – GHG Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions – Waste Management

"Comply or Explain" Provisions	Description	Section/Statement
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions – Waste Management
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Emissions – Air Emissions, GHG Emissions, Sewage Discharge, Waste Management
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions – Waste Management
A2. Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	Use of Resources
KPI A2.1	Direct and/or indirect consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources – Energy Management
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resources – Water Consumption
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources – Energy Management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources – Water Consumption
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources – Use of Packaging Materials

"Comply or Explain" Provisions	Description	Section/Statement
A3. The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources – Plasticizers, Working Environment, Noise Pollution
A4. Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change – Climate Change Issues
B1. Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	Employment
KPI B1.1	Total workforce by gender, employment type (for example, full- or part- time), age group and geographical region.	Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment

"Comply or Explain" Provisions	Description	Section/Statement
B2. Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety – Occupational Health and Safety
KPI B2.2	Lost days due to work injury.	Health and Safety – Occupational Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety – Internal Health and Safety Management System, Fire Safety, Other Health and Safety Measures
B3. Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training – Development and Training of Employees
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training – Development and Training of Employees

"Comply or Explain" Provisions	Description	Section/Statement
B4. Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labor Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labor Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labor Standards
B5. Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management – Procurement Practices
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management – Procurement Practices
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management – Procurement Practices, Fair and Open Procurement
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management – Procurement Practices
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management – Procurement Practices

"Comply or Explain" Provisions	Description	Section/Statement
B6. Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility – Product Quality Supervision
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility – Customer Services
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility – Innovation Intellectual Property Rights
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility – Product Quality Supervision
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Product Responsibility – Protection of Privacy

"Comply or Explain" Provisions	Description	Section/Statement
B7. Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption
B8. Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
CHINA ORAL INDUSTRY GROUP HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Oral Industry Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 76 to 139, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other 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 Auditors' 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.

Key audit matter	How our audit addressed the key audit matter
Impairment of non-financial assets Refer to note 14 to the consolidated financial statements. The Group reviews the carrying amounts of its non-financial assets at the end of each reporting period to determine whether there is an objective evidence of impairment. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. For the purpose of assessing impairment, management has determined the recoverable amount of the cash-generating unit based on value-in-use calculation using discounted cash flow model. In carrying out the impairment assessment, significant management judgement was used to appropriately identify of cash-generating unit and to determine the key assumptions, including discount rate, revenue and direct costs underlying the value-in-use calculation. During the year, the Group recognised an impairment loss of approximately RMB4,485,000, RMB5,686,000 and RMB281,000 respectively on property, plant and equipment, right-of-use assets and intangible assets as included in the non-financial assets in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022. We identified the impairment of non-financial assets as a key audit matter because the estimation of the value-in-use of the above assets involved significant management judgement with respect to the assumptions used.	Our procedures in relation to impairment of non-financial assets mainly included: • Assessing management's identification of cash-generating unit based on the Group's accounting policies and understanding of the Group's business; • Assessing value-in-use calculation methodology adopted by management; • Assessing the reasonableness of key assumptions based on our knowledge of the business and industry and using valuation expert; and • Checking the mathematical accuracy of value-in-use calculation in the management impairment assessment.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITORS' 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 auditors' report that includes our opinion. This 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 scepticism 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

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 auditors' 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 director on the audit resulting in this independent auditors' report is Shek Lui.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Shek Lui
Practising Certificate Number: P05895

Hong Kong, 29 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	**2022** **RMB'000**	2021 RMB'000
Revenue	5	**212,519**	294,917
Cost of sales		**(194,948)**	(235,060)
Gross profit		**17,571**	59,857
Other income and gains	6	**8,813**	2,210
Distribution and selling expenses		**(23,461)**	(31,653)
Administrative and other operating expenses		**(24,165)**	(21,590)
Impairment loss on trade receivables under expected credit loss model		**(547)**	(242)
Impairment loss on non-financial assets	14, 22	**(12,372)**	(3,800)
Finance costs	7	**(1,607)**	(1,947)
(Loss)/profit before tax		**(35,768)**	2,835
Income tax credit/(expense)	8	**917**	(4,968)
Loss for the year	9	**(34,851)**	(2,133)
Other comprehensive income/(expense), net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**2,035**	(1,064)
Other comprehensive income/(expense) for the year		**2,035**	(1,064)
Total comprehensive expense for the year		**(32,816)**	(3,197)
		RMB cents	RMB cents
Loss per share			
– Basic and diluted	13	**(4.2)**	(0.3)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment	14	**5,535**	17,259
Right-of-use assets	15	**7,017**	17,152
Intangible assets	16	**346**	524
Prepayments	19	**25,420**	–
Deferred tax assets	26	**6**	6
		38,324	34,941
Current assets			
Inventories	17	**43,371**	79,697
Trade receivables	18	**22,738**	46,015
Prepayments, deposits and other receivables	19	**21,608**	15,971
Tax recoverable		**981**	692
Financial assets at fair value through profit or loss	20	**30,899**	–
Cash and bank balances	21	**29,385**	25,590
		148,982	167,965
Assets classified as held for sale	22	**3,540**	–
		152,522	167,965
Total assets		**190,846**	202,906
Current liabilities			
Trade and other payables	23	**44,827**	61,046
Amount due to a shareholder	24	**4,060**	–
Lease liabilities	25	**4,495**	3,985
Tax payable		**470**	–
		53,852	65,031
Net current assets		**98,670**	102,934
Total assets less current liabilities		**136,994**	137,875
Non-current liabilities			
Lease liabilities	25	**11,297**	16,005
Deferred tax liabilities	26	**2,549**	3,161
		13,846	19,166
Net assets		**123,148**	118,709
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	27	**8,427**	6,969
Reserves	28	**114,721**	111,740
Total equity		**123,148**	118,709

The consolidated financial statements were approved and authorised for issue by the board of directors on 29 March 2023 and signed on its behalf by:

Ms. Yan Ping	**Mr. Xiao Jiansheng**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Share capital RMB'000	Share premium RMB'000 *(Note 28)*	Special reserve RMB'000 *(Note 28)*	Statutory reserve RMB'000 *(Note 28)*	Foreign currency translation reserve RMB'000 *(Note 28)*	Retained profits RMB'000	Total equity RMB'000
Balance at 1 January 2021	6,969	26,558	17,429	8,067	859	62,024	121,906
Loss for the year	–	–	–	–	–	(2,133)	(2,133)
Other comprehensive expense for the year	–	–	–	–	(1,064)	–	(1,064)
Total comprehensive expense for the year	–	–	–	–	(1,064)	(2,133)	(3,197)
Statutory reserve appropriation	–	–	–	1,500	–	(1,500)	–
Balance at 31 December 2021	6,969	26,558	17,429	9,567	(205)	58,391	118,709
Loss for the year	–	–	–	–	–	(34,851)	(34,851)
Other comprehensive income for the year	–	–	–	–	2,035	–	2,035
Total comprehensive income/(expense) for the year	–	–	–	–	2,035	(34,851)	(32,816)
Issue of shares	1,458	36,792	–	–	–	–	38,250
Transaction costs attributable to issue of shares	–	(995)	–	–	–	–	(995)
Balance at 31 December 2022	**8,427**	**62,355**	**17,429**	**9,567**	**1,830**	**23,540**	**123,148**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
(Loss)/profit before tax		**(35,768)**	2,835
Adjustments for:			
Depreciation of property, plant and equipment	14	**2,338**	2,465
Depreciation of right-of-use assets	15	**4,334**	4,190
Amortisation of intangible assets	16	**112**	112
Interest income		**(56)**	(78)
Write-down of inventories		**2,769**	710
Finance costs	7	**1,607**	1,947
Gain on fair value changes of financial assets at fair value through profit or loss		**(231)**	–
Impairment loss on trade receivables under expected credit loss model	18	**547**	242
Impairment loss on non-financial assets	14, 22	**12,372**	3,800
Gain on lease modification		**(68)**	–
Loss/(gain) on disposal of property, plant and equipment		**58**	(530)
Movements in working capital		**(11,986)**	15,693
Decrease/(increase) in inventories		**33,557**	(28,046)
Decrease/(increase) in trade receivables		**23,862**	(28,187)
Increase in prepayments, deposits and other receivables		**(5,289)**	(1,904)
(Decrease)/increase in trade and other payables		**(16,601)**	27,784
Increase in amount due to a shareholder		**4,060**	–
Cash generated from/(used in) operations		**27,603**	(14,660)
Income taxes refunded		**964**	–
Income taxes paid		**(416)**	(4,486)
Net cash from/(used in) operating activities		**28,151**	(19,146)
Cash flows from investing activities			
Interest received		**56**	78
Payments for property, plant and equipment		**(616)**	(1,792)
Proceeds from disposal of property, plant and equipment		**–**	964
Increase in financial assets at fair value through profit or loss		**(30,668)**	–
Prepayment for a capital investment	19	**(13,000)**	–
Prepayment for purchase of equipment	19	**(12,420)**	–
Payments for intangible assets		**(215)**	(92)
Net cash used in investing activities		**(56,863)**	(842)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Cash flows from financing activities			
Proceeds from issue of shares		**38,250**	–
Transaction costs attributable to issue of shares		**(995)**	–
Capital element on lease liabilities		**(4,015)**	(3,506)
Interest element on lease liabilities		**(1,607)**	(1,947)
Net cash from/(used in) financing activities		**31,633**	(5,453)
Net increase/(decrease) in cash and cash equivalents		**2,921**	(25,441)
Cash and cash equivalents at the beginning of year		**25,590**	52,114
Effect of foreign exchange rate changes, net		**874**	(1,083)
Cash and cash equivalents at the end of year		**29,385**	25,590
Analysis of balances of cash and cash equivalents			
Cash and bank balances	21	**29,385**	25,590

1 GENERAL INFORMATION

China Oral Industry Group Holdings Limited (the "Company") was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company with limited liability on 3 November 2015.

The shares of the Company have been listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 7 December 2017.

Its ultimate controlling party is Ms. Yan Ping, who is also the chairlady and an executive director of the Company.

The addresses of the registered office and the principal place of business of the Company are Wingward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands and 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong respectively.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the "Group") is principally engaged in the manufacturing and sales of inflatable products and related accessories.

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the respective entity operates (the "functional currency"). The functional currency of the Company is Hong Kong dollars ("HK$"). The consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand, which is different from the functional currency of the Company as the Group's dominated operations are substantially based in the People's Republic of China (the "PRC").

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

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, plant and equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations

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

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1	Non-current liabilities with Covenants (the "2022 Amendments")[3]
Amendments to HKAS 1 and HKFRS Practice Standard 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 a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2024.

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

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

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

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

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

New and amendments to HKFRSs in issue but not yet effective (Continued)

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

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2022, the application of the amendments will not result in reclassification of the Group's liabilities.

Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

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

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

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies.

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

New and amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 8 *Definition of Accounting Estimates*

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation of consolidated financial statements (Continued)

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

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

3.2 Significant accounting policies

Basis of consolidation

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Non-current assets held for sale

Non-current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for financial assets within the scope of HKFRS 9, investment properties which continue to be measured in accordance with the accounting policies as set out in respective sections.

Revenue from contracts with customers

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

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

Control of the goods or service may be transferred over time or at a point in time. Revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

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

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

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

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

The Group recognises revenue from the following goods and services:

(i) *Sales of goods*

The Group manufactures and sells inflatable products and related accessories. Revenue is recognised when the control of the products is considered to have been transferred to the customers.

Revenue from the sales of products is recognised when control of the products has transferred, being at the point the products are delivered to the customers and the customers have full discretions to sell the products and no unfulfilled obligation that could affect the customer's acceptance of the products.

Revenue from these sales is recognised based on the price specified in the contract, net of returns and value added taxes.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

A contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. The Group recognised its contract liabilities under trade and other payables as receipt in advance from customers in the consolidated statement of financial position.

(ii) *Provision of sub-contracting services*

Revenue from providing services is recognised in the accounting period in which the services are rendered.

Revenue from provision of sub-contracting services is recognised based on the actual service provided.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assess whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group as a lessee

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities

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

The lease payments include:

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

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- The lease payments change due to changes in market rental rates following a market rent review/ expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease modifications

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

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

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

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

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessor (Continued)

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

(i) Operating leases

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

(ii) Finance leases

The Group accounts for a change in the lease payments of a finance lease as a lease modification, that is not accounted for as a separate lease, in accordance with the requirements of HKFRS 9. If the change represents a substantial modification, the finance lease receivables of the original lease are derecognised and a derecognition gain or loss calculated using the revised lease payments discounted at the revised discount rate is recognised in profit or loss on the date of the modification. If the change does not represent a substantial modification, the Group continues to recognise the finance lease receivables in which such carrying amount will be calculated at the present value of the modified contractual cash flows discounted at the related receivables' original discount rate. Any adjustment to the carrying amount is recognised in profit or loss at the effective date of modification.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Foreign currencies (Continued)

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

On the disposal of a foreign operation (that is a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Borrowing costs

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Government grants

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

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

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

Retirement benefit costs

Payments to the defined contribution benefit plans are recognised as an expense when employees have rendered services entitling them to the contributions.

Obligations for contributions to retirement plans, including contributions payable under the Hong Kong Provident Fund Schemes Ordinance and the PRC central pension scheme, are recognised as an expense in profit or loss as incurred.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees after deducting any amount already paid.

Taxation

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Taxation (Continued)

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Property, plant and equipment

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

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bring the assets to the location and condition necessary for it to be capable of operating in the manner intended by the management and, for qualifying assets, borrowing costs capitalised in accordance with Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets

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

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

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash generating-unit) for which the estimates of future cash flows have not been adjusted.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on weighted average basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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.

Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL

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

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

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables.

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

(i) Significant increase in credit risk

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(i) Significant increase in credit risk (Continued)

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

- an actual or expected significant deterioration in the financial instruments' external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Company considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Groups uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

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

Where the ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis.

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

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

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of financial instruments measured at amortised cost where the corresponding adjustments is recognised through a loss allowance account.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivables is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Derecognition of financial liabilities

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 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.

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the management is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience, expectations of the future and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each 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.

Impairment loss on trade receivables

The Group's management determines the impairment of trade receivables based on the expected credit losses which use a lifetime expected loss allowance for trade receivables. The loss allowances for trade receivables are based on assumptions about risk of default and expected loss rates. The Group use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the client's past history collection record, existing market conditions as well as forward looking estimates at the end of each reporting period. Management reassesses the loss allowances at each reporting period.

Impairment of non-financial assets

The Group reviews the carrying amounts of non-financial assets at the end of each reporting period to determine whether there is an objective evidence of impairment. When indication of impairment is identified, management prepares discounted future cash flows to assess the difference between the carrying amount and their value-in-use and provided for impairment loss. Any change in the assumptions adopted in the discounted cash flows would increase or decrease in the impairment loss and affect the Group's net asset value and profit or loss.

5. REVENUE AND SEGMENT INFORMATION

HKFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the executive directors of the Company, being the chief operating decision maker, for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the manufacturing and sales of inflatable products and related accessories. Since this is the only operating segment of the Group, no further analysis for segment information is presented.

Revenue

	2022 **RMB'000**	2021 RMB'000
Revenue from customers		
– Sale of inflatable products and related accessories	**212,051**	294,291
– Sub-contracting income	**468**	626
	212,519	294,917

Disaggregation of revenue from contracts with customers

	2022 **RMB'000**	2021 RMB'000
Disaggregated by major products and services		
Inflatable playgrounds with air blowers	**187,627**	265,658
Other inflatable products	**262**	1,091
Inflatable products related accessories and sub-contracting work	**24,630**	28,168
	212,519	294,917

The Group's contract with customers for the sale of inflatable products and related accessories include only one single performance obligation and the Group recognises revenue from sale at the point of time when the customers obtain control of the goods.

Revenue recognised during the year in relation to sale of inflatable products and related accessories that was included in the contract liabilities at the beginning of year was approximately RMB6,313,000 (2021: RMB3,056,000). All of the Group's remaining performance obligation for contract with customers are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of revenue is based on the locations of the customers. The Group's major non-current assets are all located in the PRC.

	2022	2021
	RMB'000	RMB'000
Revenue from external customers:		
– China	**9,975**	29,992
– Europe	**38,989**	53,469
– Australia and Oceania	**15,769**	32,124
– North America	**88,794**	117,681
– Asia	**58,310**	60,506
– Central and South America	**682**	1,145
	212,519	294,917

Information about major customers

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

	2022	2021
	RMB'000	RMB'000
Customer A	**54,225**	N/A[1]
Customer B	**23,536**	N/A[1]
Customer C	**23,061**	30,201
Customer D	**NA[1]**	49,777

1 The corresponding revenue did not contribute over 10% of the Group's total revenue.

6. OTHER INCOME AND GAINS

	2022 RMB'000	2021 RMB'000
Interest income on bank deposits	**56**	78
Rental income	**1,200**	100
Gain on disposal of property, plant and equipment	**–**	530
Grants and subsidies *(Note)*	**914**	373
Gain on lease modification	**68**	–
Gain on fair value changes of financial assets at fair value through profit or loss	**231**	–
Net foreign exchange gains	**5,803**	–
Others	**541**	1,129
	8,813	2,210

Note: Grants and subsidies mainly consist of gross grants and subsidies by local governments in relation to corporate development, high and new technology development, export encouragement scheme, human resources scheme and compensation for expenses already incurred. The amounts of these grants and subsidies are subject to discretions of local governments and there are no unfulfilled conditions or contingencies.

7. FINANCE COSTS

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	**1,607**	1,947

8. INCOME TAX (CREDIT)/EXPENSE

	2022 RMB'000	2021 RMB'000
Current tax		
Hong Kong Profits Tax	–	1,228
PRC Enterprise Income Tax	9	1,432
Over-provision in respect of prior years	(314)	–
Deferred tax *(Note 26)*	(612)	2,308
Total income tax recognised in profit or loss	(917)	4,968

Hong Kong Profits tax is calculated at the rate of 16.5% (2021: 16.5%) on the estimated assessable profit for the year. No provision for Hong Kong Profits tax has been made as the Group has no assessable profit arising in or derived from Hong Kong for the year.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both years, unless preferential rate is applicable. A wholly-owned subsidiary of the Company located in the Zhongshan City is registered as a High and New Technology Enterprise and is entitled to the preferential corporate income tax rate of 15% for a period of 3 years to 2023.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

	2022 RMB'000	2021 RMB'000
(Loss)/profit before tax	(35,768)	2,835
Tax at PRC Enterprise Income Tax rate of 15% *(Note)*	(5,365)	425
Tax effect of expenses not deductible for tax purpose	2,319	2,958
Tax effect of non-taxable income	(11)	(157)
Temporary differences not recognised	2,740	1,417
Withholding tax on undistributed profits	(612)	900
Tax effect of tax losses not recognised	1,810	182
Over-provision in respect of in prior years	(314)	–
Effect of different tax rates of group entities operating in different jurisdictions	(1,484)	(757)
Income tax (credit)/expense for the year	(917)	4,968

Note: The PRC Enterprise Income Tax rate is used as it is the domestic tax rate in the jurisdiction where the operation of the Group is substantially based.

9. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2022 **RMB'000**	2021 RMB'000
Auditors' remuneration	**822**	605
Cost of inventories recognised as an expense	**194,948**	235,060
Depreciation of property, plant and equipment *(Note (i))*	**2,338**	2,465
Depreciation of right-of-use assets *(Note (ii))*	**4,334**	4,190
Loss on disposal of property, plant and equipment	**58**	–
Write-down of inventories	**2,769**	710
Amortisation of intangible assets	**112**	112
Net foreign exchange losses	**–**	1,459
Short-term lease expenses *(Note (iii))*	**33**	41
Employee benefits expense (including directors' emoluments *(Note 10)*):		
Salaries, wages and other benefits	**44,657**	67,703
Contribution to retirement benefits schemes	**6,336**	8,094
Total employee benefits expense *(Note (iv))*	**50,993**	75,797

Notes:

(i) Depreciation of property, plant and equipment amounting to approximately RMB1,210,000 (2021: RMB1,318,000) are capitalised in inventories and amounting to approximately RMB1,128,000 (2021: RMB1,147,000) are included in administrative and other operating expenses.

(ii) Depreciation of right-of-use assets amounting to approximately RMB3,785,000 (2021: RMB3,796,000) are capitalised in inventories and amounting to approximately RMB549,000 (2021: RMB394,000) are included in administrative and other operating expenses.

(iii) These amounts are not included in the measurement of lease liabilities.

(iv) Total employee benefits expense amounting to approximately RMB36,826,000 (2021: RMB64,068,000) are capitalised in inventories; amounting to approximately RMB2,330,000 (2021: RMB2,541,000) are included in distribution and selling expenses; and amounting to approximately RMB11,837,000 (2021: RMB9,188,000) are included in administrative and other operating expenses.

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the directors and the chief executive of the Company were as follows:

	Fees RMB'000	Salaries and other benefits in kind RMB'000	Discretionary bonuses RMB'000	Contributions to retirement benefits schemes RMB'000	Total RMB'000
2022					
Executive directors					
Ms. Yan Ping	**600**	**–**	**–**	**–**	**600**
Mr. Liu Yao Guang	**360**	**–**	**–**	**–**	**360**
Mr. Xiao Jiansheng	**67**	**526**	**120**	**2**	**715**
Independent non-executive directors					
Ms. Shen Jindan	**103**	**–**	**–**	**–**	**103**
Ms. Lian Jingyu *(Note (i))*	**53**	**–**	**–**	**–**	**53**
Ms. Deng Xin *(Note (i))*	**53**	**–**	**–**	**–**	**53**
Mr. Yam Hiu Ping Bruce *(Note (ii))*	**35**	**–**	**–**	**–**	**35**
Ms. Yang Haili *(Note (iii))*	**50**	**–**	**–**	**–**	**50**
Mr. Wang Mo *(Note (iii))*	**50**	**–**	**–**	**–**	**50**
	1,371	**526**	**120**	**2**	**2,019**
2021					
Executive directors					
Ms. Yan Ping	24	–	–	–	24
Mr. Liu Yao Guang	14	–	–	–	14
Mr. Xiao Jiansheng	66	472	140	1	679
Mr. Huang Xiaodong *(Note (iv))*	96	240	140	1	477
Non-executive director					
Mr. Lee Kin Kee *(Note (iv))*	241	–	–	–	241
Independent non-executive directors					
Ms. Shen Jindan	4	–	–	–	4
Ms. Yang Haili *(Note (iii))*	4	–	–	–	4
Mr. Wang Mo *(Note (iii))*	4	–	–	–	4
Mr. Mao Guohua *(Note (iv))*	51	–	–	–	51
Mr. Ho Hin Chung *(Note (iv))*	241	–	–	–	241
Mr. Lin Zexing *(Note (iv))*	51	–	–	–	51
	796	712	280	2	1,790

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

Notes:

(i) Appointed on 30 June 2022.

(ii) Appointed on 30 June 2022 and resigned on 1 November 2022.

(iii) Resigned on 30 June 2022

(iv) Resigned on 17 December 2021.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Neither the chief executive officer nor any of the directors waived or agreed to waive any emoluments during the year ended 31 December 2022 (2021: Nil).

11. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments, two (2021: two) of them are directors of the Company whose emoluments are set out in note 10 above. Details of the emoluments in respect of the remaining three (2021: three) highest paid individuals are as follows:

	2022 **RMB'000**	2021 RMB'000
Salaries and other benefits in kind *(Note)*	**1,903**	1,719
Contributions to retirement benefits schemes	**28**	24
	1,931	1,743

Note: Amounts included discretionary bonuses of approximately RMB240,000 (2021: RMB354,000).

11. FIVE HIGHEST PAID EMPLOYEES (Continued)

The number of the highest paid employees who are not the directors of the company whose remuneration fell within the following bands is as follows:

	2022 No. of employees	2021 No. of employees
Nil to HK$1,000,000	**2**	3
HK$1,000,001 to HK$1,500,000	**1**	–
	3	3

During the year ended 31 December 2022, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office (2021: Nil).

12. DIVIDENDS

No dividend was proposed by the board of directors in respect of the years ended 31 December 2022 and 2021.

13. LOSS PER SHARE

	2022 RMB'000	2021 RMB'000
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	**(34,851)**	(2,133)

	2022 '000	2021 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**823,671**	800,000

The diluted loss per share is equal to the basic loss per share as there is no dilutive potential ordinary share in issue during years ended 31 December 2022 and 2021.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture and equipment RMB'000	Computer equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
Balance at 1 January 2021	8,461	15,221	1,307	357	2,471	13,519	41,336
Additions	299	1,285	–	53	35	120	1,792
Disposals	–	(1,674)	(58)	–	–	–	(1,732)
Transfer	–	13,519	–	–	–	(13,519)	–
Effect of foreign exchange differences	–	–	–	(1)	–	–	(1)
Balance at 31 December 2021	8,760	28,351	1,249	409	2,506	120	41,395
Additions	–	600	–	–	16	–	616
Disposals	–	(60)	–	–	(8)	–	(68)
Transfer	–	120	–	–	–	(120)	–
Reclassified as held for sale *(Note 22)*	–	(8,506)	–	–	–	–	(8,506)
Effect of foreign exchange differences	–	–	–	2	1	–	3
Balance at 31 December 2022	8,760	20,505	1,249	411	2,515	–	33,440
Accumulated depreciation and impairment							
Balance at 1 January 2021	7,030	9,770	703	244	1,734	–	19,481
Depreciation expense	254	1,990	107	25	89	–	2,465
Eliminated on disposals	–	(1,246)	(52)	–	–	–	(1,298)
Impairment loss recognised in profit or loss	145	3,344	–	–	–	–	3,489
Effect of foreign exchange differences	–	–	–	(1)	–	–	(1)
Balance at 31 December 2021	7,429	13,858	758	268	1,823	–	24,136
Depreciation expense	271	1,845	104	26	92	–	2,338
Eliminated on disposals	–	(2)	–	–	(8)	–	(10)
Impairment loss recognised upon reclassified as held for sale	222	1,698	–	–	–	–	1,920
Impairment loss recognised in profit or loss	375	3,613	173	52	272	–	4,485
Reclassified as held for sale *(Note 22)*	–	(4,966)	–	–	–	–	(4,966)
Effect of foreign exchange differences	–	–	–	1	1	–	2
Balance at 31 December 2022	8,297	16,046	1,035	347	2,180	–	27,905
Carrying amounts							
Balance at 31 December 2022	**463**	**4,459**	**214**	**64**	**335**	**–**	**5,535**
Balance at 31 December 2021	1,331	14,493	491	141	683	120	17,259

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated on a straight-line basis over their useful lives as follows:

Leasehold improvements	Over the shorter of the term of the lease, and 4 to 10 years
Plant and machinery	5 to 10 years
Motor vehicles	4 to 5 years
Furniture and equipment	3 to 5 years
Computer equipment	3 to 10 years

Impairment assessment of property, plant and equipment, right-of-use assets and intangible assets

During the year ended 31 December 2022, in view of the loss sustained by the Group, management considered indicators of impairment of property, plant and equipment, right-of-use assets and intangible assets existed at 31 December 2022 and performed an impairment assessment thereon with reference to valuation performed by an independent professional valuer.

For the purpose of impairment testing, the estimates of recoverable amount were determined based on the value-in-use calculation. Management uses cash flow projections based on the most recent financial budget after taking into accounts the operation environment and market conditions at the point of time and covering a five-year period. Cash flow beyond the five-year period are extrapolated using the growth rate of 2%. The key assumptions for the value-in-use calculation are those regarding the discount rate, revenue and direct costs. As at 31 December 2022, management estimates the discount rate of 16.3% using pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the cash-generating unit. Changes in revenue and direct costs are based on past experience and expectations of changes in market.

Based on the impairment assessment conducted by management, impairment loss of approximately RMB4,485,000, RMB5,686,000 and RMB281,000 were recognised on property, plant and equipment, right-of-use assets and intangible assets respectively in profit or loss during the year ended 31 December 2022 in order to write down the carrying amount of the property, plant and equipment, right-of-use assets and intangible assets to their recoverable amounts.

During the year ended 31 December 2021, in view of the changes in market demand for the spunbond meltblown spunbond non-woven fabrics, the management concluded there was indication for impairment and conducted impairment assessment on certain machineries included in the property, plant and equipment with reference to valuation performed by an independent professional valuer.

For the purpose of impairment testing, the estimates of recoverable amount were determined based on the value-in-use calculation. Management uses cash flow projections based on the most recent financial budget after taking into accounts the operation environment and market conditions at the point of time. The key assumptions for the value-in-use calculation are those regarding the revenue and discount rate. As at 31 December 2021, management estimates the discount rate of 9.4% using pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the cash-generating unit.

Based on the impairment assessment conducted by management, impairment loss of approximately RMB3,489,000 and RMB311,000 were recognised on property, plant and equipment and right-of-use assets respectively in profit or loss during the year ended 31 December 2021 in order to write down the carrying amount of the item of property, plant and equipment and right-of-use assets to their recoverable amounts.

15. RIGHT-OF-USE ASSETS

	Land and buildings RMB'000
Cost	
Balance at 1 January 2021	27,191
Additions	1,474
Lease modification	(227)
Effect of foreign exchange differences	(10)
Balance at 31 December 2021	28,428
Additions	504
Lease modification	(938)
Effect of foreign exchange differences	25
Balance at 31 December 2022	28,019
Accumulated depreciation and impairment	
Balance at 1 January 2021	6,947
Depreciation expense	4,190
Lease modification	(170)
Impairment loss recognised *(Note 14)*	311
Effect of foreign exchange differences	(2)
Balance at 31 December 2021	11,276
Depreciation expense	4,334
Lease modification	(308)
Impairment loss recognised *(Note 14)*	5,686
Effect of foreign exchange differences	14
Balance at 31 December 2022	21,002
Carrying amounts	
Balance at 31 December 2022	**7,017**
Balance at 31 December 2021	17,152

Amounts recognised in the consolidated statement of profit or loss and other comprehensive income relating to leases:

	2022 RMB'000	2021 RMB'000
Depreciation of right-of-use assets	**4,334**	4,190
Interest expense on lease liabilities	**1,607**	1,947
Impairment loss recognised	**5,686**	311
Expense relating to short-term leases	**33**	41
Additions to right-of-use assets	**504**	1,474
Total cashflow for leases	**5,655**	5,494

15. RIGHT-OF-USE ASSETS (Continued)

During the year, additions to right-of-use assets were primarily related to capitalised lease payments payable under new lease agreements.

Short-term leases relate to lease of premises.

16. INTANGIBLE ASSETS

	Patents RMB'000	Trademarks RMB'000	Total RMB'000
Cost			
Balance at 1 January 2021	410	1,214	1,624
Additions	92	–	92
Balance at 31 December 2021	502	1,214	1,716
Additions	115	100	215
Balance at 31 December 2022	617	1,314	1,931
Accumulated amortisation			
Balance at 1 January 2021	258	822	1,080
Amortisation expense	32	80	112
Balance at 31 December 2021	290	902	1,192
Amortisation expense	35	77	112
Impairment loss recognised *(Note 14)*	132	149	281
Balance at 31 December 2022	457	1,128	1,585
Carrying amounts			
Balance at 31 December 2022	**160**	**186**	**346**
Balance at 31 December 2021	212	312	524

The following useful lives are used in the calculation of amortisation:

Patents	10 years
Trademarks	10 years

17. INVENTORIES

	2022 RMB'000	2021 RMB'000
Raw materials	**13,010**	16,222
Work in progress	**19,461**	32,489
Finished goods	**10,900**	30,986
	43,371	79,697

18. TRADE RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables	**23,579**	46,309
Allowance for credit losses	**(841)**	(294)
	22,738	46,015

The following is an analysis of trade receivables by age, net of allowance for credit losses, presented based on the invoice date:

	2022 RMB'000	2021 RMB'000
0 – 30 days	**13,508**	19,547
31 – 60 days	**859**	6,002
61 – 90 days	**1,825**	2,023
91 – 120 days	**1,013**	8,583
121 – 365 days	**5,533**	9,860
	22,738	46,015

As at 31 December 2022, total bills received amounting to approximately RMB1,009,000 (2021: RMB2,855,000) are held by the Group for the future settlement of trade receivables. The Group continues to recognise their full carrying amounts at the end of the reporting period. All bills received by the Group are with a maturity period of less than one year.

The credit terms granted to customers are varied and are generally the result of negotiations between individual customers and the Group. The Group generally allows credit period ranging from 0 to 270 days. No interest is charged on overdue receivables.

18. TRADE RECEIVABLES (Continued)

The management closely monitors the credit quality of trade receivables and considers the trade receivables that are neither past due nor impaired to be of a good credit quality. Trade receivables that are neither past due nor impaired relate to a number of independent customers with good settlement history.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which requires the use of the lifetime expected credit loss provision for trade receivables. To measure the expected credit losses, these receivables have been grouped based on the same credit risk characteristics. See note 32 for further information about expected credit loss provision.

Movement in the loss allowance of trade receivables are as follows:

	Lifetime ECL (not credit-impaired) RMB'000
At 1 January 2021	52
Impairment losses recognised	242
At 31 December 2021	294
Impairment losses recognised	547
At 31 December 2022	**841**

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 **RMB'000**	2021 RMB'000
Deposits paid	**2,904**	4,143
Value-added tax	**1,779**	3,612
Prepayment for a capital investment *(Note (ii))*	**13,000**	–
Prepayment for purchase of equipment *(Note (iii))*	**12,420**	–
Prepayment for supplies and services *(Note (iv))*	**14,467**	2,916
Other receivables	**2,458**	5,300
	47,028	15,971
Analysed for reporting purpose as:		
Current	**21,608**	15,971
Non-current	**25,420**	–
	47,028	15,971

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Notes:

(i) The financial assets included in the above balances relate to deposits and receivables for which there was no recent history of default and past due amounts. The loss allowance was assessed by management to be minimal as at 31 December 2022 and 2021.

(ii) In view of diversifying the business of the Group, the Group intends to expand its business scope into the health business in particular, the oral care industry. During the year, the Group has entered into investment agreement with an independent third party for the proposed acquisition of the entire equity interest in companies which are principally engaged in providing dental related services in the oral care industry in the PRC. The Group has paid RMB13,000,000 as deposit for securing the aforesaid potential investment.

Subsequent to the end of the reporting period, the Group completed the acquisition of the entire equity interest in the targeted Company, HongKong Eko Holding Co., Limited ("HongKong Eko"), an investment holding company incorporated in Hong Kong with limited liability on 20 January 2023. Upon completion of the acquisition, HongKong Eko and its subsidiary became wholly-owned subsidiaries of the Company and its financial results and financial position will be consolidated into the consolidated financial statements of the Company. As at the date of approval of these financial statements, the management of the Group is still in the midst of determining the financial effect of the aforesaid acquisition.

(iii) The balance represents prepayment for the purchase of certain oral care related equipment. Further details of the capital commitments resulting from the purchase of equipment are set out in note 35 to the consolidated financial statements.

(iv) Included in the balance of prepayment for supplies and services at 31 December 2022 were prepayment for sub-contracting fee, purchase of materials and other expenses which are to be used for the business operation of the Group.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 **RMB'000**	2021 RMB'000
Financial assets measured at FVTPL		
Unlisted financial products	**30,899**	–

As at 31 December 2022, these unlisted financial products are investment products made with creditworthy banks in the PRC. The fair values of these unlisted financial products are determined with reference to bank quoted reference prices.

These unlisted financial products are classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest and are classified as current as the management expects to realise these financial assets within twelve months after the reporting period.

21. CASH AND BANK BALANCES

	2022 RMB'000	2021 RMB'000
Cash at banks and on hand	**29,385**	25,590
Cash and cash equivalents	**29,385**	25,590

Cash at banks earn interest at floating rates based on daily bank deposit rates.

At 31 December 2022, the Group had cash and bank balances of approximately RMB5,478,000 (2021: RMB10,937,000) which are placed with banks in the PRC. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

22. ASSETS CLASSIFIED AS HELD FOR SALE

During the year, the directors of the Company resolved to dispose of the Group's certain spunbond meltblown spunbond non-woven fabrics machineries ("SMS machineries"), which were leased out under operating lease arrangements for a period of 7 years in prior year. Rental income of RMB1,200,000 (2021: RMB100,000) was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022 within the line item "other income and gains" in respect of the lease.

Negotiations with the lessee and several interested parties have been taken place during the year. The SMS machineries, which are expected to be sold within twelve months, have been classified as assets held for sale and are presented separately in the consolidated statement of financial position. The SMS machineries classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, and accordingly an impairment loss on plant and machinery of RMB1,698,000 has been recognised in the consolidated statement of profit or loss within the line item "impairment loss on non-financial assets". The assets are measured at fair value less costs to sell as at the end of the reporting period and was classified as level 2 fair value hierarchy.

Subsequent to the end of the reporting period, the Group entered into a formal disposal agreement with an independent third party on 2 January 2023 to dispose of the SMS machineries at a cash consideration of approximately RMB3,540,000, net of value added tax. On the same date, the Group entered into an agreement with the lessee to terminate the operating lease in respect of the SMS machineries.

23. TRADE AND OTHER PAYABLES

	2022 RMB'000	2021 RMB'000
Trade payables	**22,503**	37,432
Contract liabilities	**2,150**	6,445
Accrued salaries and other benefits *(Note)*	**10,073**	11,497
Other payables and accruals	**10,101**	5,672
	44,827	61,046

Note: Accrued salaries and other benefits disclosed above included emoluments payable to the directors of the Company amounting to approximately RMB165,400 (2021: RMB392,000) as at 31 December 2022.

23. TRADE AND OTHER PAYABLES (Continued)

The following is an analysis of trade payables based on the invoice date:

	2022 RMB'000	2021 RMB'000
0 – 30 days	**11,771**	12,922
31 – 60 days	**2,819**	13,241
61 – 90 days	**3,705**	8,670
91 – 120 days	**1,042**	1,027
121 – 365 days	**2,966**	1,032
Over 365 days	**200**	540
	22,503	37,432

The trade payables are non-interest bearing.

24. AMOUNT DUE TO A SHAREHOLDER

The amount due to Ms. Yan Ping, a substantial shareholder and an executive director of the Company, is unsecured, interest-free and repayable on demand.

25. LEASE LIABILITIES

	2022 RMB'000	2021 RMB'000
Current	**4,495**	3,985
Non-current	**11,297**	16,005
	15,792	19,990
Lease liabilities payable:		
Within 1 year	**4,495**	3,985
After 1 year but within 2 years	**4,225**	4,381
After 2 years but within 5 years	**4,627**	8,124
Over 5 years	**2,445**	3,500
	15,792	19,990

The Group leases certain properties for its operations. Lease contracts are entered into for terms ranging from 2 to 10 (2021: 2 to 10) years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets may not be used as security for borrowing purposes.

26. DEFERRED TAXATION

	ECL	Accelerated tax depreciation	Withholding tax on undistributed profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2021	6	1,408	(2,261)	(847)
Charged to profit or loss *(Note 8)*	–	(1,408)	(900)	(2,308)
Balance at 31 December 2021	6	–	(3,161)	(3,155)
Credited to profit or loss *(Note 8)*	–	–	612	612
Balance at 31 December 2022	**6**	**–**	**(2,549)**	**(2,543)**

	2022	2021
	RMB'000	RMB'000
Analysed for reporting purpose as:		
Deferred tax assets	**6**	6
Deferred tax liabilities	**(2,549)**	(3,161)
	(2,543)	(3,155)

Under the Enterprise Income Tax Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has been provided for in full in respect of undistributed profits retained by PRC entities in the consolidated financial statements.

At the end of the reporting period, the Group has unused tax losses of approximately RMB10.3 million (2021: RMB0.7 million) available for offsetting against future profits and deductible temporary differences of approximately RMB22 million (2021: RMB6 million). No deferred tax asset has been recognised in respect of these unused tax losses and deductible temporary differences due to the unpredictability of future profit streams. The unused tax losses of the Group of approximately RMB10.1 million (2021: RMB0.7 million) may be carried forward for a maximum period of five years and approximately RMB0.2 million (2021: Nil) may be carried forward indefinitely.

27. SHARE CAPITAL

Details of the Company's authorised and issued ordinary share capital are as follows:

	Number of ordinary shares '000	Share capital HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2021 and 31 December 2021	1,000,000	10,000
Increase in authorised capital *(Note (i))*	1,000,000	10,000
At 31 December 2022	2,000,000	20,000
Issued and fully paid:		
At 1 January 2021 and 31 December 2021	800,000	8,000
Shares issued under placing *(Note (ii))*	160,000	1,600
At 31 December 2022	960,000	9,600

	2022 RMB'000	2021 RMB'000
Equivalent to RMB	**8,427**	6,969

Notes:

(i) Pursuant to ordinary resolution passed by the shareholders of the Company on the extraordinary general meeting of the Company held on 22 December 2022, the authorised share capital of the Company be increased from HK$10,000,000 divided into 1,000,000,000 ordinary shares of HK$0.01 each to HK$20,000,000 divided into 2,000,000,000 ordinary shares of HK$0.01 each by the creation of additional 1,000,000,000 ordinary shares, such shares shall rank pari passu in all respects.

(ii) On 8 November 2022, the Company allotted and issued 160,000,000 ordinary shares by way of placing, at a placing price of HK$0.260 per placing share for cash. The gross proceeds from the placing amounted to HK$41,600,000 (equivalent to approximately RMB38,250,000), among which, HK$1,600,000 (equivalent to approximately RMB1,458,000) were credited to the share capital of the Company and HK$40,000,000 (equivalent to approximately RMB36,792,000), before issuing expenses, were credited to share premium of the Company.

28. RESERVES

Share premium

Share premium is the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less expenses incurred in connection with the issue of the shares.

Special reserve

Special reserve represents the reserve arose pursuant to the corporate reorganisation for the purpose of the listing of the Company's shares on the GEM.

Statutory reserve

In accordance with the PRC Company Law and the PRC subsidiaries' Articles of Association, every year the PRC subsidiaries are required to transfer at least 10% of the profit after taxation determined in accordance with PRC Accounting Standards to the statutory reserves until the balance reaches 50% of the registered capital. Such reserve can be used to reduce any losses incurred or to increase registered capital.

Foreign currency translation reserve

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. RMB) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve in respect of translating the net assets of foreign operations are reclassified to profit or loss on the disposal of the foreign operation.

29. SHARE OPTION SCHEME

The Company has adopted a share option scheme ("Scheme") pursuant to a resolution passed on 15 November 2017. The purpose of the Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

Under the Scheme, the board of directors may, at their absolute discretion and subject to the terms of the Scheme, grant options to any employees (full-time or part-time), directors, consultants or advisors of the Group, or any substantial shareholders of the Group, or any distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group, to subscribe for shares of the Company.

Under the Scheme, the maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the shares in issue upon the date of which the shares are listed and permitted to be dealt in the Stock Exchange. The 10% limit may be refreshed at any time by approval of the Company's shareholders provided that the total number of Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other share options schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit. Subject to the approval of the Company's shareholders, the aggregate number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the Company's shares in issue from time to time. No options may be granted under the Scheme or any other share options schemes of the Company if this will result in the limit being exceeded.

29. SHARE OPTION SCHEME (Continued)

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) under the Scheme or any other share option schemes of the Company in any 12-month period up to date of grant shall not exceed 1% of the shares of the Company in issue. Where any further grant of options to a participant under the Scheme would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by shareholders of the Company in general meeting with such participant and his/her close associates abstaining from voting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approval by the independent non-executive directors of the Company (excluding any independent non-executive director who is the grantee). Where any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective close associates would result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) under the Scheme and any other share option schemes of the Company to such person in any 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the shares of the Company in issue and having an aggregate value in excess of HK$5 million must be approved by the Company's shareholders at the general meeting of the Company, with voting to be taken by way of poll.

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK$1. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the directors may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

The subscription price shall be a price solely determined by the board of directors of the Company and notified to a participant and shall be at least the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date; and (iii) the nominal value of the Company's share on the offer date.

The Scheme will remain in force for a period of ten years commencing on 15 November 2017 and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the shareholders in general meeting.

There was no share option granted to eligible participants during the years ended 31 December 2022 and 2021. There were no outstanding share options as at 31 December 2022 and 2021.

30. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the plans are held separately from those of the Group in funds under the control of trustees.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit plans operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plans is to make the specified contributions.

The total expense recognised in profit or loss of approximately RMB6,336,000 (2021: RMB8,094,000) for the year ended 31 December 2022 represents contributions payable to the plans by the Group at rates specified in the rules of the plans.

During the years ended and as at 31 December 2022 and 2021, no contribution was forfeited (by the Group on behalf of its employees who leave the defined contribution schemes prior to vesting fully in such contributions) and be used by the Group to reduce the existing level of contributions.

31. CAPITAL MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes borrowings net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

At the end of the reporting period, the Group did not have any external borrowings and therefore, had net debt-to-equity ratio of Nil.

Management of the Group review the capital structure regularly taking into account the cost of capital and the risks associated with the cost of capital. The Group will balance its overall capital structure through the issuance of new shares, raise of borrowings and repayment of existing borrowings.

32. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2022 **RMB'000**	2021 RMB'000
Financial assets		
Fair value through profit or loss	**30,899**	–
Amortised cost	**57,485**	81,048
Financial liabilities		
Amortised cost	**61,638**	74,591

32. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at fair value through profit or loss, trade receivables, deposits and other receivables, cash and bank balances, trade and other payables, amount due to a shareholder and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The management has been monitoring these risk exposures to ensure appropriate measures are implemented on a timely and effective manner so as to mitigate or reduce such risks.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Foreign currency risk management

For the year ended 31 December 2022, approximately 95% (2021: 87%) of the Group's revenue are denominated in United States dollar ("US$"). The Group's dominant operations are in the PRC and most of the operating expenses are primarily denominated in RMB. The Group is exposed to currency risk arising from currency exposures with respect to US$ and RMB. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

At the end of the reporting period, the carrying amounts of the Group's major monetary assets and liabilities denominated in a currency other than the functional currencies of the relevant group entities are as follows:

	2022	2021
	RMB'000	RMB'000
Assets		
US$	**47,797**	55,883
RMB	**–**	1,896
Australian dollars ("AUD")	**–**	569
Liabilities		
US$	**3,159**	5,033
RMB	**4,060**	446

Since HK$ is pegged to US$, the directors consider that the foreign currency risk in respect of the Group's US$ denominated monetary assets and liabilities at the end of the reporting period held under the Group's subsidiary in Hong Kong is insignificant.

32. FINANCIAL INSTRUMENTS (Continued)

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

Sensitivity analysis

As shown in the table below, the Group is primarily exposed to changes in RMB/USD exchange rates. The following table details the Group's sensitivity to a 5% weakening in the RMB against US$. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rate. The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rate. A positive number below indicates an decrease in loss/increase in profit where RMB weakens against US$. For a 5% weakening of US$ against RMB, there would be an equal and opposite impact on the loss/profit.

	2022	2021
	RMB'000	RMB'000
US$	**501**	1,292

Interest rate risk management

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing financial assets and financial liabilities. The Group is exposed to cash flow interest rate risk to its variable-rate bank deposits and fair value interest rate risk in relation to its fixed-rate bank deposit and lease liabilities. The management considers that the exposure to interest rate risk on variable-rates bank deposits is insignificant as interest rates on bank deposits are relatively low are not expected to change significantly. The fixed-rate instruments of the Group are insensitive to any change in market interest rates. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Other price risk

The Group is exposed to other price risk through its investments in financial assets measured at FVTPL. The management manages this exposure by maintaining a portfolio of investments with different risk. The management keeps monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to other price risk in respect of the unlisted financial products at the reporting date. If the prices of the respective instruments had been 10% increased higher/lower, the loss before tax for the year would decrease/increase by approximately RMB$3,090,000 (2021: Nil) as a result of the changes in fair value of investments measured at FVTPL.

32. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk management

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In respect of trade receivables and deposits and other receivables, credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group impairment assessment under ECL model on its financial assets. In this regard, management considers that the Group's credit risk is significantly reduced.

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

At 31 December 2022	**Notes**	**12m or life-time ECL**	**Gross carrying amounts RMB'000**	**Loss allowance RMB'000**	**Net carrying amount RMB'000**
Trade receivables	18	Life-time ECL	**23,579**	**(841)**	**22,738**
Deposits and other receivables	19	12m ECL	**5,362**	**–**	**5,362**
Bank balances	21	12m ECL	**29,230**	**–**	**29,230**

At 31 December 2021	Notes	12m or life-time ECL	Gross carrying amounts RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Trade receivables	18	Life-time ECL	46,309	(294)	46,015
Deposits and other receivables	19	12m ECL	9,443	–	9,443
Bank balances	21	12m ECL	25,434	–	25,434

For trade receivables, the Group applies the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines ECL on these items by using provision matrix. The expected credit loss rates are estimated based on historical observed default rates over the expected life of the debtors and adjusted for forward-looking information that is available without undue cost of effort.

32. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk management (Continued)

On that basis, the loss allowance as at 31 December 2022 and 2021 was determined as follows for trade receivables:

At 31 December 2022	**Expected loss rate**	**Carrying amount RMB'000**	**Loss allowance RMB'000**
Current (not past due)	**3.0%**	**21,980**	**670**
1-30 days past due	**6.3%**	**1,299**	**83**
31-60 days past due	**16.2%**	**240**	**39**
61-90 days past due	**44.1%**	**16**	**7**
Over 90 days past due	**95.6%**	**44**	**42**
		23,579	**841**

At 31 December 2021	Expected loss rate	Carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0.7%	33,335	223
1-30 days past due	0.5%	12,974	71
		46,309	294

The Group performs impairment assessment under ECL model on deposits and other receivables and bank balances based on 12m ECL as there have been no significant increase in credit risk since initial recognition.

The credit risk on other receivables and deposits is limited because the counterparties have no historical default record and the directors expect that the risk of default by the counterparties of other receivables is not significant.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or with good reputation. The Group is also subject to concentration of credit risk arising from its trade receivables. As at 31 December 2022, trade receivables that are due from the Group's largest five customers approximate to 48% (2021: 76%).

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings or good reputation and on trade receivables as disclosed above, the Group does not have any other significant concentration of credit risk.

32. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents and banking facilities deemed adequate by management to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, the maturity analysis for non-derivative financial liabilities is prepared based on the scheduled repayment dates.

	Weighted average effective interest rate %	On demand or within 1 year RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Over 5 years RMB'000	Total contractual undiscounted cash flows RMB'000	Carrying amounts RMB'000
At 31 December 2022							
Trade and other payables	**–**	**41,786**	**–**	**–**	**–**	**41,786**	**41,786**
Amount due to a shareholder	**–**	**4,060**	**–**	**–**	**–**	**4,060**	**4,060**
Lease liabilities	**9.3%**	**5,702**	**5,034**	**5,617**	**2,638**	**18,991**	**15,792**
		51,548	**5,034**	**5,617**	**2,638**	**64,837**	**61,638**
At 31 December 2021							
Trade and other payables	–	54,601	–	–	–	54,601	54,601
Lease liabilities	9.4%	5,612	5,617	9,726	3,931	24,886	19,990
		60,213	5,617	9,726	3,931	79,487	74,591

(c) Fair value measurements of financial instruments

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

Fair value hierarchy as at 31 December 2022

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTPL				
Unlisted financial products	**–**	**30,899**	**–**	**30,899**

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors consider the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values.

33. OPERATING LEASING ARRANGEMENTS

The Group as lessor

The Group leases out certain of its machineries under operating lease arrangements. The lease runs for a period of 7 years. None of the lease includes variable lease payments.

	RMB'000
Cost	
At 1 January 2021	99
Addition	10,365
At 31 December 2021	10,464
Reclassified as held for sale *(Note 22)*	(8,506)
At 31 December 2022	1,958
Accumulated depreciation and impairment	
At 1 January 2021	–
Depreciation expense	940
Impairment loss recognised in profit or loss	3,344
At 31 December 2021	4,284
Depreciation expense	942
Impairment loss recognised in profit or loss	1,698
Reclassified as held for sale *(Note 22)*	(4,966)
At 31 December 2022	1,958
Carrying amount	
At 31 December 2022	–
At 31 December 2021	6,180

33. OPERATING LEASING ARRANGEMENTS (Continued)

The Group as lessor (Continued)

At 31 December 2022, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenant are as follows:

	2022 **RMB'000**	2021 RMB'000
Within one year	**1,200**	1,200
In the second year	**1,200**	1,200
In the third year	**1,200**	1,200
In the fourth year	**1,200**	1,200
In the fifth year	**1,200**	1,200
After five years	**1,100**	2,300
	7,100	8,300

Subsequent to the end of the reporting period, the Group entered into an agreement with the lessee to terminate the operating lease in respect of the SMS machineries on 2 January 2023 (Note 22).

34. RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

	Lease liabilities RMB'000
At 1 January 2021	22,094
Non-cash changes	
Lease modification	(63)
New leases	1,474
Interest on lease liabilities *(Note 7)*	1,947
Exchange differences	(9)
Cash flows	(5,453)
At 31 December 2021	19,990
Non-cash changes	
Lease modification	(698)
New leases	504
Interest on lease liabilities *(Note 7)*	1,607
Exchange differences	11
Cash flows	(5,622)
At 31 December 2022	15,792

35. CAPITAL COMMITMENTS

As at 31 December 2022, the Group has entered into contractual commitments for the acquisition of property, plant and equipment amounting to approximately RMB1,000,000 (2021: RMB429,000).

36. RELATED PARTY TRANSACTIONS

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

Compensation of key management personnel

The remuneration of executive directors and other members of key management during the year were as follows:

	2022	2021
	RMB'000	RMB'000
Salaries and other benefits	**2,941**	2,888
Contributions to retirement benefits schemes	**20**	26
	2,961	2,914

37. EVENTS AFTER THE REPORTING PERIOD

Apart from those disclosed in notes 19, 22 and 33 to the consolidated financial statements, the Group did not have any material subsequent events.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022	2021
	RMB'000	RMB'000
Non-current assets		
Investments in subsidiaries	**12,898**	26,344
Prepayment	**13,000**	–
	25,898	26,344
Current assets		
Prepayment	**221**	372
Amounts due from subsidiaries	**49,420**	23,513
Cash and bank balances	**32**	208
	49,673	24,093
Total assets	**75,571**	50,437
Current liabilities		
Other payables and accruals	**2,310**	156
Amount due to a shareholder	**3,396**	–
	5,706	156
Net current assets	**43,967**	23,937
Total assets less current liabilities	**69,865**	50,281
Net assets	**69,865**	50,281
Capital and reserves		
Equity attributable to owners of the Company		
Share capital	**8,427**	6,969
Reserves	**61,438**	43,312
Total equity	**69,865**	50,281

The Company's statement of financial position were approved and authorised for issue by the board of directors on 29 March 2023 and signed on its behalf:

Ms. Yan Ping
Director

Mr. Xiao Jiansheng
Director

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

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

	Share premium RMB'000	Special reserve RMB'000	Foreign currency translation reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
Balance at 1 January 2021	26,558	20,392	(161)	200	46,989
Loss for the year	–	–	–	(2,836)	(2,836)
Other comprehensive expense for the year	–	–	(841)	–	(841)
Total comprehensive expense for the year	–	–	(841)	(2,836)	(3,677)
Balance at 31 December 2021	26,558	20,392	(1,002)	(2,636)	43,312
Loss for the year	–	–	–	(18,058)	(18,058)
Other comprehensive income for the year	–	–	387	–	387
Total comprehensive income/(expense) for the year	–	–	387	(18,058)	(17,671)
Issue of shares	36,792	–	–	–	36,792
Transaction costs attributable to issue of shares	(995)	–	–	–	(995)
Balance at 31 December 2022	**62,355**	**20,392**	**(615)**	**(20,694)**	**61,438**

Special reserve of the Company represents the difference between the total equity of Silver Bliss Holdings Limited ("Silver Bliss") acquired by the Company pursuant to the corporate reorganisation over the nominal value of the Company's shares issued in exchange therefore.

39. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries at 31 December 2022 and 2021 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operations	Issued and fully paid-up share/ registered capital	Proportion of ownership interest held by the Company 2022	2021	Principal activities
Silver Bliss	British Virgin Islands	US$10,000	100% (direct)	100% (direct)	Investment holding
Swiftech International Limited ("Swiftech International")	Hong Kong	HK$1	100% (indirect)	100% (indirect)	Trading and export business of inflatable products
Thinker Digital Network Technology Co., Limited	Hong Kong	HK$10,000	100% (direct)	NA	Investment holding
中山新宏達日用制品有限公司 Swiftech Company Limited* ("Swiftech Company")	PRC	HK$48,000,000	100% (indirect)	100% (indirect)	Manufacturing of inflatable products in the PRC and trading and export business of inflatable products
中山市潤和高分子材料製造有限公司Zhongshan Runhe Macromolecular Materials Manufacture Limited* ("Zhongshan Runhe")	PRC	RMB25,000,000	100% (indirect)	100% (indirect)	Manufacturing of PVC coating, PVC laminated oxford and plastic products in the PRC
河源市新達日用制品有限公司 Heyuan Swiftech Company Limited* ("Heyuan Swiftech Company")	PRC	RMB200,000	100% (indirect)	100% (indirect)	Provision of sub-contracting services on inflatable products in the PRC
藍山新達戶外用品有限公司Lanshan Xinda Company Limited* ("Lanshan Xinda Company")	PRC	RMB200,000	100% (indirect)	100% (indirect)	Provision of sub-contracting services on inflatable products in the PRC
深圳金軒鼎國際健康管理有限公司	PRC	NA**	100% (indirect)	NA	Investment holding

* The english translation of the company names is for identification purpose only.

** The registered capital of the PRC subsidiary is RMB5,000,000.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out below.

	For the year ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
Revenue	**212,519**	294,917	260,735	223,831	192,977
Gross profit	**17,571**	59,857	74,911	52,394	48,838
(Loss)/profit before tax	**(35,768)**	2,835	28,554	24,078	24,839
Income tax credit/(expense)	**917**	(4,968)	(4,997)	(5,196)	(3,577)
(Loss)/profit for the year	**(34,851)**	(2,133)	23,557	18,882	21,262

	As at 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES					
Total assets	**190,846**	202,906	180,797	158,298	122,942
Total liabilities	**(67,698)**	(84,197)	(58,891)	(53,436)	(32,660)
Total equity	**123,148**	118,709	121,906	104,862	90,282