HAO WEN HOLDINGS LIMITED
皓 文 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8019)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The board ("**Board**") of directors ("**Directors**") of Hao Wen Holdings Limited ("**Company**", together with its subsidiaries, the "**Group**") is pleased to announce the annual results of the Group for the year ended 31 December 2022. This announcement, containing the full text of the 2022 annual report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited ("**GEM Listing Rules**") in relation to information to accompany preliminary announcements of annual results.

By Order of the Board
Hao Wen Holdings Limited
FENG Keming
Executive Director

Hong Kong, 31 March 2023

As at the date hereof, the Board comprises Ms. TSUI Annie and Mr. FENG Keming as executive Directors, and Mr. CHAN Kwan Yiu, Ms. MA Sijing and Ms. HO Yuen Ki as independent non-executive Directors.

This announcement, for which the Directors 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 of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the GEM website at http://www.hkgem.com on the "Latest Listed Company Information" page for at least 7 days from the date of its posting and on the Company's website at http://www.tricor.com.hk/webservice/008019.

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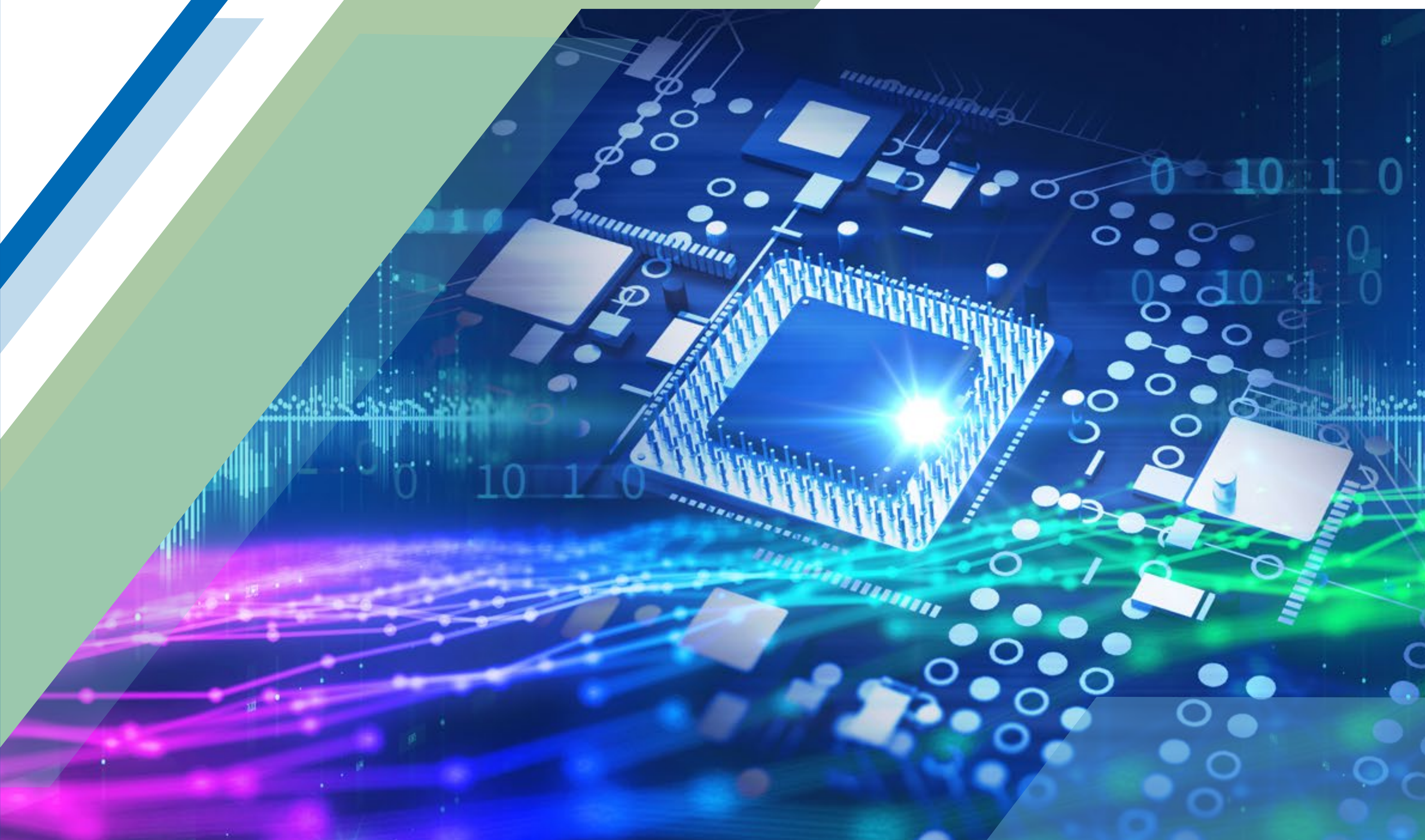

ANNUAL REPORT

2022

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 annual 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 annual report.

This annual report, for which the directors (the "Directors") of Hao Wen Holdings Limited (the "Company") 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 annual 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 annual report misleading.

CONTENTS

CORPORATE INFORMATION

Directors

Executive Directors

Ms. TSUI Annie
Mr. FENG Keming

Independent Non-Executive Directors

Mr. CHAN Kwan Yiu
Ms. MA Sijing
Ms. HO Yuen Ki

Company Secretary

Mr. CHAK Chi Shing

Assistant Company Secretary

Conyers Trust Company (Cayman) Limited

Registered Office

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

Head Office and Principal Place of Business in Hong Kong

Level 12, Infinitus Plaza
199 Des Voeux Road Central
Sheung Wan
Hong Kong

Auditor

McMillan Woods (Hong Kong) CPA Limited
24/F, Siu On Centre,
188 Lockhart Road, Wanchai, Hong Kong

Compliance Officer

Ms. TSUI Annie

Authorised Representatives

Ms. TSUI Annie
Mr. CHAK Chi Shing

Legal Advisor on Cayman Islands Laws

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

Principal Share Registrar and Transfer Office

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3
Building D, P.O. Box 1586,
Garadenia Court, Camana Bay,
Grand Cayman, KY1-1100,
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Union Registrars Limited
Suites 3301-04, 33/F
Two Chinachem Exchange Square
338 King's Road
North Point, Hong Kong

Principal Banker in Hong Kong

The Hongkong and Shanghai Banking
Corporation Limited

GEM Stock Code

8019

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

During the Year, the Group continued to focus on the money lending business and processing and trading of electronic parts business and downsized the burial business and beauty treatment services business.

The Group engaged in money lending business by providing both secured and unsecured loans to individuals and corporate customers. We provide personal loans, mortgage loans and corporate loans. Interest income earned from the money lending business was approximately RMB33,064,000 during the Year, which represented approximately 53.0% of the total revenue. The business segment for processing and trading of electronic parts of the Group engaged in sourcing, processing, and sales of computer-related and smartphone-related electronic parts and components, such as CPU, LED screen panel, hard-disk, and smartphone chipsets and lens. Revenue earned from the processing and trading of electronic parts business was approximately RMB21,204,000 during the Year, which represented 34.0% of the total revenue. The business segment on the provision of beauty treatment services business included the non-surgical medical aesthetic services and traditional beauty services contributed revenue of approximately RMB8,140,000 to the Group, which represented 13.0% of the total revenue. With the intense competition in the beauty treatment services business, the performance of this business is unsatisfactory, as such the Group minimised the capital expenditure and cut the unnecessary costs of this segment. During the Year, no sale was recognised from the burial business which included the sale of burial plots and cemetery maintenance services.

Financial review

During the Year, the Group recorded an audited consolidated revenue of approximately RMB62,408,000 (2021: RMB65,671,000), which represented a drop of approximately 5.0% as compared with that of 2021.

The decrease of revenue was mainly due to no revenue has been generated from the downsized burial business since the late 2021 and the decrease in demand in the processing and trading of electronic parts business. Due to the decrease in demand in the People's Republic of China ("PRC"), the income from processing and trading of electronic parts business dropped by approximately RMB1,050,000 or 4.7% to approximately RMB21,204,000 (2021: RMB22,254,000). The revenue generated from the provision of beauty treatment services business which commenced in 2021 was approximately RMB8,140,000 (2021: RMB3,827,000). The demand in the loan market remained stable, the revenue from money lending business slightly increased by approximately RMB2,049,000 or 6.6% as compared with the corresponding period in 2021. The Group has derived interest income from our loan portfolio of approximately RMB33,064,000 for the Year (2021: RMB31,015,000).

The other gains and losses, net, turnaround from a net gain of approximately RMB167,000 to a net loss of RMB14,598,000. The turnaround was mainly due to the loss on disposal of subsidiaries which amounted to approximately RMB14,214,000. On 1 January 2022, the Group disposed an entire equity interest of its wholly owned subsidiary, Double Win International Investment Limited and its subsidiaries, to an independent third party with a consideration of RMB10,000, its principal activities of the subsidiaries were trading and manufacturing biomass fuel products. The disposal of subsidiaries transaction was completed on 1 January 2022.

The gain/loss on financial assets at fair value through profit or loss were turnaround from a net unrealised gain of approximately RMB5,956,000 to net unrealised loss of approximately RMB12,986,000 from the listed securities portfolio held by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

The general and administrative expenses for the Year increased by approximately RMB2,317,000 or 8.6% from approximately RMB26,997,000 to RMB29,314,000. The increase was mainly attributed to more corporate expenses incurred during the Year.

Finance costs for the Year has decreased by approximately RMB331,000 or 6.3% from approximately RMB5,241,000 to RMB4,910,000 which mainly represented the interest expenses on the unsecured bonds.

Loss attributable to owners of the Company for the Year amounted to approximately RMB52,801,000 (2021: RMB9,429,000), which represented approximately RMB43,372,000 or 460.0% increase as compared with the corresponding year. The increase in loss was mainly attributable to the loss on fair value change of financial assets at fair value through profit or loss, the loss on disposal of subsidiaries, the increase in impairment loss on trade, other and loans receivabls expected credit losses ("ECL") and impairment loss on interests in associates.

The impairment loss on interests in associates of approximately RMB2,540,000 (2021: RMB1,170,000) was recognised for the Year. The valuation method of discounted cash flow ("DCF") was adopted for the calculation of the value in use of the CGU of the associate. The income approach in the form of DCF methodology was adopted as it is judged to be most appropriate for the purpose and scope of the analysis. The cost approach was not applied for the valuation of the associate as it tends to understate the value of an income-generating business. Market approach was not considered since the associate has a business plan on the operation which direct comparison with public comparable companies is not appropriate. Moreover, the key assumptions used in the calculations, i.e. the cash flow forecast, future revenue and gross profit growth, were based on historical data of the previous year adjusted by forward-looking information. There have been no changes in the valuation method used for the year ended 31 December 2022 and 2021.

As at 31 December 2022, the Group had trade, loan and other receivables, prepayments and deposit of approximately RMB339,693,000 (2021: RMB316,223,000). The balance primarily represented trade receivables of approximately RMB5,442,000, loan receivables of approximately RMB318,469,000 and other receivables of approximately RMB8,620,000. The allowance for ECL of approximately RMB28,339,000 (2021: RMB18,149,000) was recognised for the Year.

At the end of the reporting period, the Group performed an impairment assessment on the loan receivables with reference to a valuation prepared by an independent professional valuer. The valuation measured impairment on loan receivables using the general approach under IFRS 9, which uses three categories for ECL on loan receivables that reflect their credit risk and how the loss provision is determined for each of the categories. Based on the valuation, the provision for impairment of loan receivables was approximately RMB80,909,000 (2021: RMB57,618,000) based on ECL applied to different stages. The increase in the allowance for ECL was mainly attributable to the prolonged pandemic and economic recession in 2022 which had an adverse impact on the financial condition of the borrowers and caused a significant decrease their ability to meet debt obligations. After assessments based on the borrowers' repayment and financial status and communication with the borrowers' repayment and financial status and communication with the borrowers, certain loan receivables have been transferred to stage where the expected loss rate is highest. All borrowers are independent third parties of the Company and its connected person. The Group has issued demand letters to the borrowers who failed to fulfil his/her/its repayment obligation in the prescribed time and has been negotiating with the borrowers on new repayment arrangements according to the circumstances of the borrowers. Legal actions may be brought against the relevant borrowers if no positive results arise depending on the actual circumstances on a case-by-case basis. The ECL was recognised due to the unpredictable and uncontrollable factors which included the economic condition and pandemic. The Directors consider that internal control procedures of the Group significantly reduced the credit risks and were sound and effective.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

LIQUIDITY AND FINANCIAL RESOURCES

	2022	2021
Current ratio	**29.5 times**	5.6 times
Gearing ratio (Total Liabilities/Total Assets)	**18.2%**	19.5%

The Group generally finances its operations through internally-generated cash flows, issued unsecured bonds to independent third parties and shareholder's equity.

As at 31 December 2022, the Group had current assets of approximately RMB238,147,000 (2021: RMB191,822,000) and liquid assets comprising cash and short-term securities investments totalling approximately RMB17,412,000 (2021: RMB29,078,000). The Group's current ratio, calculated based on current assets of approximately RMB238,147,000 (2021: RMB191,822,000) over the current liabilities of approximately RMB8,079,000 (2021: RMB34,231,000), was approximately 29.5 times as at 31 December 2022 (2021: 5.6 times).

As at 31 December 2022, the Group's gearing ratio, being the ratio of total liabilities to total assets, was approximately 18.2% (2021: 19.5%).

As at 31 December 2022, the Group had no lease liabilities (2021: Nil).

With the amount of liquid assets and short-term securities investments on hand, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

MATERIAL ACQUISITION AND DISPOSAL

The Group had no material acquisition nor disposal of subsidiaries, associates and joint ventures during the Year.

FUTURE PLAN FOR MATERIAL INVESTMENT OF CAPITAL ASSETS

Saved as disclosed in this annual report, the Group did not have plans for material investments and capital assets as of 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BONDS

On 12 July 2019, the Company issued unsecured bonds to independent third parties with principal amount of HK$15,000,000 which bears interest at 11% per annum. The maturity date of which is 3 years. The amount is fully settled during the Year.

On 12 January 2018, the Company issued unsecured bonds to independent third parties with principal amount of HK$30,000,000 and with effective interest rate of 11% per annum. The maturity date of which is 3 years. On 1 November 2020, the Company renewed the unsecured bonds with the same independent third parties with revised principal amount of HK$42,500,000 and effective interest rate of 11% per annum and the maturing date is the fifth anniversary of the renewal date.

On 16 June 2022, the Company issued unsecured bonds to independent third parties with principal amount of HK$20,000,000 which bears interest at 5.5% per annum. The maturity date of which is 5 years.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 5 May 2022, the Company entered into the placing agreement with the placing agent, pursuant to which the Company has conditionally agreed to issue and the placing agent has conditionally agreed to procure, on a best effort basis, up to 51,500,000 placing shares at the placing price of HK$0.22 per placing share to not less than six placees who and whose beneficial owners shall be independent third parties. The placing was completed on 23 May 2022 and the net proceeds of the placing were approximately HK$11.05 million. As at 31 December 2022, the net proceeds were fully utilised for the bond repayment as intended. For details, please refer to the Company's announcement dated 5 May 2022 and 23 May 2022.

SIGNIFICANT INVESTMENTS

The Group had no significant investments during the Year.

CAPITAL REDUCTION AND SUB-DIVISION

Pursuant to a special resolution passed by the shareholders of the Company at an extraordinary general meeting on 5 October 2020 the issued share capital of the Company was reduced by cancelling paid up capital to the extent of HK$0.19 on each of the shares in issue such that the nominal value of all the issued shares be reduced (the "Capital Reduction") from HK$0.20 each to HK$0.01 each. Immediately following the Capital Reduction becoming effective each of the authorised but unissued shares with par value of HK$0.20 each were sub-divided into 20 shares with par value of HK$0.01 each (the "Sub-division"). Upon the Capital Reduction and the Sub-division (collectively referred to as the "Capital Reorganisation") becoming effective the authorised share capital of the Company was HK$1,000,000,000 divided into 100,000,000,000 ordinary shares of HK$0.01 each and the issued share capital of the Company was approximately HK$2,575,000 (equivalent to approximately RMB2,775,000) divided into 257,572,058 ordinary shares of HK$0.01 each. The Capital Reorganisation was completed on 29 January 2021.

CAPITAL STRUCTURE

Details of movements in the Company's issued share capital in 2022 and 2021 are set out in the note 29 to the consolidated financial statements

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FOREIGN EXCHANGE EXPOSURE

Most of the Group's assets, liabilities and transactions are denominated in Hong Kong dollars and Renminbi. The Group has not implemented any hedging policy during the Year, but the Director will continue to monitor its foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

CHARGES ON GROUP ASSETS

As at 31 December 2022, none of the assets of the Group has been pledged to secure any loan granted to the Group (2021: Nil).

HUMAN RESOURCES

As at 31 December 2022, the Group had about 26 employees (2021: 30 employees) working in Hong Kong and the PRC. The staff costs, including directors' emoluments, were approximately RMB4,833,000 for the Year (2021: RMB2,149,000). During the years ended 31 December 2022 and 2021, the Group had no forfeited contributions under the MPF Scheme and the retirement benefit scheme in the PRC that might be used by the Group to reduce the existing level of contributions.

The emolument policy of the Directors are decided by the Board, taking into account recommendation from the remuneration committee of the Board, having regard to merit, qualification and competence of each Director. The Group remunerates its employees based on their performance, experience and the prevailing industrial practice. Benefits plans maintain by the Group including contribution to statutory mandatory provident fund scheme, medical insurance, the Share Option Scheme and discretionary bonus.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group had no contingent liabilities (2021: Nil).

CAPITAL COMMITMENT

As at 31 December 2022, the Group did not have any material capital commitment (2021: Nil).

BUSINESS OUTLOOK AND PROSPECT

In 2022, the COVID-19 pandemic continued to affect the world economy, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group. The Group will continue to monitor the development of the market and react actively to its impact on the financial position and operating results of the Group.

Despite the challenges ahead, the Group is pleased with the positioning of its loan portfolio and will continue to adopt a prudent but sensible risk management policy to maintain a balance risk reward.

Looking forward, the Group will continue to dedicate efforts on the processing and trading of electronics parts business with the view to achieving product upgrade and takes various cost-savings and quality improvement measures for the business. The Group is confident that it will be well positioned in facing the upcoming challenges and preserving long-term profitability growth for its shareholders. The Group would also explore other potential investment opportunities in order to broaden our income sources.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Ms. TSUI Annie ("Ms. Tsui"), aged 37, joined the Company in 2015 as an executive Director, and appointed as Chairperson of the Board and a member of the remuneration committee of the Board in 2016. She also serves as a director of certain subsidiaries of the Company. Ms. Tsui has over 8 years of experience in retail businesses. She has extensive management experience in corporate leadership, corporate development, strategic planning and business strategies as well as in critical business decisions.

Mr. FENG Keming ("Mr. Feng"), aged 35, was graduated from 北京師範大學珠海分校 (Beijing Normal University Zhuhai*) with a Bachelor Degree in English in August 2011. Mr. Feng has more than 10 years of working experience in banking and financial industry. He has extensive experiences in providing financial services to the customers, including corporate clients and individual.

Independent Non-Executive Directors

Mr. CHAN Kwan Yiu ("Mr. Chan"), aged 39, joined the Company in 2017 as an independent non-executive Director, the Chairman of the audit committee, the remuneration committee and the nomination committee of the Board. Mr. Chan was graduated from the Hong Kong Baptist University with the Master of Science degree in Corporate Governance and Directorship in 2013. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants and an Associate of The Institute of Chartered Accountants in England and Wales. He is a Certified Public Accountant (Practising) in Hong Kong. Mr. Chan has over 10 years of experience in auditing and accounting in professional firms.

Ms. MA Sijing ("Ms. Ma"), aged 50, joined the Company in 2014 as an independent non-executive Director, a member of the audit committee, the remuneration committee and the nomination committee of the Board. Ms. Ma graduated from 中央廣播電視大學 (China Central Radio and TV University*) specializing in social work and obtained the certificate of accounting profession issued by 深圳龍崗財政局(Shenzhen Longgang Municipal Finance Bureau*) in the PRC in May 2005. Ms. Ma is currently the financial controller of a non-governmental organization primarily responsible for the financial and accounting matters in the PRC. Ms. Ma has over 15 years' experience in financial and accounting in different sectors, such as biotech industries and social services in the PRC.

Ms. HO Yuen Ki ("Ms. Ho"), aged 40, joined the Company in 2016 as an independent non-executive Director, a member of the audit committee, the remuneration committee and the nomination committee of the Board. Ms. Ho was graduated from University of Salford with the degree of Bachelor of Science (Hons.) in Finance and Accounting in 2004. Ms. Ho is a member of the Association of Chartered Certified Accountants. Ms. Ho has over 10 years of experience in auditing and accounting in different sectors, such as apparels industry and accountant firms.

Senior Management

Mr. CHAK Chi Shing ("Mr. Chak") was appointed as the company secretary of the Company in 2020. Mr. Chak obtained a bachelor's degree of commerce in Accounting and Finance from Curtin University of Technology in March 2006. He is a certified public accountant of Hong Kong Institute of Certified Public Accountants and Certified Public Accountant Australia. Mr. Chak has over 15 years of experience in auditing, accounting, corporate finance and financial management and over three years of experience in company secretarial matter and corporate governance in listed companies.

* Translation of Chinese forms for reference only.

CORPORATE GOVERNANCE REPORT

Corporate Governance

The Company is committed to achieve and maintain the highest standard of corporate governance consistent with the needs and requirements of the business and its shareholders, and consistent with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in part 2 of the Appendix 15 to the GEM Listing Rules. The Group has considered the CG Code and has put in place corporate governance practices to meet the code provisions.

The corporate governance principles of the Company emphasise a quality board, sound internal controls, and transparency and accountability to all Shareholders.

Throughout the financial year ended 31 December 2022, except for deviations from code provisions C.1.6 which are explained in paragraphs F.1 below, the Group has complied with all code provisions.

A Directors

A.1 The Board

The Board assumes the responsibility for leadership and control of the Company. Our Directors are collectively responsible for promoting the success of the Company by developing the strategic direction of the Group and directing and supervising the affairs of the Company.

The Board is responsible for the management of the business and affairs of the Group with the objective of enhancing shareholder value and presenting a balanced, clear and understandable assessment of the Company's performance, position and prospects in its annual, interim and quarterly reports, other inside information announcements, other financial disclosures as required under the GEM Listing Rules, reports to regulators, and information required to be disclosed pursuant to statutory requirements. The Board is also required to approve acquisitions or disposals and connected transactions within the meaning of Chapter 20 of the GEM Listing Rules that require notification or approval under the GEM Listing Rules.

The Board has a fiduciary duty and statutory responsibility towards the Group and is directly accountable to the Shareholders. Other responsibilities and matters reserved to the Board are set out in paragraph E.1 below.

CORPORATE GOVERNANCE REPORT *(Continued)*

The Board meets regularly, normally four times each year with a meeting scheduled at approximately three month intervals and additional meetings would be arranged if and when necessary. The dates of regular Board meetings for each year are normally made available to all Directors at the beginning of the year to provide sufficient notice to give all Directors an opportunity to attend. Regular meetings are for reviewing and approving the financial and operating performances of the Group as well as considering and approving the overall strategies and policies of the Group. Special Board meetings will be held when necessary. Matters on transactions where Directors are considered having a conflict of interest or material interests would not be dealt with by way of written resolutions and a separate Board meeting shall be held where independent non-executive Directors who have no interests should be present at the meeting. Directors having a conflict of interest or material interests in a transaction before the meeting of the Board will declare his/her interest therein in accordance with the articles of association of the Company ("Articles of Association"), shall abstain from voting on the resolution and shall not be counted in the quorum present at such Board meeting. Such declaration of interests will be duly noted in the minutes of the relevant Board meeting.

Notices are given to all the Directors for attending regular Board meetings approximately fourteen (14) days before the meetings. For other Board meetings, reasonable notices are generally given. Board papers, together with all appropriate information are sent to all Directors at least three (3) days before each Board meetings to the extent practicable.

Board meetings involve the active participation, either in person or through other electronic means of communication, by all of the Directors. The company secretary of the Company ("Company Secretary") assists in preparing the meeting agenda, and each Director may request the inclusion of items in the agenda. Directors are also consulted to suggest matters to be included in the agenda for all regular meetings of the Board.

Minutes of the Board meetings are recorded in detail and draft minutes are circulated within a reasonable time after the meeting to all Directors for their review and comments before being approved by the Board. All the minutes of the meetings are properly kept by the Company Secretary and are available for inspection by the Directors during normal office hours.

Participation of individual Directors at Board meetings in 2022 is as follows:

	Number of meetings
	25
Executive Directors:	
Ms. TSUI Annie	15/25
Mr. FENG Keming	25/25
Independent non-executive Directors:	
Mr. CHAN Kwan Yiu	25/25
Ms. MA Sijing	25/25
Ms. HO Yuen Ki	25/25

CORPORATE GOVERNANCE REPORT *(Continued)*

A.2 Chairperson and Chief Executive Officer

Pursuant to the code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairperson and chief executive should be clearly established to ensure a balance of power and authority. Ms. TSUI Annie serves as the Chairperson of the Company and is responsible for the effective functioning and leadership of the Board.

A.3 Board composition

As at the date of this report, the Board comprises five Directors: two executive Directors and three independent non-executive Directors. The current composition of the Board is as follows:

	Membership of Board Committees:
Executive Directors:	
Ms. TSUI Annie	Member of the Remuneration Committee
Mr. FENG Keming	–
Independent non-executive Directors:	
Mr. CHAN Kwan Yiu	Chairman of the Audit Committee Chairman of the Remuneration Committee Chairman of the Nomination Committee
Ms. MA Sijing	Member of the Audit Committee Member of the Remuneration Committee Member of the Nomination Committee
Ms. HO Yuen Ki	Member of the Audit Committee Member of the Remuneration Committee Member of the Nomination Committee

The GEM Listing Rules require every listed issuer to have at least three independent non-executive Directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. Mr. CHAN Kwan Yiu is a member of the Hong Kong Institute of Certified Public Accountants and an Associate of The Institute of Chartered Accountants in England and Wales. He is a Certified Public Accountant (Practising) in Hong Kong. Mr. Chan has over 10 years of experience in auditing and accounting in professional firms.

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules. The Board has assessed the independence of all the independent non-executive Directors and is satisfied of their independence. None of the independent non-executive Directors of the Company has served the Company for 9 years or more.

The Board members do not have any family, financial or business relations with each other. The biographies of our Directors are set out on page 9 of this annual report.

CORPORATE GOVERNANCE REPORT *(Continued)*

The list of Directors is disclosed in all corporate communications issued by the Company pursuant to the GEM Listing Rules from time to time.

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

A.4 Appointment, re-election and removal of Directors

Code provision B.2.2 stipulates that every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Each of the independent non-executive directors of the Company was appointed without a specific term of appointment. As the appointment of independent non-executive Directors are subject to the retirement by rotation provisions in the Articles of Association, the Board considers that it is not necessary to appoint the non-executive Directors for a specific term. At every annual general meeting of the Company ("AGM"), one-third of the Directors for the time being, or if their number is not three or in a multiple of three, the number nearest to but not less than one-third, shall retire from office by rotation according to article 84(1) of the Articles of Association. All Directors, including those appointed for a fixed term, are subject to the retirement by rotation provision in the Articles of Association.

Pursuant to article 83(3) of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Shareholders after his/her 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 until the next following AGM and shall then be eligible for re-election.

A.5 Nomination Committee

The Board has established a nomination committee (the "Nomination Committee") on 18 November 2009 with written terms of reference revised in January 2019. Currently, the Nomination Committee comprised of Mr. CHAN Kwan Yiu, Ms. MA Sijing and Ms. HO Yuen Ki, all are independent non-executive Directors.

CORPORATE GOVERNANCE REPORT *(Continued)*

The Nomination Committee is responsible for reviewing Board composition structure, size and diversity (including but not limited to gender, age, culture and educational background), identifying suitable candidates for directorship, assessing the independence of independent non-executive Directors, making recommendations to the Board regarding any proposed appointment or re-appointment. The Nomination Committee follows a formal, considered and transparent procedure for the appointment of new Directors to the Board. The appointment of a new Director is the collective decision of the Board, taking into consideration the recommendation of the Nomination Committee and the relevant candidate's qualification, expertise, experience, integrity and commitment to his/her responsibilities within the Group. In addition, all candidates to be selected and appointed as a Director must be able to meet the standards set out in Rules 5.01 and 5.02 of the GEM Listing Rules. A candidate who is to be appointed as an independent non-executive Director must also meet the independence criteria set out in Rule 5.09 of the GEM Listing Rules. Further appointment of independent non-executive Director who has serves more than 9 years should be subject to a separate resolution to be approved by the Shareholders and the Board would consider and set out the reasons why such independent non-executive Director continues to be independent and should be elected.

Pursuant to article 84(1) of the Articles of Association, at each AGM, one-third of the Directors shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years. Any Director who retires under article 83(3) of the Articles of Association shall not be taken into account in determining which particular Directors or the number of Directors who are retire by rotation at such meeting pursuant to article 84(2) of the Articles of Association. In this regard, Ms. TSUI Annie, an executive Director and Mr. CHAN Kwan Yiu, an independent non-executive Director, shall retire from office by rotation upon the conclusion of the forthcoming AGM and be eligible to offer themselves for re-election.

The Nomination Committee has held 1 meeting during 2022.

Attendance of individual members at the Nomination Committee meetings in 2022 is as follows:

	Number of meetings
	1
Mr. CHAN Kwan Yiu	1/1
Ms. MA Sijing	1/1
Ms. HO Yuen Ki	1/1

CORPORATE GOVERNANCE REPORT *(Continued)*

The summary of work performed by the Nomination Committee during 2022 is as follows:

– To review the existing Board's structure, size, composition, and diversity;

– To review the board diversity policy;

– To review the nomination policy;

– To review and assess the independence of the independent non-executive Directors; and

– To make recommendations on the retiring Directors at the 2022 AGM of the Company.

Board Nomination Policy

The Company adopted a nomination policy, which establishes written guidelines to the Nomination Committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors.

The Board, through the delegation of its authority to the Nomination Committee, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills critical to the Group's business to enable the Board to make sound and well considered decisions. Collectively, they have competencies in areas which are relevant and valuable to the Group.

Nomination Process

The Nomination Committee shall assess whether any vacancy on the Board has been created or is expected on a regular basis or as required.

The Nomination Committee utilizes various methods for identifying director candidates, including recommendations from Board members, management, and professional search firms. All director candidates, including incumbents and candidates nominated by Shareholders are evaluated by the Nomination Committee based upon the director qualifications. While director candidates will be evaluated on the same criteria through review of resume, personal interview and performance of background checks. The Nomination Committee retains the discretion to establish the relative weighting of such criteria, which may vary based on the composition, skill sets, age, gender and experiences of the collective Board rather than on the individual candidate for the purpose of diversity perspectives appropriate to the requirement of the Company's business.

CORPORATE GOVERNANCE REPORT *(Continued)*

Selection Criteria

The Nomination Committee will take into account whether a candidate has the qualifications, skills, experience and gender diversity that add to and complement the range of skills, experience and background of existing Directors by considering the highest personal and professional ethics and integrity of the director candidates, proven achievement and competence in the nominee's field and the ability to exercise sound business judgment, skills that are complementary to those of the existing Board, the ability to assist and support management and make significant contributions to the Company's success and such other factors as it may deem are in the best interests of the Company and the Shareholders.

The Company shall review and reassess the nomination policy and its effectiveness on a regular basis or as required.

Board Diversity Policy

The composition of the Board is reviewed on an annual basis by the Nomination Committee to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competence for informed decision-making and effective functioning. The Company adopted its own board diversity policy and recognises the benefits of having diversity in the composition of the Board.

The Company noted that that people from different background and with different professional and life experience are likely to approach problems in different ways and accordingly, members of the Board with diverse background will bring different concerns and questions to the table, and allow the Board to consider a wider range of options and solutions when deciding on corporate issues and formulating policies for the Group. In determining the Board's composition and selection of candidates to the Board, the Nomination Committee will consider factors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, industry knowledge and length of service.

All Board appointments will be based on meritocracy, and candidates will be considered against the selection criteria, having regard for the benefits of diversity on the Board, the business model and specific needs of the Group. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

CORPORATE GOVERNANCE REPORT *(Continued)*

Composition of the Diversified Board

As at the date of this annual report, the Board comprises five Directors, two of which are male, three are female. The following table further illustrate the composition and diversity of the Board in terms of gender, age, length of service with the Group, educational background and professional experience as of the date of this annual report:

	Age Group		Length of Service	
Name of Director	30 to 39	40 to 49	less than 4 years	more than 4 years
Ms. TSUI Annie	✓			✓
Mr. FENG Keming	✓		✓	
Mr. CHAN Kwan Yiu		✓		✓
Ms. MA Sijing		✓		✓
Ms. HO Yuen Ki		✓		✓

	Educational Background			Professional Experience		
Name of Director	Law	Accountancy	Others	Law	Accounting and Finance	Management
Ms. TSUI Annie			✓			✓
Mr. FENG Keming			✓		✓	✓
Mr. CHAN Kwan Yiu		✓			✓	✓
Ms. MA Sijing		✓			✓	✓
Ms. HO Yuen Ki		✓			✓	

A.6 Responsibilities of Directors

Each newly appointed Director is provided with a package of orientation materials setting out the required duties and responsibilities of Directors under the GEM Listing Rules and other relevant statutory requirements of Hong Kong. An orientation as to a Director's duties and obligations under the GEM Listing Rules and relevant legislations will be arranged for all newly appointed Directors.

Newly appointed Directors will also receive an introduction on the Company's operation and business. Our Directors are kept informed from time to time on the latest development of any changes to the regulatory requirements and the progress of compliance of applicable rules and regulations by the Company. Our Directors will also be updated from time to time on the business development and operation plans of the Company. All our Directors are encouraged to participate in continuing professional development seminars and/or courses to update their skills and knowledge on the latest development or changes in the relevant statutes, GEM Listing Rules and corporate governance practices.

CORPORATE GOVERNANCE REPORT *(Continued)*

According to the records maintained by the Company, the current Directors received the following training with an emphasis on the roles, functions and duties of a director of a listing company in compliance with the Revised CG Code on continuous professional development during 2022.

	Corporate governance, rules and regulations (including directors' duties)	Financial, management and other business skills and knowledge
Executive Directors		
Ms. TSUI Annie	✓	✓
Mr. FENG Keming	✓	✓
Independent Non-executive Directors		
Mr. CHAN Kwan Yiu	✓	✓
Ms. MA Sijing	✓	✓
Ms. HO Yuen Ki	✓	✓

Every Director is aware that he/she should give sufficient time and attention to the affairs of the Company.

The Company has adopted the standard set out in Rules 5.48 to 5.67 (the "Model Code") of the GEM Listing Rules, in relation to the dealings in securities of the Company by the Directors.

Having made specific enquiry of all Directors, each Director has confirmed that he/she has complied with the standards set out in the Model Code during the Year.

The Company has also established written guidelines on terms no less exacting than the Model Code for securities transactions by employees of the Company, its subsidiaries and its holding company (including directors of the Company's holding company and its subsidiaries), who because of such office or employment, are likely to be in possession of unpublished inside information of the Company or its securities.

CORPORATE GOVERNANCE REPORT *(Continued)*

A.7 Supply of and access to information

With respect to regular Board meetings, and so far as practicable in all other cases, an agenda and accompanying board papers are sent in full to all Directors in a timely manner as permitted under the circumstances. Notices are given to all the Directors for attending regular Board meetings fourteen (14) days before the meetings. For other Board meetings, reasonable notices are generally given. It has been the practice of the Board and accepted by all members of the Board that relevant information of Board meetings will be sent to all Directors three (3) days in advance of the relevant meetings or any reasonable time before such meetings where it is not practicable to send out the information three (3) days in advance.

Members of the management have been reminded that they have an obligation to supply the Board and the Board committees with adequate information on a timely basis to enable each of them to make informed decisions. The Board and each Director have separate and independent access to the Group's senior management for information on the latest developments and financial position of the Company and other information and materials necessary to enable the Directors to make informed decisions of the matters to be considered at the Board meetings. The compliance officer of the Company ("Compliance Officer") and the Company Secretary meet the management of the Company and attend Board Meetings when necessary to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company. Ms. TSUI Annie, the Chairperson and an executive Director, was appointed as Compliance Officer on 12 May 2016. Mr. CHAK Chi Shing was appointed as Company Secretary with effect from 2 January 2020.

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

B Remuneration of Directors and Senior Management

B.1 The level of remuneration and disclosure

The Remuneration Committee was established on 8 August 2006 with written terms of reference revised in January 2023 in accordance with the CG Code.

The existing members of the Remuneration Committee are Mr. CHAN Kwan Yiu, Ms. MA Sijing and Ms. HO Yuen Ki, all are independent non-executive Directors, and Ms. TSUI Annie, an executive Director. The Terms of Reference of the Remuneration Committee are adopted with reference to the CG Code, including the specific duties set out in code provision B.1.2(a) to (h) of the CG Code.

CORPORATE GOVERNANCE REPORT *(Continued)*

The Remuneration Committee is responsible for making recommendations to the Board regarding the Group's policy and structure for remuneration of all Directors and senior management. The Remuneration Committee is authorised to seek any information it requires from any employee of the Group and has the power to request the executive Directors and other persons to attend its meetings.

The Remuneration Committee is also authorised to obtain outside professional advice and to secure the attendance of other persons with relevant experience and expertise if it considers as necessary.

The work performed by the Remuneration Committee during 2022 included reviewing and approving the remuneration package of the Directors (including the three independent non-executive Directors) and the senior management of the Company.

During the process of consideration, no individual Director will be involved in decisions relating to his/her own remuneration.

Full minutes of the Remuneration Committee meeting are kept by the Company Secretary. Draft and final versions of the minutes of the Remuneration Committee meetings are sent to all members of the Remuneration Committee for comments and approval.

The Remuneration Committee will make available its Terms of Reference, explaining its role and the authority delegated to it by the Board, on request. The Terms of Reference are also available on both of the website of the Company and the website of Hong Kong Exchanges and Clearing Limited ("HKEx").

During 2022, the Remuneration Committee has met 1 time.

Participation of individual Directors at Remuneration Committee meetings in 2022 is as follows:

	Number of meetings
	1
Executive Director:	
Ms. TSUI Annie	1/1
Independent non-executive Directors:	
Mr. CHAN Kwan Yiu	1/1
Ms. MA Sijing	1/1
Ms. HO Yuen Ki	1/1

CORPORATE GOVERNANCE REPORT *(Continued)*

C Accountability and Audit

C.1 Financial reporting

Management shall provide such explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other matters put before the Board for approval.

The Directors are responsible for overseeing all financial aspects of the Company and for keeping proper accounting records and preparing financial statements for each financial period, that give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the Year, the Directors have:

– approved the adoption of all applicable International Financial Reporting Standards which are issued by the International Accounting Standards Board;

– selected and applied consistently appropriate accounting policies;

– made judgments and estimates that are prudent and reasonable; and

– prepared the accounts on a going concern basis.

The Board is accountable to its shareholders for a clear and balanced assessment of the Company's financial position and prospects. In this regard, the Directors' responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, other inside information announcements and other financial disclosures required under the GEM Listing Rules, reports to regulators, and information required to be disclosed pursuant to statutory requirements.

The financial statements for the Year were audited by McMillan Woods (Hong Kong) CPA Limited ("McMillan Woods"). The Audit Committee has recommended to the Board that McMillan Woods be nominated for re-appointment as the auditor of the Company at the forthcoming AGM.

For the year ended 31 December 2022, the audit fees paid or payable by the Company in relation to statutory audit amounted to approximately RMB535,000.

The statement of the Auditor about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 54 to 58 of this annual report.

C.2 Risk management and internal control

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The internal control system includes safeguarding of the interest of shareholders and the Group's assets. It has been an important duty of the Board to conduct a review of internal control system to ensure the effectiveness and adequacy of the system of the Group annually or at any time necessary. The review covers all material controls, including financial, operational and compliance controls, as well as risk management functions.

CORPORATE GOVERNANCE REPORT *(Continued)*

The Group has engaged an independent internal control review advisor (the "Internal Control Advisor") to conduct the annual review on the effectiveness of the internal control system. Review of the Group's internal controls covered major operational, financial and compliance controls, as well as risk management functions of different systems has been performed on a systematic rotational basis on the risk assessments of the operations and controls. During the risk assessment process, the Internal Control Advisor interviewed the relevant personnel and identified the business objectives and significant risks of the Group. A risk management report prepared by the Internal Control Advisor which sets out the risks, issues and recommended action plan was presented to the Board for review and endorsement. The Board considered that significant risks of the Group were managed within the acceptable level and the management will continue to monitor the residual risks and report to the Board on ongoing basis.

For the year ended 31 December 2022, the Board have reviewed the effectiveness of the internal control system and they consider them effective and adequate.

C.3 Audit Committee

The Audit Committee was established on 5 July 2001 and a terms of reference was adopted. The Terms of Reference of the Audit Committee was revised in December 2015 and January 2019, and have included the duties set out in code provision C.3.3(a) to (n) of the CG Code. The Audit Committee comprised of three members and all of whom are independent non-executive Directors. Mr. CHAN Kwan Yiu who process appropriate professional qualifications, accounting and related financial management expertise, is also appointed as the chairman of the Audit Committee. The Audit Committee does not have any member who is a former partner of the Group's existing audit firm.

During 2022, the Audit Committee met on 9 occasions and discharged its responsibilities.

Attendance of individual members at Audit Committee meetings in 2022 is as follows:

	Number of meetings
	9
Mr. CHAN Kwan Yiu	9/9
Ms. MA Sijing	9/9
Ms. HO Yuen Ki	9/9

The principal duties of the Audit Committee included reviewing the Company's financial controls, internal control and risk management systems, annual report, accounts and quarterly and interim reports.

CORPORATE GOVERNANCE REPORT *(Continued)*

The summary of work performed by the Audit Committee during 2022 is as follows:

– reviewing the auditor's management letter and management's response;

– reviewing and considering the recently issued accounting standards, the adoption of new accounting standards and the change in significant accounting policies;

– recommend the appointment of auditor;

– reviewing the audited financial statements and final results announcement for the year ended 31 December 2021;

– reviewing the interim report and the interim results announcement for the six months ended 30 June 2022;

– reviewing the quarterly reports and the quarterly results announcement for the three months ended 31 March 2022 and nine months ended 30 September 2022, respectively; and

– meeting with the auditor to go through any significant audit issues or key findings noted during the audit of the Group's 2021 final results and before the commencement of the audit of the Group's 2022 final results.

All issues raised by the Audit Committee have been addressed by the management. The work and findings of the Audit Committee have been reported to the Board. During 2022, no issues brought to the attention of the management and the Board were of sufficient importance to require disclosure in this annual report.

Full minutes of the Audit Committee meetings are kept by the Company Secretary. Draft and final versions of the minutes of the Audit Committee meetings are sent to all members of the Audit Committee for comments and approval.

The Audit Committee will make available its Terms of Reference, explaining its role and the authority delegated to it by the Board, on request. The Terms of Reference are also available on the website of the Company and the website of HKEx.

This annual report has been reviewed by the Audit Committee.

D Company Secretary

Mr. CHAK Chi Shing was appointed as the Company Secretary on 2 January 2020. Mr. Chak obtained a bachelor's degree of commerce in Accounting and Finance from Curtin University of Technology in March 2006. He is a certified public accountant of Hong Kong Institute of Certified Public Accountants and Certified Public Accountant Australia. Mr. Chak has over 15 years of experience in auditing, accounting, corporate finance and financial management and over three years of experience in company secretarial matter and corporate governance in listed companies.

CORPORATE GOVERNANCE REPORT *(Continued)*

E Delegation by the Board

E.1 Management functions

In general, the Board oversees the Company's strategic development and determines the objectives, strategies and policies of the Group. The Board also monitors and controls operating and financial performance and sets appropriate policies for risk management pursuant to the Group's strategic objectives. The Board delegates the implementation of strategies and day-to-day operation of the Group to the management.

E.2 Board committees

Apart from the Audit Committee (as described under paragraph C.3), the Remuneration Committee (as described under paragraph B.1) and the Nomination Committee (as described under paragraph A.5), the Board has not established any other committee of the Board.

F Communication with Shareholders

F.1 Effective communication

The Company attaches great importance to communications with Shareholders. Information on the Group's activities, business, strategies and developments is provided in the Company's annual reports and interim reports. Shareholders are encouraged to attend all general meetings of the Company which offer a valuable forum for dialogue and interaction with management.

In line with the practice of the Company, in respect of each issue to be considered at the AGMs and extraordinary general meetings of the Company ("EGMs"), including the re-election of Directors, a separate resolution will be proposed by the chairman of the meeting.

In accordance with the code provision F.2.2 as set out in the CG Code, chairman of the Board have attended the AGM held in 2022.

Certain independent non-executive Directors, had other business engagements and were not able to attend the AGM held in year 2022. In this regard, the compliance officer and Company Secretary had reminded the relevant independent non-executive Directors as well as the current independent non-executive Directors to attend general meetings of the Company in future, for compliance of code provisions C.1.6 as set out in the CG Code.

CORPORATE GOVERNANCE REPORT *(Continued)*

Participation of individual Directors at general meeting in 2022 is as follows:

	Number of meeting 1
Executive Directors:	
Ms. TSUI Annie	1/1
Mr. FENG Keming	0/1
Independent non-executive Directors:	
Mr. CHAN Kwan Yiu	1/1
Ms. MA Sijing	0/1
Ms. HO Yuen Ki	0/1

Notice of general meeting was sent to Shareholders at least 20 clear business days before the AGM and at least 10 clear business days for all other general meetings. The Company's auditor has also attended the AGM in 2022.

Designated executive Director(s) and senior management maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner. Investors may write directly to the Company at its principal place of business in Hong Kong for any queries.

Dividend Policy

The Company adopted a policy on payment of dividends (the "Dividend Policy") in March 2019, which establishes an appropriate procedure on declaring and recommending the dividend payment of the Company.

The Company will declare and/or recommend the payment of dividends to the Shareholders after considering the Company's ability to pay dividends, which will depend on a number of factors, including but not limited to:

(i) the Group's actual and expected financial performance;

(ii) the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;

(iii) retained earnings and distributable reserves of the Company and each of the members of the Group;

(iv) the Group's liquidity position;

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

(vi) any other factors that the Board deems relevant.

CORPORATE GOVERNANCE REPORT *(Continued)*

The Board has complete discretion on whether to pay a dividend, subject to Shareholders' approval, where applicable. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors of and affecting the Group. The Board may also consider declaring interim dividends from time to time.

The Company shall review and reassess the Dividend Policy and its effectiveness on a regular basis or as required.

F.2 Voting by poll

At the general meetings held in 2022, the chairperson of the general meetings had provided an explanation of the procedures for conducting a poll at the commencement of the meeting. Poll results were posted on the website of HKEx (as well as on the website of the Company) on the day of the holding of the Shareholders' meeting.

Separate resolutions are proposed at Shareholders' meeting on each substantial issue, including the election of individual Directors.

G Shareholders' Rights

G.1 Convening an extraordinary general meeting and Procedures for putting forward proposals at shareholders' meeting

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2013 Revision). However, Shareholders are requested to follow article 58 of the Articles of Association, general meetings shall be convened on the written requisition of any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

CORPORATE GOVERNANCE REPORT *(Continued)*

G.2 Procedures for nominating a new Director

Pursuant to article 85 of the Articles of Association, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a Notice signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a Notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that (if the Notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such Notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

H Investor Relations

The Company has disclosed all necessary information to the Shareholders and established a range of communication channels between itself, its shareholders and investors which in compliance with the GEM Listing Rules.

In addition, the Group engaged professional services on investor relationship from service provider for advising and promoting professional communication with existing and potential investors.

The Company's website (http://www.tricor.com.hk/webservice/008019) offers timely access to the Company's financial information, announcements, circulars to Shareholders and information on the Company's corporate governance structure and practices. For efficient communication with Shareholders and in the interest of environmental protection, Shareholders are encouraged to elect to receive the Company's corporate communications by electronic means through the Company's website.

AGMs provide a forum for communication between Shareholders and the Board. The Chairman of the Board, other members of the Board and external auditor attend the AGM and answer questions from Shareholders.

The Board always welcome Shareholders' and other stakeholder's questions and concerns relating to the Group's management and governance. Shareholders and other stakeholders may at any time send their enquiries and concerns to the Board by addressing them to Company Secretary by post. The address is Level 12, Infinitus Plaza, 199 Dex Voeux Road Central, Sheung Wan, Hong Kong.

I Constitutional Documents

There was no change to the Memorandum and Articles of Association during the Year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

About This Report

This Environmental, Social and Governance Report (the "ESG Report") provides an overview of the Group on its environmental, social and governance ("ESG") performances for the year ended 31 December 2022 (the "Reporting Period"). Within the Reporting Period, the Group's operations mainly include three major areas: (i) money lending, (ii) processing and trading of electronic parts, and (iii) provision of beauty treatment services. These business activities are primarily based in Hong Kong and the PRC.

This ESG Report has been published in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in Appendix 20 to the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and its reporting principles: "Materiality", "Quantitative", "Balance" and "Consistency".

1. Materiality: The Group conducted a materiality assessment internally and reports the ESG issues with sufficient importance to the Group's operation and relevant stakeholder groups in the ESG Report.

2. Quantitative: All data included in the ESG Report should be measurable. Narrative information will be provided to explain its purpose and impacts and give comparative data where appropriate.

3. Balance: The ESG Report shall avoid selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the readers to present the overall ESG performances of the Group.

4. Consistency: Consistent methodologies are adopted to allow for meaningful comparisons of ESG data over time. Remarks will be added if any historical data has been restated.

Stakeholder's Feedback

The Group communicates with its stakeholders through financial reports, legal disclosure, shareholder meetings and other channels, in order to reveal its operating conditions to the stakeholders. The ESG Report is also intended to allow stakeholders to understand our non-financial performance.

We welcome stakeholders' feedback on the ESG Report. Please share your views with us via:

Address:	Level 12, Infinitus Plaza, 199 Des Voeux Road Central, Sheung Wan, Hong Kong
Telephone:	(852) 2155 9506
Fax:	(852) 2155 9510

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

ESG Governance

As a responsible corporate, Hao Wen Holdings Limited and its subsidiaries (the "Group") is dedicated to providing top-quality products and services to its customers while protecting the environment and being socially responsible to its stakeholders.

The Board of Directors (the "Board") bears full responsibility for the Group's ESG strategy and approval of the ESG Report. The Board has reviewed the material ESG issues, and will manage and monitor these issues and take them into consideration in determining the Group's business directions and strategies. The Executives shall also monitor the ESG strategies during the daily operation and report to the Board if there are any possible areas of improvement. The Group will actively undertake social responsibility in pursuing a better environment.

While actively developing our business, the Group strives to balance the interests of stakeholders. We highly value communication with our investors, shareholders, clients, employees, business partners, suppliers and other stakeholders in the community. To foster corporate's sustainable growth, we shall continue to understand the needs and achieve balance among different parties.

Materiality Assessment

Material topics are defined as any issues in which the Group's businesses have the most impact and influence on the operations and stakeholders. A materiality assessment was performed annually in order to identify sustainability topics that are material and relevant to the Group. To identify potential material topics for disclosure in the Report, we took reference to the ESG Reporting Guide and set possible topics for assessment.

After conducting the materiality assessment, the Group has identified the ESG aspects which are "relevant" and "important" to our operations. Namely, employment, labour standards, health and safety, the protection of customer privacy and anti-corruption come up as the most significant topics during the Reporting Period.

Aspects	Material ESG Issues
B. Social Aspect	
B1. Employment	• Employee welfare
	• Inclusion and equal opportunities
	• Talent attraction and retention
B2. Health and Safety	• Occupational health and safety
B4. Labour Standards	• Prevention of child and forced labour
B6. Product Responsibility	• Protection of customer privacy
B7. Anti-corruption	• Corporate governance
	• Anti-corruption

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

Environmental Aspects

The Group is conscious of the impacts on the environment due to our business activities. The Group strives to enhance the environmental awareness of our employees at all levels by integrating conservation elements into our operations and strengthening our pollution control. We have formulated a series of rules and standards regarding environmental protection.

Emissions

The Group has formulated internal environmental policies and measures in alignment with the Air Pollution Control Ordinance (Cap. 311 of Hong Kong Laws), the Environmental protection Law of the People's Republic of China and other environmental regulations and laws. In accordance with the Group's internal operation guidelines, we ensure that all emissions from our operation, such as exhaust gas, greenhouse gas and wastewater, are within the maximum limit stipulated by the relevant laws.

During the Reporting Period, the Group did not violate any environmental protection laws and regulations that had a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes.

Air and Greenhouse Gas Emissions

The Group's money lending business does not involve any direct emission of exhaust gas and greenhouse gas. However, we still strive to better utilize resources and minimize the adverse impact and indirect greenhouse gas emissions of our businesses on the environment by increasing operational efficiency and implementing environmentally-friendly measures in offices.

During the Reporting Period, the Group's total greenhouse gas emission was 17.5 tonnes of CO_2-equivalent, all originating from purchased power or indirect emissions. The intensity of greenhouse gas emissions was 0.7 tonnes CO_2-e per employee.

Greenhouse gas emissions	2022	Unit
Scope 1 emissions	–	tonnes CO_2-e
Scope 2 emissions	17.5	tonnes CO_2-e
Total greenhouse gas emissions	17.5	tonnes CO_2-e
Intensity (by employee)	0.7	tonnes CO_2-e/employee

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

Waste Management

The Group's operation of processing electronic parts involves production procedures of light industries. All industrial waste produced by the Group's processing of electronic parts is handled and disposed by professional organisations recognised and certified by relevant government authorities. In regards to broken or non-responsive electronic products, the Group will attempt to repair them. Those which do not meet the required specification level will be resold or donated to other organizations to extend their lifespan, therefore, reducing electronic waste and its damage to the natural environment.

General office waste, including non-hazardous electronic products, is handled according to the Group's guidelines to categorize, recycle and dispose by recognised professional recycling companies, or by the Property Management Office of the building in which the Group resides to properly discard or salvage. To reduce waste production, the Group has implemented measures within the Reporting Period, including:

- promote paperless office by encouraging the application of electronic documents, double-sided printing and recycling of waste paper; and
- maintain a record of stationery and equipment inventory and request registration before use to encourage employees to treasure and conserve resources.

At this current stage, operational waste is not a material issue for us, as there is negligible waste generated from our operations. As such, for the target setting on waste reduction, we have not been able to set a target in this report. However, we do realise the importance of waste and achieving circular economy, and we are now reviewing our Company policy on waste management strategies.

Use of Resources

The Group has implemented the "green office" management to enhance the efficiency of resource usage. During the Reporting Period, the green office measures included:

- maximise the use of natural light or LED lighting;
- limit hours or air-conditioning according to the instruction of the building management;
- maintain a suitable indoor temperature, and clean the air conditioner and ventilation system regularly so as to reduce electricity consumption;
- encourage the directors and employees to use phone calls and video conferencing for meetings so that the need for business travel could be reduced;
- put signs in the pantry and washrooms to encourage water saving among employees;
- purchase office equipment which is environmentally friendly and energy-efficient;
- promote paperless office by encouraging the application of electronic documents, double-sided printing and recycling of waste paper; and

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

- maintain a record of stationery and equipment inventory and request registration before use to encourage employees to treasure and conserve resources.

During the Reporting Period, the Group's total energy consumption was 30.2 MWh and the total amount of water consumption was 634 m^3. In light of escalating environmental standards and the threat of climate change, the Group shall review the effectiveness of its implemented measures from time to time and adopt improvement plans when necessary. The Group targets to maintain or reduce the energy and water consumption levels by 2023 with the baseline year in 2022.

We will also look at the feasibility of various methods which could strengthen our environmental performance, such as setting up a sustainability task force and establishing targets for energy saving and/or emission reduction.

	2022	Unit
Direct and indirect energy consumption by type		
Direct energy consumption	–	GJ
Indirect energy consumption	30.2	MWh
Total energy consumption	30.2	MWh-e
Intensity (by employee)	1.2	MWh-e/employee
Water consumption in total and intensity		
Total water consumption	634	m^3
Intensity (by employee)	24.4	m^3/employee

The Environment and Natural Resources

As a corporate citizen, the Group strives to implement measures that will minimize its negative impact on the environment.

We have also engaged in procuring environmentally friendly products, such as recycled paper, refillable pens, recyclable printer cartilage, energy-efficient office electronics, furniture made from recycled materials, etc. The Group encourages employees to participate in various eco-friendly events and personal experiences and protect the environment, thus creating a "green" office. We have also placed plants around the office aiming to improve the interior atmosphere and assist the absorption of toxic chemicals from new furniture and oil paint, etc. The Group actively attempts to strengthen our employee's environmental consciousness and ingrain the idea of sustainable expansion through the provision of relevant information.

We regularly assess our operation's environmental risk, review environmental measures and take essential actions to reduce risks while abiding by relevant laws and regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

Climate Change

The Group recognises that climate change is posing risks and opportunities to our operation. We are committed to managing the risks caused by climate change and capturing the opportunities for potential change in customer needs. The Board will demonstrate leadership in the management and mitigation process of climate-related issues. The senior management would provide updates to the Board and immediate support to the staff during urgent situations.

The Group may be exposed to physical risks affecting both internal operations and money lending business. Physical risks are those risks that arise from the physical impacts of climate change. They can be further divided into acute physical risks driven by extreme weather events, such as heavy rains, typhoons, floods and droughts, and chronic physical risks driven by longer-term shifts in climate patterns, such as rising sea levels. When physical risks materialize, physical capital, such as equipment, factories and offices, may be damaged. This may lead to a deterioration in the loan repayment ability of the client, which in turn affects the revenue of the Group.

Employment and Labour Practices

Employment

When preparing and enforcing a human resources management scheme, the Group took reference to the Employment Ordinance (Cap. 57 of Hong Kong Laws), the Minimum Wage Ordinance (Cap. 608 of Hong Kong Laws), the Employees' Compensation Ordinance (Cap. 282 of Hong Kong Laws), the Labour Law of the People's Republic of China and other relevant laws, together with the general practice and benchmark of the industry. All employees are bounded by the work guidelines and employment contracts made in accordance with this human resource management scheme. Relevant documents have detailed the Group's employment policies, employee welfare, rights and responsibilities, code of business ethics, and guidelines for workplace safety and health to protect the respective rights of both parties.

During the Reporting Period, there were no incidents of non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to remuneration and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare.

Recruitment and Promotion

We have created a well-rounded remuneration, incentive and performance management system which includes basic salary, mandatory provident fund, insurance, legal and additional annual leaves, sick leaves, and a variety of staff benefits and subsidies. To attract talent and maintain current employees for supporting the Group's long-term and stable growth, we give our employees a competitive salary and welfare package, while maintaining an effective incentive mechanism through grating share options to senior management and long-term employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

Compensation and Dismissal

In situations where an employee has continuously performed below the Group's required level or seriously violated the Group's regulations or termination due to the restructuring of the Group's workforce, our human resources department will initiate a series of procedures to terminate his or her employment contract. Terms and conditions relating to dismissal are enumerated in the employment contract and other employment policy manual, to ensure that the procedure and compensation for terminating the employment relationship are made in compliance with the Employment Ordinance (Cap. 57 of the Hong Kong Laws) and other applicable guidelines promulgated by the government.

Equal Opportunity and Diversity

Employees of the group are an integral part of its stakeholders. Diversity and equality form part of our human resources strategy. Our employment policies support the building of a work environment without prejudices due to gender, age, nationality, sexual orientation, family status, race or religion. All employees have equal job opportunities.

In general, the Group's employment procedure mainly considers the business needs and the candidate's profile. Unless under special situations, the Group will not refuse to employ or fire any employees due to their gender, family situation or other unsound reasons. The Group offers employees appropriate remunerations based on fair principles, the state of the labour market and financial status.

Employee Communication

We value the interactions with our employees to understand their needs. We encourage employees to communicate with their supervisors or managers about their working status and career goals.

The tables below demonstrate the number of employees and the turnover rate by gender, employment type, level, age group and geographical region.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

Number of Employees		2022	Unit
Total number of employees		26	employee
By gender	Female	15	employee
	Male	11	employee
By employment type	Full-time	26	employee
	Part-time	0	employee
By level	Executive	12	employee
	General employee	14	employee
By age group	30 years old or below	6	employee
	31-40 years old	12	employee
	41-50 years old	6	employee
	Over 50 years old	2	employee
By geographical region	Hong Kong	10	employee
	China	16	employee

Turnover Rate		2022	Unit
Total number of employees		15%	%
By gender	Female	7%	%
	Male	27%	%
By employment type	Full-time	15%	%
	Part-time	–	%
By level	Executive	0%	%
	General employee	29%	%
By age group	30 years old or below	0%	%
	31-40 years old	8%	%
	41-50 years old	0%	%
	Over 50 years old	50%	%
By geographical region	Hong Kong	0%	%
	China	25%	%

Health and Safety

Work Environment Safety

The Group values the health and well-being of its employees and strives to create a safe, healthy and hygienic working environment for all employees and those who may be impacted by its operations and activities.

Maintaining a healthy and safe standard is the Group's priority in its operations. The Group follows the nature of the industry, practices and the Occupational Safety and Health Ordinance (Cap. 509 of Hong Kong Laws) in the preparation of its work safety and health guidelines. We strictly oversee the execution of the employee handbook's safety procedures. If an employee becomes injured, lost earning capacity or suffers from an occupational disease specified in the Employees' Compensation Ordinance (Cap. 282 of Hong Kong Laws) during or due to work, the Group will make proper compensation with reference to the relevant regulations and employment contract. The Group believes that its working environment and nature do not constitute any material safety risks to employees in general.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

Safety Awareness

To enhance the safety awareness of employees, the Group continued to provide training and information to employees during the Reporting Period. We will regularly participate in fire escape drills held by the office building and arrange for employees to attend safety lectures arranged by different organizations. We ensure that the office has sufficient emergency equipment and fire equipment in the office. The Group provides annual body checks and medical insurance for permanent employees within their welfare package to ensure their health and safety.

Physical and Mental Health

Apart from work safety, the Group values the mental health of its employees. We organize various activities to strengthen the interaction and understanding between employees, maintain work-life balance and strengthen their sense of belonging. Accommodation and canteen are provided to support the daily living of the employees. The Group has always utilized an open-door policy, allowing employees to express their opinions about work pressure and hopefully maintain a pleasant and positive working atmosphere.

During the Reporting Period, there was no non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards. During the past three years, including the Reporting Period, the Group did not record any accidents that resulted in death or serious physical injury.

	2022	2021	2020
Number of work-related fatalities	**0**	0	0
Rate of work-related fatalities	**0%**	0%	0%
Lost days due to work injury	**0**	0	0

Development and Training

Talent Development Policy

The Group recognises the importance of attracting and developing talent and acknowledges the importance of employee training to the overall development of the Group. We provide training to management and professional talents according to the development strategy and business needs to improve the structure of the Group's human resources. At the same time, we value developing talent by improving employee quality, qualifications and skills to encourage their growth. The Group offers opportunities for employees to "promote from within" to select those who perform exceptionally and show potential to hold a core position within the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

Employee Training

During the Reporting Period, the Group provided various types of training to the employees, including seminars and training on both money-lending business and processing and trading of electronic parts as well as other career development training, such as business management skills, project management skills, communication skills and presentation skills. The Group has also arranged for the Board to participate in seminars organized by external parties to understand the new GEM listing regulations and legal changes to improve corporate knowledge.

The Group adapts to the industry conditions, employee feedback and other factors to continuously improve their training structure, therefore increasing employee participation and the effectiveness of their training.

Number of trained employees		**2022**	Unit
Total number of trained employees		19	employee
Percentage of total employees trained		73%	%
By gender	Female	58%	%
	Male	42%	%
By level	Executive	58%	%
	General employee	42%	%

Average training hours completed		**2022**	Unit
Average training hours per employee		40.1	hours/employee
By gender	Female	41.7	hours/employee
	Male	37.9	hours/employee
By level	Executive	45.2	hours/employee
	General employee	35.8	hours/employee

Labour Standards

Anti-child and Forced Labour

The Group strictly abides by the Employment Ordinance (Cap.57 of Hong Kong Laws), the Labour Law of the PRC and other international labour standards when forming internal guidelines and labour policies. All recruitment and promotional activities are strictly overseen by the Group's Human Resources management scheme.

We strictly prohibit the engagement of any child and forced labour in any of our operations, and forbid any type of forced labour by means of physical punishment, abuse, involuntary servitude, peonage or trafficking is strictly forbidden. We promise not to hire any children whose ages are below the legal requirement by the local labour law. We maintain close communication with our business partners to avoid cooperating with suppliers and business partners who engage in child or forced labour.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

Anti-harassment and Bullying in the Workplace

In addition, the Group strives to protect its employees, and forbids any workplace discrimination due to gender, age or any other reason through harassment, intimidation, threatening or any other bullying behavior. If any violation of this guideline is discovered, the Group will immediately initiate an investigation to dismiss or take disciplinary actions against the employee, while also improving current employee policies if needed.

During the Reporting Period, the Group did not have any issue of non-compliance with relevant laws and regulations regarding child labour or forced labour.

Operating Practices and Social Investment

Supply Chain Management

The Group maintains close communication with its subsidiaries and carries out essential oversight and risk management, to prevent respective subsidiaries from hiring major suppliers. The Group expects suppliers to share the same philosophy and complies with any applicable environmental laws, rules and regulations, including obtaining required environmental approvals and certifications. In addition, suppliers are responsible for ensuring the health and safety of employees and other workers in the workplace, and maintaining a hygienic work environment. The Group also operates in a good faith by adhering to their business ethics such as prohibition on employing child and forcing labour, and maintaining high levels of quality control and their respective environmental and social responsibilities along the supply chain.

Number of suppliers by geographical region		**2022**	Unit
Total number of suppliers		17	supplier
By geographical region	Hong Kong	0	supplier
	China	17	supplier

Product Responsibility

During the Reporting Period, the Group provided both secured and unsecured loans to individuals and corporate customers, including personal loans, mortgage loans and corporate loans. At the same time, the Group engaged in sourcing, processing, and sales of computer-related and smartphone-related electronic parts and components, such as CPU, LED screen panels, hard disk, smartphone chipsets and lenses. The Group also engaged in the provision of beauty treatment services.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

Focus on Quality

The Group stresses the importance of excellent service and corporate reputation. We actively monitor product and service quality through internal controls. Concerning the lending operations, the Group aims to provide exceptional customer experience to both retail and corporate customers, ensuring the Group adheres to the Money Lenders Ordinance (Cap. 163 of Hong Kong Laws) and other applicable laws. According to market conditions and using fair principles, we form service agreements with our clients which detail the service content and contract terms to protect the interest of both parties.

In our electronic processing and trading business, the Group actively maintains sensible operational management. Apart from the business needs of requiring to enlarge the processing plant, the Group occasionally inspects the manufacturing workflow. Through strict oversight of each procedure, we can ensure that the product fulfils relevant safety and client requirements.

The Group maintains and examines its communication channels with its clients including the respective personnel for each client. The Group operates the beauty treatment business, which requires frequent communication with clients. The Group has been striving for perfection and continuously improving service quality. Therefore, the Group have implemented a robust client feedback management system to determine the degree of client satisfaction with the Group's services, and actively manage and respond to client feedback. Through promptly handling customer feedback and complaints, investigating these cases can strengthen the design of our customer service policies and better fulfill the requirement of the customers.

Protection of Customer Privacy

Operations in money lending often require clients to provide private and sensitive information. Therefore, the Group's collection, usage, maintenance and disposal of customer information consistently adhere to the Personal Data (Privacy) Ordinance (Cap. 486 of Hong Kong Laws) and other applicable laws. The Group has guidelines created in accordance with the code of practices for these laws and regulations, to advise employees on the careful handling of clients' personal data and credit and business records. Clients will be informed as clearly as possible regarding the categories of parties to which the clients' data may be disclosed and the purposes of such disclosure. The collection of related information will be collected with the client's approval, protecting clients from unnecessary losses.

Advertising and Labelling

The Group does not engage in extensive publicity activities promoting our services, regarding the description and introductions of our service, we comply with the Trade Descriptions Ordinance (Cap. 362 of Hong Kong Laws) and applicable laws, regulations and standards enforced by other countries, regions and our industry. All advertising activities regarding our products and services are launched after confirmation that we followed the requirements for the use and execution of brand identity and advertisement of our products and services. When needed, the Group will also get legal advice and assistance through legal consultation.

During the Reporting Period, the Group did not have non-compliance with all relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matter. No losses were arising from the leak of clients' privacy or other service problems, nor any complaints and damage claims made by our clients because of poor service quality.

	2022
Percentage of total products sold or shipped subject to recalls	0%
Number of products and service-related complaints received	0

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Continued)*

Anti-Corruption

The Group has always valued integrity in its operations, firmly creating an honest working environment, requiring both the Board and all its employees to strictly adhere to relevant laws and moral standards. The Group has set up audit committees and employed external professionals in accordance with the HKEx corporate governance and disclosure requirement. We regularly review our internal governance mechanisms and provide internal anti-corruption training in hopes of improving the Group's governance level.

Within daily operations, the Group does not permit any activities relevant to corruption or fraudulent behaviours including the solicitation or acceptance of undue advantages from customers or competitors to illegally obtain funds, business opportunities or provide confidential business information. All regulations regarding anti-corruption, anti-bribery and conflicts of interest have been detailed within the employee's code of conduct to ensure strict compliance with all relevant laws by all employees.

In addition, the Group has a responsibility to conduct risk analysis and due diligence for current and potential clients, to combat money laundering or terrorist financing. The Group will require clients and third parties to provide reliable documents, data and information within legal boundaries to recognise and verify clients' identities. We will also investigate ownership and control structures of corporate customers or test and retain records in case of suspicious transactions which may need to be reported.

Whistle-blowing Policy

The Group regularly provides employees with information regarding anti-corruption to increase their awareness of the issue while also maintaining professional conduct. Through our whistle-blowing system, employees can report bribery, abuse of power or any illegal or dishonest activities by employees' partners or clients anonymously. The Group promises to protect the identity of the whistle-blower. If any corrupt or fraudulent incidents are discovered, the Group will immediately conduct an investigation and report to management and law enforcement authorities. The Group will review each case and rectify any gaps in our internal policies.

The Group complies with all applicable laws on prohibiting corruption and bribery in Hong Kong, which includes but not limited to the Prevention of Bribery Ordinance (Cap. 201 of Hong Kong Laws). During the Reporting Period, no corruption or fraudulent incident was discovered in the Group. The Group will review the implementation of the respective system periodically and devote more resources to improving the mechanism or provides anti-corruption training to directors and employees if needed.

	2022
Number of concluded legal cases	**0**

Community Investment

The Group values corporate social responsibility, increasing employees' concern for the community and raising their awareness for mutual support.

During the Reporting Period, the Group promoted the spirit of corporate social responsibility by arranging and participating in appropriate community activities. The Group hopes to promote mutual employee relationships, help those in need and build the link between employees and the community through these events. The Group will evaluate the sustainability and feasibility of various community investment activities to give to the community given a sound business and financial state of the company.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their annual report together with the audited consolidated financial statements for the year ended 31 December 2022.

Principal Activities and Geographical Analysis of Operations

The Company is an investment holding company. The principal activities of the Group, are detailed in the note 8 to the consolidated financial statements. The Group is principally engaged in the money lending business, processing and trading of electronic parts business and the provision of treatment services business. An analysis of the Group's performance of the Year by business segment and its geographical segment information is set out on note 9 to the consolidated financial statements.

Business Review

Detailed business review of the Group's business during the Year, including the analysis of Group's performance during the Year by using the financial key performance indicators, is set out in the section of Management Discussion and Analysis on pages 4 to 8 this annual report. Future development of the Company's business is set out in the section of Business Outlook and Prospect in this annual report on page 8.

Key risks and uncertainties

The Group's financial position, operations, business and prospects may be affected by the following identified risks and uncertainties.

Business risks

The Group's money lending business is subject to risks that a customer or counterparty may fail to perform its contractual obligations on payment of the principal and interest. While the Group has internal policies and procedures designed to manage such risks, these policies and procedures may not be fully effective. Any material customers delay or default on their payments could adversely affect the Group's financial position and profitability. Although the Group has adopted the money lending policy and money lending procedure manual which provide guidelines on the handling and/or monitoring of the money lending procedures according to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong), the Group may face the risk of breaching the relevant rules and regulations from time to time, which may result in penalty or other potential liabilities to the Group.

The Group has developed a credit policy and procedures manual for its money lending business. The credit policy and procedures manual specifies, among others, the loan application, credit approval and monitoring ongoing credit risk procedures. Prior to grant of a loan to a borrower, the Group carries out credit risk assessment on the borrower, taking into account, among other things, the background and character of the borrowers, shareholders' background, character, and management capability (if any), purpose of the loan and guarantee (if any), where applicable, relevant public searches and the financial strength of the borrower, shareholder and guarantor. The terms of a loan are determined on a case-by-case basis following arm's length negotiation between the Group and

REPORT OF THE DIRECTORS *(Continued)*

the borrowers, taking into account the factors such as the borrowers' requirements, the credit risks and prevailing market conditions. The Group closely reviews and monitors the loan repayment status subsequent to the drawdown of loans on a regular basis to ensure that loan repayments are punctual and past due accounts are handled efficiently. When there is past due accounts, the Group would take actions including discussing the repayment terms or settlement proposals with the borrower and if unsuccessful, legal action would be taken against the borrower. The Group applies the general approach under IFRS 9, in which ECL of loan receivable are determined based on the changes in credit quality of the loan receivable since initial recognition and the estimated expectation of an economic loss of the loan receivable under consideration. In calculating the ECL rates, the Group considers historical loss rates for each category, the prevailing economic conditions and adjusts for forward looking data.

The Group's processing and trading of electronic parts business are mainly operating in the PRC. Any addition or amendment to existing laws and regulations or any reduction of demand in PRC may affect the Group's financial position and performance. The Group's processing and electronic parts business are highly competitive to price and quality. The pricing of similar products by competitors may adversely affect the pricing of the products and could resulted in keen competition in price, lower business' revenue and profitability level or suffer from loss of market share.

The Group's provision of treatment services business in Hong Kong, may affect from the rising costs of Hong Kong business due to uncertain economic environment. The Group is under intense pressure to compete on both price and service as large and small, regional or niche competitors attempt to increase market share.

The Group will update and monitor the risks exposures to the Group's businesses to ensure appropriate measures are implemented on a timely manner.

Market risks

The business operations of the Group are primarily based in Hong Kong and the PRC. Accordingly, the Group's operating results, financial position and prospects could be adversely affected by economic, political and legal developments in those territories. Any changes in the political and economic policies/environments of the those territories (including, but not limited to, government policies, political instability, expropriation, laws, labour activism, war, civil unrest, terrorism, and changes in interest rates, foreign exchange rates, taxation, environmental regulations and import and export duties and restrictions) may adversely affect the Group's business and results of operations as well as its ability to sustain its expansion strategies and thus future growth. The Group manages and monitors the market risks exposure to the Group's business to ensure appropriate measures are implemented on a timely manner.

REPORT OF THE DIRECTORS *(Continued)*

Foreign exchange rates risks

The Group has assets and liabilities denominated in currencies other than its functional currency and that are subject to fluctuation in foreign exchange rate. The Group monitors the foreign exchange exposure and will consider to hedge significant foreign currency exposure should the need arise.

Equity price risks

Equity price risk arises from fluctuation in quoted market price of the Group's investment in financial assets. The Group counters the equity price risk by ensuring a board diversification of the Group's investment portfolio and ensuring the investment portfolio are frequently reviewed and monitored.

Operational risks

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system, or from external events. In order to manage these risks, the Group had set a standard operational procedures, limits of authority and reporting framework and invests in human resources and equipments to manage and reduce the operational risks exposure.

Liquidity risks

Liquidity risk is the potential that our Group will not be able to meet its obligations when fall due. In order to manage the liquidity risk, the Group will continually monitors cash flows and maintains an adequate level of cash and credit facilities to ensure the Group to meet its finance needs.

REPORT OF THE DIRECTORS *(Continued)*

Compliance with relevant laws and regulation

During the year ended 31 December 2022, the Company was not aware of any material non-compliance with any relevant laws and regulations that have a significant impact to the Group.

Relationships with stakeholders

Employees are the assets of the Group. The Group provides competitive remuneration package and a pleasant workplace environment to attract and motivate the employees. An annual performance evaluation will be conducted annually based on individual's contributions and achievements throughout the Year and the Group will make necessary adjustments based on the result of the performance evaluation.

In addition to the salaries, the Group had set up a mandatory provident fund scheme ("MPF Scheme") in accordance with the Hong Kong Employment Ordinance and medical insurance plan for our staffs in Hong Kong. The MPF Scheme is subject to regulations under the Mandatory Provident Fund Scheme Ordinance and is a defined contribution retirement plan administrated by independent trustees. The Group's staffs in the PRC are entitled to national statutory social insurance under the statutory Employment Ordinance of the PRC.

The Group understands the importance of maintaining a good relationship with our business partners, which including the Group's customers and suppliers. The Group believes that a healthy relationship can be build up by providing better products and enhanced services to the customers, maintaining an effective communication channel to the employees and collaborating with key suppliers.

The Group engages professional services on investor relationship from service provider for advising and promoting professional communication with existing and potential investors.

Environmental Policy and Social Responsibility

The Group is committed to protect the environment and maintain a high standard of corporate social governance. Details of the policies are set out in the section headed "Environmental, Social and Governance Report" from pages 28 to 40 of this annual report.

Major Customers and Suppliers

For the year ended 31 December 2022, the five largest customers accounted for approximately 20.0% of the Group's total revenue. The five largest suppliers accounted for approximately 29.6% of the Group's total purchases. In addition, the largest customer accounted for approximately 4.6% of the Group's total revenue while the largest supplier accounted for approximately 6.8% of the Group's total purchases.

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

REPORT OF THE DIRECTORS *(Continued)*

Results and Dividends

Details of the Group's results for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 59 to 60 of this annual report.

The Directors did not recommend the payment of final dividend in respect of the Year.

Share Capital

Details of movements in the Company's issued share capital in 2022 and 2021 are set out in the note 29 to the consolidated financial statements.

Purchase, Sale or Redemption of Shares

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

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Articles of Association and the laws in the Cayman Islands in relation to the issue of new shares by the Company.

Reserves

Details of movements in reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity and note 30 to the consolidated financial statements, respectively.

Distributable Reserves

As at 31 December 2022 and 2021, the Company has no reserves available for distribution to its shareholders.

Property, plant and equipments

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

Bank and Other Borrowings

The Company has no bank and other borrowings during the years ended 31 December 2022 and 2021.

REPORT OF THE DIRECTORS *(Continued)*

Connected Transactions

There were no connected party transactions entered into by the Group for the Year.

Directors

The Directors who held office during the Year and up to the date of this report were:

Executive Directors

Ms. TSUI Annie
Mr. FENG Keming

Independent Non-executive Directors

Mr. CHAN Kwan Yiu
Ms. MA Sijing
Ms. HO Yuen Ki

Ms. TSUI Annie and Mr. CHAN Kwan Yiu will retire and, being eligible, offer themselves for re-election at the forthcoming AGM.

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

Biographical Details of Directors and Senior Management

Biographical details of the Directors and senior management of the Company are set out on page 9 of this annual report.

Controlling Shareholder's Interests in Contracts

As at 31 December 2022 or during the Year, no contract of significance in relation to business of the Group (whether for the provision of services to the Group or not) had been entered into between the Company, or any of its subsidiary companies, and a controlling shareholder of the Company (within the meaning of the GEM Listing Rules) or any of its subsidiaries.

Management Contracts

No contracts, other than a contract of service with any Director or any person under the full-time employment of the Company, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

REPORT OF THE DIRECTORS *(Continued)*

Directors' Service Contracts

All Directors have not been appointed for any fixed term but shall be subject to retirement by rotation in accordance with the Articles of Association.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Transactions, Arrangements or Contracts of Significance

No Director or Director's Connected entity had a significant beneficial interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during or at the end of the Year.

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

As at 31 December 2022, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 under the Laws of Hong Kong ("SFO")), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, are as follows:

Long Positions in the Company

Name of Director	Capacity	Number of issued shares	Total	Approximately percentage of shareholding
Mr. Feng Keming	Beneficial owner	2,140,000	2,140,000	0.60%
Ms. Ho Yuen Ki	Beneficial owner	2,140,000	2,140,000	0.60%

Save as disclosed above, as at 31 December 2022, none of the Directors or the chief executive of the Company or any of their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations.

REPORT OF THE DIRECTORS *(Continued)*

Substantial Shareholders and Other Persons' Interests and Short Positions in the Shares and Underlying Shares

As at 31 December 2022, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, there is no person had, or was deemed or taken to have, an interest or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying voting rights to vote in all circumstances at general meeting of any other member of the Group.

Share Option Scheme

The Company adopted the share option scheme (the "Share Option Scheme") on 15 November 2019 which will remain in force for a period of 10 years from the effective date of the Share Option Scheme.

Details of the Share Option Scheme is as follows:

1 Purposes

The purpose of the Share Option Scheme is to provide incentives and/or rewards to eligible participants for their contributions to, and continuing efforts to promote the interests of, the Company.

2 Eligible participants

Under the terms of the Share Option Scheme, the scope of eligible participants comprise the following persons:

1. any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of our subsidiaries or any Invested Entity;

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

3. any supplier of goods or services to any member of the Group or any Invested Entity;

4. any customer of any member of the Group or any Invested Entity;

REPORT OF THE DIRECTORS *(Continued)*

Share Option Scheme *(Continued)*

2 Eligible participants *(Continued)*

5. any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

6. any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

7. any adviser (professional or otherwise) or consultant to any area of business or business development of the Group or any Invested Entity; and

8. any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

3 Maximum number of shares

The maximum number of shares in respect of which share options may be granted under the Share Option Scheme shall not exceed 10% of the Shares in issue as at the date of approval of the adoption of the Share Option Scheme. The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes, must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

As at the date of this annual report, there were 157,000 outstanding share options not yet exercised under the Share Option Scheme, representing approximately 0.04% of the issued share capital of the Company. The total number of shares available for issue under the Share Option Scheme is 33,204,205, representing approximately 9.33% of the issued share capital of the Company as at the date of this annual report.

4 Maximum entitlement of each eligible participant

Maximum entitlement of each eligible participant is 1% of the issued share capital of the Company from time to time within any 12-month period up to the date of the latest grant, any further grant of options to an eligible participant in excess of the Individual Limit (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such further grant must be subject to the Shareholders' approval in general meeting of the Company with such eligible participant and his/her associates abstaining from voting.

5 Option period

The option period is determined by the Board provided that it is not later than 10 years from the date the Board makes an offer of the grant of an option subject to the provision for early termination. There is no specified minimum period under the Share Option Scheme for which an option must be held or the performance target which must be achieved before an option can be exercised under the terms of the Share Option Scheme.

6 Acceptance of offer

Options granted must be accepted within 21 days from the date of the offer of grant of the option, upon payment of HK$1 per grant.

REPORT OF THE DIRECTORS *(Continued)*

Share Option Scheme *(Continued)*

7 Exercise price

The exercise price must be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of grant, which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares on the date of offer of the grant.

8 Remaining life of the scheme

It shall be effective for a period of ten years commencing on 15 November 2019.

Pursuant to the Share Option Scheme, certain Directors and participants were granted share options to subscribe for the Company's shares. The following table disclosed movements in the Company's share options during the Year:

Details of grantees	Date granted	Period during which options are exercisable	Outstanding as at 1 January 2022	Granted during the year	Exercised during the year	Concelled/ lapsed during the year	Outstanding as at 31 December 2022	Exercise price per share	Closing price per share immediately before the date of grant
Category: Directors									
Ms. Tsui Annie	8 October 2020	8 October 2020 to 7 October 2022	2,146,000	–	(2,140,000)	(6,000)	–	HK$0.20	HK$0.17
Mr. Feng Keming	8 October 2020	8 October 2020 to 7 October 2022	2,146,000	–	(2,140,000)	(6,000)	–	HK$0.20	HK$0.17
Ms. Ho Yuen Ki	8 October 2020	8 October 2020 to 7 October 2022	2,146,000	–	(2,140,000)	(6,000)	–	HK$0.20	HK$0.17
Category: Employee									
Employee	8 October 2020	8 October 2020 to 7 October 2022	15,022,000	–	(14,980,000)	(42,000)	–	HK$0.20	HK$0.17
	8 April 2022	8 April 2022 to 7 April 2024	–	25,757,000	(25,600,000)	–	157,000	HK$0.25	HK$0.25
			21,460,000	25,757,000	(47,000,000)	(60,000)	157,000		

Note: All share options granted were vested immediately.

Save as disclosed above, no share option had been granted, exercised, cancelled nor lapsed during the Year.

Information on the accounting policy for share options granted and the weighted average value per option is provided in notes 31 to the consolidated financial statements.

REPORT OF THE DIRECTORS *(Continued)*

Directors' and Chief Executives' Rights to Acquire Shares or Debt Securities

As at 31 December 2022, save for the Share Option Scheme, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors, chief executives or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

Competing Interest

The Directors are not aware of any business or interest of the Directors, the controlling shareholder(s) and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group during the Year.

Permitted Indemnity Provision

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Year. The Company has taken out and maintained directors and officers liability insurance which provides appropriate cover for, among others, Directors.

Pursuant to the Articles of Association, the Directors, Company Secretary and other officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty.

Audit Committee

The Company established an audit committee ("Audit Committee") in July 2001 with terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the Audit Committee include the review and supervision of the financial reporting process and the internal control and risk management systems of the Group on ongoing basis. During the year under review, the Audit Committee comprised of three members and all of whom are independent non-executive Directors. Mr. CHAN Kwan Yiu who process appropriate professional qualifications, accounting and related financial management expertise, is the Chairman of the Audit Committee. The Audit Committee meets at least quarterly. The Group's audited financial results for the Year have been reviewed by the Audit Committee, and it was in its opinion that (i) the preparation of such results complied with the applicable standards and statutory requirements and the requirements of the Stock Exchange and that (ii) the internal control and risk management systems of the Group had been properly implemented and was adequate to keep the Board informed of the business and the management affairs of the Group. During the Year, no material matters were identified and reported by the Audit Committee to the Board.

REPORT OF THE DIRECTORS *(Continued)*

Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

Corporate Governance

Throughout the year under review, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules, except rule C.1.6 that independent non-executive Directors did not attend all general meetings.

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The internal control system includes safeguarding of the interest of shareholders and the Group's assets. It has been an important duty of the Board to conduct a review of internal control system to ensure the effectiveness and adequacy of the system of the Group annually or at any time necessary. The review covers all material controls, including financial, operational and compliance controls, as well as risk management functions.

REPORT OF THE DIRECTORS *(Continued)*

Auditor

A resolution for the re-appointment of McMillan Woods (Hong Kong) CPA Limited ("McMillan Woods") as the auditor of the Company for the ensuing year will be proposed at the forthcoming AGM.

HLB Hodgson Impey Cheng Limited has resigned as the auditor of the Company with effect from 22 January 2021 and confirmed in its letter of resignation that there are no matters or circumstances connected with its resignation that need to be brought to the attention of the shareholders of the Company.

McMillan Woods was appointed on 22 January 2021 as the new auditor to fill the cause vacancy. The financial statements for the year ended 31 December 2021 was audited by McMillan Woods whose term of office will be expired upon the forth coming annual general meeting. A resolution for the re-appointment of McMillan Woods as the auditor of the Company for the ensuing year will be proposed at the forthcoming AGM.

On behalf of the Board
FENG Keming
Executive Director

Hong Kong, 31 March 2023

INDEPENDENT AUDITOR'S REPORT

McMillanWoods
Professionalism at the forefront

TO THE SHAREHOLDERS OF
HAO WEN HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Hao Wen Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 59 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, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including 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 International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") 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 Hong Kong Institute of Certificated Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

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

INDEPENDENT AUDITOR'S REPORT *(Continued)*

Key Audit Matter *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of loan receivables	
Refer to the significant accounting policies in Note 4(t), critical judgement and key estimates in Note 5(a), and relevant disclosures in Note 6(c) and Note 23 to the consolidated financial statements.	
We identified impairment assessment of loan receivables as a key audit matter due to the significance of the balance (with carrying amount representing 88% of total assets) to the consolidated financial statements as a whole and involvement of judgement and assumptions is required in assessing the expected credit loss ("ECL") of the loan receivables. The measurement of ECL requires the application of significant judgement and increased complexity which include the identification of exposures with a significant deterioration in credit quality, and assumptions used in the ECL models (for exposures assessed individually or collectively), such as the selection of criteria for identifying significant increase in credit risk evaluation, the expected future cash flows and assessing the forward-looking macroeconomic factors. During the year, impairment loss of loan receivables based on ECL of approximately RMB17,807,000 had been recognised by the Group.	Our procedures in relation to management's impairment assessment included: • Obtaining an understanding of and evaluating the Group's credit policies; • With the assistance of auditor's expert, assessing the reasonableness of the Group's ECL models methodology by examining the model input used by management to form such judgements, including testing the accuracy of the historical default data, loss given default and significant increase in credit risk; • Evaluating whether the default rates are appropriately adjusted based on current economic conditions and forward looking information; • Reviewing settlements after the financial year end relating to the loan receivables as at 31 December 2022; • Reviewing the appropriateness of the disclosure including the disclosures of credit risk and expected credit bases in the consolidated financial statements; and • Selecting sample to access the reasonableness of management judgements criteria on identifying whether the loan receivables had significant increase in credit risk has incorporated in the ECL model.

INDEPENDENT AUDITOR'S REPORT *(Continued)*

Other Information

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

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

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

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB 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 Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT *(Continued)*

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

- 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.

INDEPENDENT AUDITOR'S REPORT *(Continued)*

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

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

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants
Ho Wai Kuen

Audit Engagement Director
Practising Certificate Number P05966

24/F, Siu On Centre, 188 Lockhart Road,
Wanchai, Hong Kong

Hong Kong, 31 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
Revenue	8	**62,408**	65,671
Cost of sales		**(23,498)**	(27,486)
Gross profit		**38,910**	38,185
Other gains or losses, net	10	**(14,598)**	167
(Loss)/gain on fair value change of financial assets at fair value through profit or loss		**(12,986)**	5,956
Impairment loss on goodwill		**–**	(1,967)
Impairment loss on trade, other and loans receivables expected credit losses		**(28,339)**	(18,149)
Impairment loss on interests in associates	21	**(2,540)**	(1,170)
General and administration expenses		**(29,314)**	(26,997)
Loss from operations		**(48,867)**	(3,975)
Share of results of associates	21	**(19)**	162
Finance costs	11	**(4,910)**	(5,241)
Loss before tax	11	**(53,796)**	(9,054)
Income tax credit/(expense)	12	**995**	(543)
Loss for the year		**(52,801)**	(9,597)
Other comprehensive income/(loss), net of income tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**23,843**	(8,190)
Share of changes in other comprehensive income/(loss) in associates		**745**	(114)
Item that will not be reclassified to profit or loss:			
Loss on fair value change of a financial asset at fair value through other comprehensive income		**(1,137)**	(2,071)
		23,451	(10,375)
Total comprehensive loss for the year		**(29,350)**	(19,972)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

For the year ended 31 December 2022

	Note	**2022 RMB'000**	2021 RMB'000
Loss for the year attributable to:			
Owners of the Company		**(52,801)**	(9,429)
Non-controlling interests		**–**	(168)
		(52,801)	(9,597)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(29,350)**	(19,804)
Non-controlling interests		**–**	(168)
		(29,350)	(19,972)
Loss per share	16		
Basic and diluted (RMB cents)		**(16.81)**	(3.66)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment	17	**1,390**	10,698
Goodwill	18	**–**	–
Right-of-use assets	19	**–**	–
Financial asset at fair value through other comprehensive income	20	**–**	1,047
Interests in associates	21	**1,947**	3,602
Loan receivables	23	**119,156**	153,677
		122,493	169,024
Current assets			
Trade, other receivables, prepayments and deposits	23	**21,224**	24,741
Loan receivables	23	**199,313**	137,805
Financial assets at fair value through profit or loss	24	**13,048**	23,465
Tax recoverable		**198**	198
Cash and bank balances	25	**4,364**	5,613
		238,147	191,822
Current liabilities			
Trade and other payables	26	**8,074**	21,284
Bonds payables	28	**–**	12,889
Tax payables		**5**	58
		8,079	34,231
Net current assets		**230,068**	157,591
Total assets less current liabilities		**352,561**	326,615
Non-current liabilities			
Bonds payables	28	**57,479**	35,352
Deferred tax liabilities	27	**–**	888
		57,479	36,240
Net assets		**295,082**	290,375
Capital and reserves attributable to owners of the Company			
Share capital	29	**3,614**	2,775
Reserves		**291,468**	301,153
Equity attributable to owners of the Company		**295,082**	303,928
Non-controlling interests		**–**	(13,553)
Total equity		**295,082**	290,375

Approved and authorised for issue by the Board of Directors on 31 March 2023.

Tsui Annie
Director

Feng Keming
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to the owners of the Company									
	Share capital	Share premium	Capital reduction reserve	Share-based compensation reserve	Financial assets at fair value through other comprehensive income reserve	Exchange reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
		Note 29(b)(i)	Note 29(b)(ii)	Note 29(b)(iii)	Note 29(b)(iv)	Note 29(b)(v)				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	43,630	358,848	495,170	1,432	(14,065)	7,255	(568,538)	323,732	(13,385)	310,347
Loss for the year	–	–	–	–	–	–	(9,429)	(9,429)	(168)	(9,597)
Exchange differences on translating foreign operations	–	–	–	–	–	(8,190)	–	(8,190)	–	(8,190)
Share of changes in other comprehensive loss in associates	–	–	–	–	–	(114)	–	(114)	–	(114)
Loss on fair value change of a financial asset at fair value through other comprehensive income	–	–	–	–	(2,071)	–	–	(2,071)	–	(2,071)
Total comprehensive loss for the year	–	–	–	–	(2,071)	(8,304)	(9,429)	(19,804)	(168)	(19,972)
Capital reduction (Note 29(a))	(40,855)	–	40,855	–	–	–	–	–	–	–
At 31 December 2021 and 1 January 2022	**2,775**	**358,848**	**536,025**	**1,432**	**(16,136)**	**(1,049)**	**(577,967)**	**303,928**	**(13,553)**	**290,375**
Loss for the year	–	–	–	–	–	–	(52,801)	(52,801)	–	(52,801)
Exchange differences on translating foreign operations	–	–	–	–	–	23,843	–	23,843	–	23,843
Share of changes in other comprehensive income in associates	–	–	–	–	–	745	–	745	–	745
Loss on fair value change of a financial asset at fair value through other comprehensive income	–	–	–	–	(1,137)	–	–	(1,137)	–	(1,137)
Total comprehensive loss for the year	–	–	–	–	(1,137)	24,588	(52,801)	(29,350)	–	(29,350)
Recognition of equity-settled share-based payments (Note 31)	–	–	–	2,101	–	–	–	2,101	–	2,101
Placing of new shares (Note 29(a))	439	8,974	–	–	–	–	–	9,413	–	9,413
Issue of share upon exercise of share options (Note 31)	400	12,095	–	(3,505)	–	–	–	8,990	–	8,990
Release upon lapse of share options (Note 31)	–	–	–	(16)	–	–	16	–	–	–
Disposal of subsidiaries (Note 22(c))	–	–	–	–	–	–	–	–	13,553	13,553
As at 31 December 2022	**3,614**	**379,917**	**536,025**	**12**	**(17,273)**	**23,539**	**(630,752)**	**295,082**	**–**	**295,082**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
Cash flows from operating activities		
Loss before tax	**(53,796)**	(9,054)
Adjustments for:		
Depreciation of property, plant and equipment	**2,621**	1,574
Depreciation on right-of-use assets	**–**	24
Loss/(gain) on fair value change of financial assets at fair value through profit or loss	**12,986**	(5,956)
Realised gain on financial assets at fair value through profits or loss	**–**	(50)
Equity-settled share-based payment expense	**2,101**	–
Impairment loss on interests in associates	**2,540**	1,170
Impairment loss on goodwill	**–**	1,967
Share of results of associates	**19**	(162)
Finance costs	**4,910**	5,241
Impairment loss on trade, other and loans receivables	**28,339**	18,149
Bank interest income	**(64)**	(117)
Loss on disposal of property, plant and equipment	**448**	–
Loss on disposal of subsidiaries	**14,214**	–
Operating profit before working capital changes	**14,318**	12,786
Increase in trade, loan and other receivables, prepayments and deposits	**(19,621)**	(3,915)
Increase in financial assets at fair value through profit or loss	**(878)**	(11,001)
(Decrease)/increase in trade and other payables	**(13,740)**	15,042
Cash (used in)/generated from operations	**(19,921)**	12,912
Tax refunded	**–**	59
Net cash (used in)/generated from operating activities	**(19,921)**	12,971

CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

For the year ended 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
Cash flows from investing activities			
Purchase of property, plant and equipment		**–**	(9,830)
Bank interest received		**64**	117
Net cash generated from/(used in) investing activities		**64**	(9,713)
Cash flows from financing activities			
Repayment of lease liabilities		**–**	(25)
Repayment of interest on bonds payables		**(3,628)**	(5,241)
Proceeds from issue of bond		**17,353**	–
Transaction cost on issue of bond		**(86)**	–
Repayment of bonds payables		**(13,622)**	–
Proceeds from issue of new shares upon exercise of share options		**8,990**	–
Proceeds from placing of new shares		**9,696**	–
Transaction cost on placing of new shares		**(283)**	–
Net cash generated from/(used in) financing activities		**18,420**	(5,266)
Net decrease in cash and cash equivalents		**(1,437)**	(2,008)
Cash and cash equivalents at the beginning of the year		**5,613**	7,818
Effect of foreign exchange rate changes		**188**	(197)
Cash and cash equivalents at end of year	25	**4,364**	5,613

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

Hao Wen Holdings Limited (the "Company") was a public limited company incorporated in the Cayman Islands on 1 August 2000 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands, and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 20 July 2001. The address of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The consolidated financial statements of the Company as at and for the year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily engaged in the money lending, processing and trading of electronic parts, provision of beauty treatment services and sale of burial plots and related services and cemetery maintenance service.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), which in collective term includes all individual International Financial Reporting Standard ("IFRS"), International Accounting Standards ("IASs") and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are discussed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(a) Application of new and revised IFRSs

The Group has applied the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IFRS 16 (March 2021)	Covid-19 Related Rent Concessions beyond 30 June 2021
Annual Improvements to IFRS Standards	Annual Improvements to IFRS Standards 2018-2020

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

(b) New and revised IFRSs in issue but not yet effective

The Group has not applied any new standard, amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning 1 January 2022. The new standard, amendments to standards and interpretation include the following which may be relevant to the Group.

Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to IFRS 17	Insurance contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

[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.

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. certain financial instruments that are measured at fair value).

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Consolidation *(Continued)*

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

(b) Investments in subsidiaries

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale). The results of subsidiaries are accounted for by the Company on the basis of dividend received or receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill which is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currencies of the Company and its operating subsidiary in the People's Republic of China (the "PRC") are Hong Kong dollars and Renminbi ("RMB") respectively. For the purpose of presenting the consolidated financial statements, the Group adopted RMB as its presentation currency. All financial information presented in RMB has been rounded to the nearest thousand.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Foreign currency translation *(Continued)*

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(f) Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Property, plant and equipment *(Continued)*

Depreciation of property, plant and equipments is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

– Machinery and equipment	5 – 10 years
– Furniture and office equipment	5 – 8 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(g) Recognition and derecognition of financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. 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 fair value through profit or loss are recognised immediately in profit or loss.

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 borrowing for the proceeds received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Recognition and derecognition of financial instruments *(Continued)*

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

(h) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt investments

Debt investments held by the Group are classified into amortised cost, if the investment is held for the collection of (loan receivable) contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less allowance for credit losses.

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.

(j) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(k) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Equity instruments

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

(n) Revenue

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

– the customer simultaneously receives and consumes the benefits provided by the Group's performance;

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

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

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

(p) Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

The Group issues equity-settled share-based payments to certain directors and employees.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to accumulated losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss 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.

Deferred tax is recognised on 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 and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of 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 arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flow. Cash and cash equivalents are assessed for expected credit loss ("ECL").

(s) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on loan receivables, trade receivables, other receivables and cash and bank balances. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

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

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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 represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting period. 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 period as well as the forecast of future conditions.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Significant increase in credit risk *(Continued)*

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

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk for a particular financial instrument;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor;

– significant increases in credit risk on other financial instruments of the same debtor; 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 on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) the financial instrument has a low risk of default,

(ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Significant increase in credit risk (Continued)

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

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

Definition of default

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

– when there is a breach of financial covenants by the counterparty; or

– information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

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

Credit-impaired financial assets

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

– significant financial difficulty of the issuer or the counterparty;

– a breach of contract, such as a default or past due event;

– the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Credit-impaired financial assets (Continued)

– it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

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

Measurement and recognition of ECL

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVTOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Provision and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(v) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

(w) Lease

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group as a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Lease *(Continued)*

The Group as a lessee (Continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

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.

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

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of IFRS 16. In such cases, the Group took advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognisd he change in consideration as negative lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

In applying the Group's accounting policies, which are described in Note 4 to the consolidated financial statements, the directors of the Company are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors of the Company have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

Significant increase in credit risk

As explained in Note 4(t) to the consolidated financial statements, ECL on loan receivables are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

Key sources of estimation uncertainty

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

(a) Impairment of trade and loan receivables

The management of the Group estimates the amount of impairment loss for ECL on trade and loan receivables based on the credit risk of trade and loan receivables. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2022, the carrying amount of trade receivables and loan receivables were approximately RMB5,442,000 and RMB318,469,000 (2021: approximately RMB4,034,000 and approximately RMB291,482,000) respectively. The information about the ECL and the Group's trade and loan receivables are disclosed in Note 6(c) to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(b) Impairment of interests in associates

Determining whether interests in associates is impaired requires an estimation of the value in use of the cash generating unit to which interests in associates has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than the expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

The carrying amount of interests in associates as at 31 December 2022 was approximately RMB1,947,000 (2021: approximately RMB3,602,000) and impairment losses of RMB2,540,000 (2021: RMB1,170,000) was recognised during the year ended 31 December 2022. Details of the impairment loss assessment are set out in Note 21 to the consolidated financial statements.

(c) Fair value of financial assets at FVTOCI

As described in Note 7 to the consolidated financial statements, the directors of the Company use their judgements in selecting appropriate valuation techniques for financial assets at FVTOCI not quoted in an active market. The financial assets at FVTOCI have been valued by income approach using the expected future cash flows discounted at current rates applicable for items with similar terms and risk characteristics. The valuation requires the management to make estimates about expected future cash flows and discount rates, and hence they are subject to uncertainty.

As at 31 December 2022, the carrying amount of financial assets at FVTOCI were Nil (2021: approximately RMB1,047,000).

(d) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

The carrying amount of goodwill as at 31 December 2022 was Nil (2021: Nil) and no impairment losses (2021: RMB1,967,000) was recognised during the year ended 31 December 2022. Details of the impairment loss assessment are provided in Note 18 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

Renminbi is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China ("PBOC") or other authorised institutions to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies.

The group companies mainly operated in their local jurisdiction with most of the transactions settled in their functional currency and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Price risk

Price risk is the risk that the fair values of equity securities decrease as a result of changes in the level of equity indices and the value of individual securities. At the end of reporting period, the Group is exposed to equity price risk mainly through its investment in equity securities classified as financial assets at FVTPL (Note 24) and financial asset at FVTOCI (Note 20). The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. For financial assets at FVTPL, equity price risk is mainly concentrated on equity securities quoted on the Stock Exchange. For financial asset at FVTOCI, the equity price risk is mainly derived from the discounted cash flow method.

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period.

If equity prices of financial assets at FVTPL and financial assets at FVTOCI had been 10% higher/lower (2021: 10% higher/lower), with all other variables held constant, the loss before tax would have decrease/increase by approximately RMB1,305,000 (2021: decrease/increase by approximately RMB2,347,000) and the other comprehensive income (2021: loss) would have increase/decrease by nil (2021: decrease/increase by approximately RMB105,000) respectively, arising from the fair value gain/loss of the financial assets at FVTPL and financial assets at FVTOCI.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade, loan and other receivables) and from its financing activities for deposits with banks. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have a low credit risk.

The Group does not provide any financial guarantees which would expose the Group to credit risk.

The Group has a concentration of credit risk in certain individual customers. At the end of each reporting period, the five largest receivables balances accounted for approximately 77% (2021: approximately 86%) of the trade receivables. The largest trade receivable was approximately RMB1,532,000 (2021: approximately RMB1,110,000) which represented approximately 28% (2021: approximately 27%) of the Group's total trade receivables. The Group also has concentration of credit risk as 4% (2021: 4%) and 8% (2021: 7%) of the total loan receivables due from the Group's largest one and two debtors, respectively. The Group seeks to minimize its risk by dealing with counterparties which have a good credit history. Majority of the receivables that are neither past due nor impaired have no default payment history.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approval and other monitoring procedures to ensure that follow-up action is taken for the recoverable amount. In addition, the Group reviews the recoverable amount of each individual's debt regularly at the end of each reporting period to ensure that adequate impairment loss are made for irrecoverable amounts.

Loan receivables

Management has overall responsibility for the Group's credit policies and oversees the credit quality of the Group's loan portfolio. The Group has adopted internal control procedures to mitigate credit risk by evaluation of creditability of the borrowers.

The Group applies general approach by grouping the debtors shared the same credit risk characteristics with reference to the Group's internal credit rating and uses three categories for ECL on loan receivables which reflect their credit risk and how the loss provision is determined for each of the categories. In calculating the ECL rates, the Group considers historical loss rates for each category, the prevailing economic conditions, and adjusts for forward looking data.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

Stage 1

Loan receivables have not experienced a significant increase in credit risk since origination and impairment recognised on the basis of 12 months ECL (12-month ECLs).

Stage 2

Loan receivables to customers have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime ECL (Lifetime ECLs non credit-impaired).

Stage 3

Loan receivables that are in default and considered credit impaired (Lifetime ECLs credit impaired).

As at 31 December 2022, the provision for impairment of loan receivables was approximately RMB80,909,000 (2021: approximately RMB57,618,000) based on ECL applied to different stages.

	As at 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Loan receivables, gross	300,616	–	48,484	349,100
Less: ECL on loan receivables	(9,134)	–	(48,484)	(57,618)
Loan receivables, net	291,482	–	–	291,482

	As at 31 December 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Loan receivables, gross	**326,626**	**13,373**	**59,379**	**399,378**
Less: ECL on loan receivables	**(18,175)**	**(3,355)**	**(59,379)**	**(80,909)**
Loan receivables, net	**308,451**	**10,018**	**–**	**318,469**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

Past due aging:

	2022 RMB'000	2021 RMB'000
Not past due	**332,882**	320,211
0-90 days	**–**	807
91-180 days	**7,252**	–
181-365 days	**8,863**	–
Over 365 days	**50,381**	28,082
	399,378	349,100

Movements for ECL of loan receivables are as follows:

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
As 1 January 2021	14,232	–	27,611	41,843
(Reversal of allowance)/ allowance for ECL on loan receivables	(4,748)	–	21,999	17,251
Exchange alignment	(350)	–	(1,126)	(1,476)
As 31 December 2021 and 1 January 2022	9,134	–	48,484	57,618
Allowance for ECL on loan receivables	8,026	3,263	6,518	17,807
Exchange alignment	1,015	92	4,377	5,484
As 31 December 2022	18,175	3,355	59,379	80,909

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

Trade receivables

The Group applies simplified approach to provide for ECL presented by IFRS 9, which permits the use of the lifetime ECL provision for trade receivables. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the ECL based on past due status is not further distinguished between the Group's different customer bases. The Group has performed historical analysis and identified the economic variable credit risk and expected credit loss. This considers available reasonable and supportive forwarding-looking.

As at 31 December 2021	Not past due	0 – 90 days	91 – 180 days	181 – 365 days	Total
ECL rate	1.03%	1.14%	–	–	1.10%
Gross carrying amount (RMB'000)	1,357	2,722	–	–	4,079
Lifetime ECL (RMB'000)	(14)	(31)	–	–	(45)
Net carrying amount (RMB'000)	1,343	2,691	–	–	4,034

As at 31 December 2022	**Not past due**	**0 – 90 days**	**91 – 180 days**	**181 – 365 days**	**Total**
ECL rate	**1.30%**	**1.43%**	**1.58%**	**–**	**1.36%**
Gross carrying amount (RMB'000)	**3,550**	**1,491**	**476**	**–**	**5,517**
Lifetime ECL (RMB'000)	**(46)**	**(21)**	**(8)**	**–**	**(75)**
Net carrying amount (RMB'000)	**3,504**	**1,470**	**468**	**–**	**5,442**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

Trade receivables *(Continued)*

Movements for ECL of trade receivables are as follows:

	Total RMB'000
As at 1 January 2021	187
Reversal of allowance for ECL	(140)
Exchange alignment	(2)
As at 31 December 2021 and 1 January 2022	45
Allowance for ECL	26
Exchange alignment	4
As at 31 December 2022	75

Other receivables

An impairment analysis is performed at each reporting date by considering the probability of default. ECL are estimated by applying general approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

The movement of ECL for other receivables during the year are as follows:

	Other receivables RMB'000
At 1 January 2021	1,102
Allowance for ECL	1,038
Exchange alignment	(48)
At 31 December 2021 and 1 January 2022	2,092
Allowance for ECL	10,506
Exchange alignment	140
At 31 December 2022	12,738

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

The following table details the remaining contractual maturities at the end of reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of reporting period) and the earliest date the Group can be required to pay:

	2022					
	Interest rate	**Carrying amount RMB'000**	**Total Contractual undiscounted cash flow RMB'000**	**Within 1 year or on demand RMB'000**	**More than 1 year but less than 2 years RMB'000**	**More than 2 years but less than 5 years RMB'000**
Trade and other payables	**–**	**8,074**	**8,074**	**8,074**	**–**	**–**
Bonds payables	**5.5%-11%**	**57,479**	**72,761**	**5,165**	**5,128**	**62,468**
		65,553	**80,835**	**13,239**	**5,128**	**62,468**

	2021					
	Interest rate	Carrying amount RMB'000	Total Contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
Trade and other payables	–	21,284	21,284	21,284	–	–
Bonds payables	11%	48,241	63,591	17,419	3,819	42,353
		69,525	84,875	38,703	3,819	42,353

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Interest rate risk

The Group's loan receivables and bonds payables bear interests at fixed interest rates which expose the Group to fair value interest rate risks.

The Group's exposure to cash flow interest rate risk mainly arises from its bank deposits. These bank deposits bear interests at floating rates varied with the prevailing market condition.

Except as stated above, the Group does not have other significant interest-bearing assets and liabilities at the end of reporting period, its income and operating cash flows are substantially independent of changes in market interest rates.

Sensitivity analysis on cash flow interest rate risk has not been presented as the reasonably possible changes in market interest rate will not have significant impact on the Group's consolidated financial statement.

(f) Categories of financial instruments

	2022	2021
	RMB'000	RMB'000
Financial assets		
– Financial assets measured at amortised cost	**341,574**	319,306
– Financial assets at FVTPL	**13,048**	23,465
– Financial assets at FVTOCI	**–**	1,047
Financial liabilities		
– Financial liabilities at amortised cost	**65,553**	69,525

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(g) Fair values

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2022 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	Carrying amount as at 31 December 2022 (RMB'000)	Fair value at 31 December 2022 (RMB'000)	Fair value measurements as at 31 December 2022 categorised into		
			Level 1	Level 2	Level 3
Bonds payable	(57,479)	(42,893)	–	–	(42,893)

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2021.

7. FAIR VALUE MEASUREMENTS

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, that is, unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs, that is, observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

For level 3 fair value measurement, the Group engaged an independent professional valuer, with appropriate recognised professional qualifications and recent experience to perform the valuations.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

7. FAIR VALUE MEASUREMENTS *(Continued)*

Disclosures of level in fair value hierarchy

At 31 December 2022	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTPL	**13,048**	**–**	**–**	**13,048**
Financial assets at FVTOCI	**–**	**–**	**–**	**–**

During the year ended 31 December 2021, the fair value measurement of one listed equity security classified as financial assets at FVTPL amounted to RMB552,000 (the "A shares") was transferred from Level 1 to level 3 as the A shares was suspended of trading in the Stock Exchange. During the year ended 31 December 2022, the trading of the A shares was resumed and the fair value measurement of the A shares was transferred from level 3 to level 1 accordingly.

At 31 December 2021	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTPL	23,465	–	–	23,465
Financial assets at FVTOCI	–	–	1,047	1,047

The valuation techniques and the key unobservable input to the Level 3 fair value measurements are set out below:

Financial assets	Fair value at	Fair value hierarchy	Valuation techniques	Significant unobserved inputs
Financial assets at FVTOCI – unlisted equity securities (note 1)	2022: nil (2021: RMB1,047,000)	Level 3	Income approach: The discounted cash flow method	Discount rate at 13% (2021: 18.7%)
Financial assets at FVTPL – suspended listed securities (note 2)	2022: N/A (2021: nil)	Level 3	Cost approach	Discount for lack of marketability at nil (2021: 20.6%)

Note 1: The higher the discount rate, the lower the fair value of the financial assets at FVTOCI.

Note 2: The higher the discount for lack of marketability, the lower the fair value of the financial assets at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

7. FAIR VALUE MEASUREMENTS *(Continued)*

Disclosures of level in fair value hierarchy *(Continued)*

The movements during the years ended 31 December 2022 in the balance of these Level 3 fair value measurements are as follows:

	2022	2021
	RMB'000	RMB'000
Financial assets at FVTOCI:		
At 1 January	**1,047**	3,181
Net unrealised losses recognised in other comprehensive income during the year	**(1,137)**	(2,071)
Exchange realignment	**90**	(63)
At 31 December	**–**	1,047
Financial assets at FVTPL:		
At 1 January	**–**	–
Transferred from level 1	**–**	552
Net unrealised gain/(losses) recognised in profit or loss for the year	**673**	(552)
Transferred to Level 1	**(673)**	–
At 31 December	**–**	–

Any gain or loss arising from the remeasurement of the Group's unlisted equity securities held for strategic purposes are recognised in the financial assets at fair value through other comprehensive income reserve in other comprehensive income. Upon disposal of the unlisted equity securities, the amount accumulated in other comprehensive income would be reclassified directly to accumulated losses.

Any gain or loss arising from the remeasurement of the Group's financial assets at FVTPL are recognised in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

8. REVENUE

Revenue represents (i) the sales value of goods supplied to customers, which net of value added tax and is stated after deduction of goods returns and trade discounts, (ii) interest income earned from the money lending business, (iii) sales of burial plots and (iv) provision of beauty treatment services.

Disaggregation of revenue

Disaggregation of revenue from contracts with customers is as follows:

	2022 **RMB'000**	2021 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines:		
– Sales of electronic parts	**21,204**	22,254
– Sales of burial plots	**–**	8,575
– Provision of beauty treatment services	**8,140**	3,827
	29,344	34,656
Revenue from other sources		
Interest income from money lending	**33,064**	31,015
	62,408	65,671

The Group derives revenue from the transfer of goods and services at a point in time in the following major product lines and geographical regions:

	2022 **RMB'000**	2021 RMB'000
Timing of revenue recognition:		
A point in time	**29,344**	34,656
Geographical market:		
The PRC	**21,204**	27,866
Hong Kong	**8,140**	6,790
	29,344	34,656

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

9. SEGMENT INFORMATION

The executive directors of the Company are identified as the chief operating decision maker (the "CODM") of the Group for the purposes of resources allocation and performance assessment. The information reported to the CODM for the purposes of resources allocation and performance assessment focuses specifically on respective businesses of the Group. The Group's operating and reportable segments are as follows:

(i) the "**Money Lending**" segment engages in interest income earned from the money lending business;

(ii) the "**Electronic Parts**" segment engages in trading of electronic parts business;

(iii) the "**Burial Business**" segment engages in sales of burial plots and related services business and cemetery maintenance service; and

(iv) the "**Beauty Business**" segment engages in provision of non-surgical injection treatments with no upfront payment and sales of the beauty products.

The accounting policies of the operating segments are the same as those described in Note 4 to the consolidated financial statements. There was no inter-segment sale or transfer during the year ended 31 December 2022 (2021: Nil). Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the CODM for assessment of segment performance. Segment assets do not include interests in associates, financial assets at FVTOCI, financial assets at FVTPL, tax recoverable, and other unallocation head office and corporate assets. Segment liabilities do not include tax payables, deferred tax liabilities, bonds payables and other unallocated head office and corporate liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

9. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

	Money Lending		Electronic Parts		Burial Business		Beauty Business		Consolidated	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Revenue										
External sales	33,064	31,015	21,204	22,254	–	8,575	8,140	3,827	62,408	65,671
Result										
Segment result	(4,853)	(3,346)	554	684	(10,506)	1,597	(1,345)	(51)	(16,150)	(1,116)
Unallocated corporate expenses									(492)	(6,771)
Other gains or losses, net									(14,598)	114
(Loss)/gain on fair value change of financial assets at FVTPL									(12,986)	5,956
Realised gain on financial assets at FVTPL									–	50
Unallocated allowance for ECL									–	(1,038)
Impairment loss on interests in associates									(2,540)	(1,170)
Equity-settled share-based payments									(2,101)	–
Loss from operations									(48,867)	(3,975)
Share of results of associates									(19)	162
Finance costs									(4,910)	(5,241)
Loss before tax									(53,796)	(9,054)

Segment assets and liabilities

	Money Lending		Electronic Parts		Burial Business		Beauty Business		Consolidated	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Assets										
Segment assets	325,376	293,772	7,977	8,182	–	9,863	5,523	9,837	338,876	321,654
Unallocated corporate assets									21,764	39,192
									360,640	360,846
Liabilities										
Segment liabilities	559	14,234	1,928	1,471	–	–	–	1,298	2,487	17,003
Unallocated corporate liabilities									63,071	53,468
									65,558	70,471

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

9. SEGMENT INFORMATION *(Continued)*

Other segment information

The following is an analysis of the Group's other segment information:

	Money Lending		Electronic parts		Burial Business		Beauty Business		Unallocated		Consolidated	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Depreciation on property, plant and equipment	**403**	122	**863**	829	**–**	–	**1,355**	433	**–**	214	**2,621**	1,598
Impairment loss on interest in associates	**–**	–	**–**	–	**–**	–	**–**	–	**2,540**	1,170	**2,540**	1,170
Allowance for/(reversal of allowance for) ECL	**17,807**	17,251	**26**	(140)	**10,506**	–	**–**	–	**–**	1,038	**28,339**	18,149
Loss/(gain) on fair value change of financial assets at FVTPL	**–**	–	**–**	–	**–**	–	**–**	–	**12,986**	(5,956)	**12,986**	(5,956)
Realised gain on financial assets at FVTPL	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(50)	**–**	(50)
Impairment loss on goodwill	**–**	–	**–**	1,967	**–**	–	**–**	–	**–**	–	**–**	1,967
Finance costs	**–**	–	**–**	–	**–**	–	**–**	–	**4,910**	5,241	**4,910**	5,241
Additions to property, plant and equipment	**–**	1,160	**–**	–	**–**	–	**–**	8,670	**–**	–	**–**	9,830
Interest income	**(1)**	(1)	**(1)**	(2)	**–**	–	**–**	–	**(62)**	(114)	**(64)**	(117)

The Group's revenue from its major products were disclosed in Note 8 to these consolidated financial statements.

Geographical information

The Group operates in two principal geographical areas, the PRC (excluding Hong Kong) and Hong Kong. The Group's revenue from the external customers by location of operations and information about its non-current assets are detailed below.

	Revenue		Non-current assets*	
	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000	**As at 31 December 2022 RMB'000**	As at 31 December 2021 RMB'000
The PRC	**21,204**	27,866	**–**	–
Hong Kong	**41,204**	37,805	**3,337**	14,300
	62,408	65,671	**3,337**	14,300

* Non-current assets excludes financial instruments.

No customer contribute 10% or more of the total revenue for the years ended 31 December 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

10. OTHER GAINS OR LOSSES, NET

	2022 RMB'000	2021 RMB'000
Bank interest income	**64**	117
Loss on disposal of subsidiaries (Note 22(c))	**(14,214)**	–
Loss on disposal of property, plant and equipment	**(448)**	–
Realised gain on financial assets at fair value through profit or loss	**–**	50
	(14,598)	167

11. LOSS BEFORE TAX

Loss before tax is arrived after charging:

(a) Finance costs

	2022 RMB'000	2021 RMB'000
Interest on bonds payables (Note 28)	**4,910**	5,241

(b) Staff costs (including directors' emoluments)

	2022 RMB'000	2021 RMB'000
Contributions to defined contribution plans	**46**	59
Salaries, wages and other benefits	**2,686**	2,090
Equity-settled share-based payments (Note 31(c))	**2,101**	–
Total staff costs	**4,833**	2,149

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

11. LOSS BEFORE TAX *(Continued)*

(c) Other items

	2022 RMB'000	2021 RMB'000
Depreciation of property, plant and equipment	**2,621**	1,574
Depreciation on right-of-use assets	**–**	24
Auditor's remuneration	**535**	514
Cost of inventories sold	**23,498**	27,486
Short-term lease expense	**953**	264

12. INCOME TAX (CREDIT)/EXPENSE

Income tax (credit)/expense in the consolidated statement of profit or loss and other comprehensive income represents:

	2022 RMB'000	2021 RMB'000
Hong Kong Profits Tax		
– Over-provision in prior year	**–**	(1)
PRC Enterprise Income Tax ("EIT")		
– Over-provision in prior year	**(56)**	(357)
	(56)	(358)
Deferred taxation		
– (Credited)/charged to the consolidated statement of profit or loss and other comprehensive income (Note 27)	**(939)**	901
	(995)	543

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

12. INCOME TAX (CREDIT)/EXPENSE *(Continued)*

notes:

(i) Hong Kong Profits Tax

Under the two-tiered Profits Tax regime, the first HK$2 million of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25% (2021: 8.25%), and profits above that amount will be subject to the tax rate of 16.5% for the year ended 31 December 2022 (2021: 16.5%). The profits of the group entities not qualifying for the two-tiered Profit Tax regime will continue to be taxed at a rate of 16.5% for the year ended 31 December 2022 (2021: 16.5%).

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements since the Group's entities incorporated in Hong Kong have sufficient tax losses brought forward to set off against assessable profit or no assessable profit during the year ended 31 December 2022 (2021: Nil).

(ii) Income taxes outside Hong Kong

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Company and it's subsidiaries registered in the Cayman Islands and the BVI are not subject to any income tax in the Cayman Islands and the BVI, respectively.

The subsidiaries of the Company established in the PRC is generally subject to PRC EIT on its taxable income at an income tax rate of 25% for the year ended 31 December 2022 (2021: 25%).

No provision for the EIT has been made in the consolidated financial statements since the Group's entities incorporated in the PRC have no assessable profit during the year ended 31 December 2022 (2021: Nil).

Reconciliation between tax (credit)/expense and accounting loss at applicable tax rates:

	2022 **RMB'000**	2021 RMB'000
Loss before tax	**(53,796)**	(9,054)
Notional tax on loss before taxation calculation relevant tax rate of 16.5% (2021: 16.5%)	**(8,876)**	(1,494)
Effect of different tax rates of other jurisdictions	**–**	136
Tax effect of income not taxable for tax purpose	**(11)**	(1,037)
Tax effect of non-deductible expenses	**6,818**	1,887
Tax effect of tax losses not recognised	**2,200**	1,633
Tax effect of utilisation of tax losses not previously recognised	**(1,070)**	(224)
Over-provision in prior years	**(56)**	(358)
Income tax (credit)/expense for the year	**(995)**	543

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

13. DIRECTORS' REMUNERATION

Details of the directors' remuneration of the Company for the year, disclosed pursuant to the GEM Listing Rules and Section 383 of the Hong Kong Companies Ordinance, are as follows:

Year ended 31 December 2022

	Directors' Fees RMB'000	Salaries, allowances RMB'000	Discretionary bonus RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors:					
TSUI Annie	–	489	–	16	505
FENG Keming	–	207	–	–	207
Independent non-executive directors:					
MA Sijing	104	–	–	–	104
HO, Yuen Ki	104	–	–	–	104
CHAN, Kwan Yiu	155	–	–	–	155
	363	696	–	16	1,075

Year ended 31 December 2021

	Directors' Fees RMB'000	Salaries, allowances RMB'000	Discretionary bonus RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors:					
TSUI Annie	–	448	37	15	500
FENG Keming	–	199	–	–	199
Independent non-executive directors:					
MA Sijing	99	–	–	–	99
HO, Yuen Ki	99	–	–	–	99
CHAN, Kwan Yiu	150	–	–	–	150
	348	647	37	15	1,047

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

13. DIRECTORS' REMUNERATION *(Continued)*

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

The remuneration of directors including the discretionary bonus is determined having regard to the performance and market trend by the remuneration committee of the Company.

For the years ended 31 December 2022 and 2021, no emolument was paid to the directors as an inducement to join or upon joining the Company or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 December 2022 and 2021.

Save for disclosed in Note 33 to these consolidated financial statements, no significant transaction, arrangement and contract in relation to the Group's business to which the Company was a party and in which the directors of the Company and the directors' connected party had a material interest, whether directly or indirectly, subsisted at the end of the both years or at any time during the both years.

14. INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the five individuals with the highest emoluments, two (2021: two) are directors of the Company whose emoluments are disclosed in Note 13 to the consolidated financial statements. The aggregate of the emoluments in respect of the other three individuals (2021: three) are as follows:

	2022 **RMB'000**	2021 RMB'000
Salaries and other emoluments	**702**	1,002
Retirement scheme contributions	**46**	44
	748	1,046

The emoluments paid or payable to the five highest paid individuals (excluding the directors of the Company) were within the following bands:

	2022	2021
Nil – HK$1,000,000	**3**	3

For the years ended 31 December 2022 and 2021, no emolument was paid by the Group to 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

15. DIVIDEND

The board of directors do not recommend the payment of any dividend for the year ended 31 December 2022 (2021: Nil).

16. LOSS PER SHARE

(a) Basic loss per share

The calculation of the basic loss per share for the year is based on the following data:

	2022 **RMB'000**	2021 RMB'000
Loss		
Loss for the year attributable to the owners of the Company for the purposes of basic loss per share	**(52,801)**	(9,429)

	2022 **'000**	2021 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**314,046**	257,571

(b) Diluted loss per share

Diluted loss per share for the years ended 31 December 2022 and 2021 were same as the basic loss per share as the Company's outstanding share options had no dilutive effect.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

17. PROPERTY, PLANT AND EQUIPMENT

Movement in property, plant and equipment are as follows:

	Furniture and office equipment RMB'000	Machinery and equipment RMB'000	Total RMB'000
Cost			
At 1 January 2021	650	5,747	6,397
Additions	1,160	8,670	9,830
Exchange realignment	(35)	(248)	(283)
At 31 December 2021 and 1 January 2022	1,775	14,169	15,944
Disposals	(4)	(10,572)	(10,576)
Exchange realignment	153	841	994
At 31 December 2022	**1,924**	**4,438**	**6,362**
Accumulated depreciation			
At 1 January 2021	606	3,159	3,765
Charged for the year	141	1,433	1,574
Exchange realignment	(20)	(73)	(93)
At 31 December 2021 and 1 January 2022	727	4,519	5,246
Charged for the year	403	2,218	2,621
Disposals	(4)	(3,244)	(3,248)
Exchange realignment	75	278	353
At 31 December 2022	**1,201**	**3,771**	**4,972**
Net carrying amounts			
At 31 December 2022	**723**	**667**	**1,390**
At 31 December 2021	1,048	9,650	10,698

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

18. GOODWILL

	2022 RMB'000	2021 RMB'000
Cost		
At 1 January	**224,694**	225,040
Written-off	**(213,259)**	–
Exchange realignment	**990**	(346)
At 31 December	**12,425**	224,694
Accumulated impairment losses		
At 1 January	**224,694**	223,043
Impairment loss for the year	**–**	1,967
Written-off	**(213,259)**	–
Exchange realignment	**990**	(316)
At 31 December	**12,425**	224,694
Net carrying amounts		
At 31 December	**–**	–

Particular of impairment assessment on goodwill are disclosed below:

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

– Biomass fuel products business (the "Biomass CGU")

– Processing and trading of electronic part business (the "Electronic CGU")

The carrying amount of goodwill was allocated to cash-generating units as follows:

	2022 RMB'000	2021 RMB'000
The Biomass CGU (note (a))	**–**	–
The Electronic CGU (note (b))	**–**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

18. GOODWILL *(Continued)*

notes:

(a) During the year ended 31 December 2022, the goodwill allocated to the Biomass CGU was written-off due to cessation and disposal of the Biomass CGU as part of the Group's business strategy plans to improve its overall liquidity.

(b) As at 31 December 2021, the recoverable amount of the Electronic CGU determined based on a value in use calculation which uses cash flow projection based on financial budgets approved by the directors of the Company and valued by the independent professional valuer covering a five-year period and pre-tax discount rate.

The key assumptions used in the value-in-use calculations of the Electronic CGU are as follows:

	2021
EBITDA margin (average of next five years)	3.2%
Long term growth rate	2.0%
Discount rate	13.2%

Management determined the earning before income tax, finance cost, depreciation and amortisation ("EBITDA margin") based on past performance and its expectations regarding market development. The long-term growth rate does not exceed the long-term average growth rate for the industry and the country in which the Electronic CGU currently operates. The discount rate used is pre-tax and reflects specific risks relating to the Electronic CGU.

As at 31 December 2021, the Group has assessed the recoverable amount of Electronic CGU amounting to approximately RMB1,436,000, which is lower than the aggregate carrying amount of goodwill and related property, plant and equipment allocated to the Electronic CGU. Accordingly, an impairment loss on goodwill of approximately RMB1,967,000 was recognised in the Group's consolidated statement of profit or loss during the year ended 31 December 2021 on the basis of material decline in the recoverable amount and the expectation of challenging market environment in which the processing and trading of electronic part business operated.

As at 31 December 2022 and 2021, the carrying amount of the goodwill allocated to the Electronic CGU was fully impaired and an accumulated impairment losses were approximately RMB12,425,000 and RMB11,435,000, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

19. RIGHT-OF-USE ASSETS

	Leased properties RMB'000
Cost	
At 1 January 2021	147
Exchange realignment	(5)
At 31 December 2021 and 1 January 2022	142
Written-off	(142)
At 31 December 2022	–
Accumulated depreciation and impairment losses	
At 1 January 2021	130
Provided for the year	24
Exchange realignment	(12)
At 31 December 2021 and 1 January 2022	142
Written-off	(142)
At 31 December 2022	–
Net carrying amounts	
At 31 December 2022	–
At 31 December 2021	–

During the year ended 31 December 2021, the Group leases properties for self-use. Lease contracts are entered into for lease term of 2 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The lease agreement do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing.

Depreciation expense has been included in the profit and loss as follows:

	2022 **RMB'000**	2021 RMB'000
General and administrative expenses	–	24

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 **RMB'000**	2021 RMB'000
Financial assets at FVTOCI		
– Unlisted equity investments (notes)	–	1,047

notes:

(1) The Company, through its wholly-owned subsidiary, holds 5.4% equity Interest in Peak Zone Group Limited ("Peak Zone") at the end of reporting period, which were classified as financial assets at FVTOCI. Peak Zone is principally engaged in the provision of integrated application. The 5.4% equity interest in Peak Zone which are not held for trading and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant. No dividends were received on this investment during the year ended 31 December 2022 (2021: Nil).

(2) The directors of the Company determined the fair value of the financial assets at FVTOCI by reference to the valuation performed by independent qualified valuer. Details of fair value measurement and valuation techniques are set out in Note 7 to the consolidated financial statements.

21. INTERESTS IN ASSOCIATES

	RMB'000
At 1 January 2021	4,734
Share of post-acquisition results and other comprehensive income, net of dividend received	48
Less: Impairment loss on interests in associates	(1,170)
Exchange realignment	(10)
At 31 December 2021 and 1 January 2022	3,602
Share of post-acquisition results and other comprehensive income, net of dividend received	726
Less: Impairment loss on interests in associates	(2,540)
Exchange realignment	159
At 31 December 2022	**1,947**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

21. INTERESTS IN ASSOCIATES *(Continued)*

As at 31 December 2022 and 2021, the Group had interests in the following associates:

Name of entity	Form of entity, place of incorporation/ registration and operations	Particulars of issued and fully paid share capital/ registered capital	Percentage of equity attributable to the Group 2022	Percentage of equity attributable to the Group 2021	Percentage of voting power hold 2022	Percentage of voting power hold 2021	Principal activities
Sincere Smart International Limited	Incorporated in the BVI	50,000 ordinary shares of US$1 each	**22.5%**	22.5%	**22.5%**	22.5%	Investment holding
Ideal Surplus Inc Limited	Incorporated in Hong Kong	10,000 ordinary shares	**22.5%**	22.5%	**22.5%**	22.5%	Provision of cloud platforms application and solution

The summarised financial information in respect of the Group's associates is set out below:

	2022 RMB'000	2021 RMB'000
Total assets	**36,407**	33,873
Total liabilities	**(16,019)**	(16,712)
Net assets	**20,388**	17,161
Net asset attributable to the Group	**4,587**	3,861
Goodwill	**60,962**	56,102
Accumulated impairment loss	**(63,602)**	(56,361)
Carrying amount	**1,947**	3,602
Revenue	**6,155**	6,643
(Loss)/profit for the year	**(83)**	720
Group's share of (loss)/profit of associates	**(19)**	162
Group's share of other comprehensive income/(loss)	**745**	(114)
Group's share of total comprehensive income	**726**	48

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

21. INTERESTS IN ASSOCIATES *(Continued)*

Particular of impairment assessment on interests in associates are disclosed below:

Interests in associates has been allocated for impairment assessment purposes to the provision of cloud platforms application and solutions business cash-generating unit (the "Cloud Platforms CGU").

As at 31 December 2022 and 2021, the recoverable amount of the Cloud Platforms CGU has been determined based on a value-in-use calculation which uses cash flow projection based on financial budgets approved by the directors of the Company and valued by the independent professional valuer covering a five-year period, and pre-tax discount rate. Cash flows beyond that five-year period have been extrapolated using the estimated growth rate stated below.

The key assumptions used in the value-in-use calculations are as follows:

	2022	2021
EBITDA margin (average of next five years)	**5.52%**	23.2%
Long term growth rate	**–**	2.5%
Discount rate	**20%**	22.1%

Management determined the earning before income tax, finance cost, depreciation and amortisation ("EBITDA margin") based on past performance and its expectations regarding market development. The long-term growth rate does not exceed the long-term average growth rate for the industry and the country in which the Cloud Platforms CGU currently operates. The discount rate used is pre-tax and reflects specific risks relating to the Cloud Platforms CGU.

The management of the Group have assessed the recoverable amount of the Cloud Platforms CGU amounting to approximately RMB1,947,000 (2021: RMB3,602,000) which is lower than its carrying value as at 31 December 2022. Accordingly, an impairment loss on interest in associates of approximately RMB2,540,000 (2021: approximately RMB1,170,000) was recognised in the Group's consolidated statement of profit or loss for the year ended 31 December 2022 on the basis of material decline in the recoverable amount and the expectation of challenging market environment in which the associates operated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

22. PARTICULARS OF SUBSIDIARIES

(a) The particulars of material subsidiaries of the Company at 31 December 2022 and 2021 is as follows:

Name of company	Place of incorporation/ business and operation	Particulars of issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power held by the Company Directly	Indirectly	Principal activities
Premium Stars Investments Limited	BVI, limited liabilities company	50,000 ordinary shares	–	100%	Investment holding
Marvel Value Limited	BVI, limited liabilities company	1 ordinary share	–	100%	Investment holding
Create Profit Enterprises Limited	Hong Kong, limited liabilities company	10,000 ordinary shares	–	100%	Finance and money lending
Leader Joy International Limited	Hong Kong, limited liabilities company	1 ordinary share	–	100%	Provision of beauty treatment services
Hong Kong Leap Trading Co. Limited	Hong Kong, limited liabilities company	10,000 ordinary shares	–	100%	Processing and trading of electronic parts
百抖網路(深圳)有限公司*	The PRC, limited liabilities company	Registered and paid up capital of RMB1,000,000	–	100%	Burial business
德慶縣炬林環保新能源開發有限公司(“炬林環保”)** (Note c)	The PRC, limited liabilities company	Registered and paid up capital of RMB3,000,000	–	– (2021: 51%)	Inactive

The above table lists the subsidiaries of the Group, which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. The directors of the Company are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length.

* The subsidiary is a foreign wholly-owned enterprise established in the PRC.

** The subsidiary is a domestic-owned enterprise estabished in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

22. PARTICULARS OF SUBSIDIARIES *(Continued)*

(b) Detail of non-wholly owned subsidiary that has material non-controlling interests as follows:

Name of subsidiary	Place of incorporation/ business and operation	Proportion of ownership interests and voting right held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2022	2021	**2022 RMB'000**	2021 RMB'000	**2022 RMB'000**	2021 RMB'000
炬林環保	The PRC, limited company	–	49%	–	(168)	–	(13,553)

	2021 RMB'000
Current assets	2
Non-current assets	139
Current liabilities	(27,800)
Equity attributes to owners of the Company	(14,106)
Non-controlling interests	(13,553)
Revenue	–
Expenses	(343)
Loss for the year	(343)
Total comprehensive loss attributable to owners of the Company	(175)
Total comprehensive loss attributable to the non-controlling interests	(168)
Total comprehensive loss for the year	(343)
Net cash used in operating activities and net cash outflow	(2)

炬林環保 was disposed during the year ended 31 December 2022. Details of the disposal are set out in Note 22(c) to these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

22. PARTICULARS OF SUBSIDIARIES *(Continued)*

(c) Disposal of subsidiaries

On 1 January 2022, the Group entered into an agreement to dispose of the entire equity interest of its wholly owned subsidiary, Double Win International Investment Limited and its subsidiaries ("Disposal Group"), to an independent third party with a consideration of RMB10,000. The transaction was completed on 1 January 2022.

Net assets of the Disposal Group at the date of disposal were as follows:

	2022 RMB'000
Other receivables	671
Net assets disposal of	671
Non-controlling interest	13,553
Loss on disposal of subsidiaries	(14,214)
Total consideration	10
Consideration satisfied by:	
Consideration receivable	10

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

23. TRADE, LOAN AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2022 RMB'000	2021 RMB'000
Trade receivables	**5,442**	4,034
Other receivables	**8,620**	13,871
Rental and other deposits	**4,679**	4,306
Prepayments	**2,483**	2,530
	21,224	24,741
Loan receivables		
– Non-current	**119,156**	153,677
– Current	**199,313**	137,805
	318,469	291,482
	339,693	316,223

(i) Trade receivables

Ageing analysis of the trade receivables are based on invoice date of trade receivables as of the end of the reporting period:

	2022 RMB'000	2021 RMB'000
0 to 30 days	**1,699**	942
31 to 60 days	**3,342**	485
61 to 90 days	**476**	2,434
Over 90 days	**–**	218
	5,517	4,079
Less: allowance for ECL	**(75)**	(45)
	5,442	4,034

Customers are generally granted with credit term of 90-120 days (2021: 90-120 days) during the year ended 31 December 2022.

Details of allowance for ECL assessment of trade receivables for the years ended 31 December 2022 and 2021 are set out in Note 6(c) to these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

23. TRADE, LOAN AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS *(Continued)*

(ii) Loan receivables

The maturity profile of these loan receivables, at the end of the reporting period, analysed by the contracts maturity days, is as follows:

	2022 RMB'000	2021 RMB'000
0 to 30 days	**29,540**	36,589
31 to 60 days	**25,995**	18,081
61 to 90 days	**49,373**	6,374
91 to 180 days	**81,161**	49,551
181 to 365 days	**89,711**	79,963
Over 365 days	**123,598**	158,542
	399,378	349,100
Less: allowance for ECL	**(80,909)**	(57,618)
	318,469	291,482

The Group's loan receivables, which arise from the money lending business in Hong Kong, are denominated in Hong Kong dollars ("HK$").

The loan receivables from independent borrowers bear fixed interest rates ranging from 6% to 15% (2021: 8% to 15%) per annum and repayable according to the respective loan agreements.

Details of allowance for ECL assessment of loan receivables for the years ended 31 December 2022 and 2021 are set out in Note 6(c) to these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 RMB'000	2021 RMB'000
Listed securities:		
– Equity securities listed in Hong Kong	**13,048**	23,465

Except for the A Shares, financial assets at fair value through profit or loss for trading purpose measured at fair values under IFRS 9 are determined with reference to quoted market bid prices at 31 December 2022 and 2021. Details of the fair value measurement and valuation techniques of the A Shares are set out in Note 7 to the consolidated financial statements.

Financial assets at FVTPL are denominated in HK$.

25. CASH AND BANK BALANCES

	2022 RMB'000	2021 RMB'000
Cash and bank balance, denominated in		
– Hong Kong dollars and United States dollars	**4,363**	5,611
– Renminbi	**1**	2
Cash and cash equivalents in consolidated statement of financial position and consolidated statement of cash flows	**4,364**	5,613

Cash and bank balances of approximately RMB1,000 (2021: approximately RMB2,000) are denominated in Renminbi. Renminbi is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government. However, the Group is able to exchange RMB into other currencies through bank authorised to conduct exchange business. Cash at banks earn interest at floating rates based on daily bank deposits rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

26. TRADE AND OTHER PAYABLES

	2022 **RMB'000**	2021 RMB'000
Trade payables	**1,932**	1,474
Accrued expenses and other payables	**6,142**	19,810
	8,074	21,284

Included in trade payables are trade creditors with the following ageing analysis based on the invoice date:

	2022 **RMB'000**	2021 RMB'000
0 to 30 days	**837**	150
Over 30 days	**1,095**	1,324
	1,932	1,474

The average credit period on purchases of goods is 60-90 days during the year ended 31 December 2022 (2021: 60-90 days).

All trade and other payables are denominated in HK$ and RMB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

27. DEFERRED TAX LIABILITIES

	Accelerated tax depreciation RMB'000
At 1 January 2021	–
Charged to the consolidated statement of profit or loss and the other comprehensive income (Note 12)	901
Exchange realignment	(13)
At 31 December 2021 and 1 January 2022	888
Credited to the consolidated statement of profit or loss and the other comprehensive income (Note 12)	(939)
Exchange realignment	51
At 31 December 2022	–

Save as above, no deferred tax assets has been recognised in relation to the deductible temporary difference and tax losses as it is not probable that taxable profit will be available against which the deductible temporary difference and tax losses can be utilised in the foreseeable future. As at 31 December 2022, the Group has tax losses of approximately RMB31,316,000 (2021: approximately RMB24,470,000), which do not expire under current tax legislation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

28. BONDS PAYABLES

	Bond 1 RMB'000	Bond 2 RMB'000	Bond 3 RMB'000	Total RMB'000
At 1 January 2021	13,278	36,421	–	49,699
Interest charged	1,367	3,874	–	5,241
Interest paid	(1,367)	(3,874)	–	(5,241)
Exchange realignment	(389)	(1,069)	–	(1,458)
At 31 December 2021 and 1 January 2022	12,889	35,352	–	48,241
Issue of bond	–	–	17,353	17,353
Transaction cost on issue of bond	–	–	(86)	(86)
Interest charged	356	4,036	518	4,910
Interest paid	(356)	(3,272)	–	(3,628)
Settlement	(13,622)	–	–	(13,622)
Exchange realignment	733	3,081	497	4,311
At 31 December 2022	–	39,197	18,282	57,479

The bonds are repayable:

	2022 **RMB'000**	2021 RMB'000
Within 1 year	**–**	12,889
More than one year, but not exceeding two years	**–**	–
More than two year, but not exceeding five years	**57,479**	35,352
	57,479	48,241

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

28. BONDS PAYABLES *(Continued)*

Notes:

Bond 1:

On 12 July 2019, the Company issued unsecured bonds ("Bond 1") to independent third parties with principal amount of HK$15,000,000 (approximately RMB13,448,000). Bond 1 bears interest at 11% per annum and has a maturity period of 3 years from the date of issue. The amount is fully settled during the year ended 31 December 2022.

Bond 2:

On 1 November 2020, the Company issued unsecured bonds ("Bond 2") to independent third parties with principal amount of HK$42,500,000 (approximately RMB37,830,000) and the proceeds from the issue of Bond 2 amounting to HK$32,651,000 (equivalent to approximately RMB29,064,000) was used to settle the bond issued on 12 January 2018 of approximately HK$32,651,000 (equivalent to approximately RMB29,064,000). After settlement, the net proceeds of approximately HK$9,849,000 (equivalent to approximately RMB8,766,000 net of transaction costs) was received from the issue of Bond 2 by the Group during the year ended 31 December 2020.

Bond 2 bears interest at 11% per annum and has a maturity period of 5 years from the date of issue.

Bond 3:

On 16 June 2022, the Company issued unsecured bonds ("Bond 3") to independent third parties with principal amount of HK$20,000,000 (approximately RMB17,353,000). Bond 3 bears interest at 5.5% per annum and has a maturity period of 5 years from the date of issue.

Bond 1, Bond 2 and Bond 3 are subsequently measured at amortised cost using effective interest rate of 11%, 11% and 5.5% per annum respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

29. CAPITAL AND RESERVES

(a) Share capital

(i) Authorised and issued share capital

	Number of shares '000	Nominal value HK$'000
Authorised:		
At 1 January 2021, ordinary share of HK$0.20 each	5,000,000	1,000,000
Sub-division (Note 1)	95,000,000	–
At 31 December 2021, 1 January 2022 and 31 December 2022, ordinary share of HK$0.01 each	**100,000,000**	**1,000,000**

	Number of shares '000	Nominal value of ordinary shares HK$'000	RMB'000
Ordinary share, issued and fully paid:			
At 1 January 2021, ordinary share of HK$0.20 each	257,571	51,514	43,630
Capital reduction (Note 1)	–	(48,939)	(40,855)
At 31 December 2021 and 1 January 2022, ordinary share of HK$0.01 each	257,571	2,575	2,775
Placing of new shares (Note 2)	51,500	515	439
Issue of shares upon exercise of share options (Note 3)	47,000	470	400
At 31 December 2022, ordinary share of HK$0.01 each	356,071	3,560	3,614

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

29. CAPITAL AND RESERVES *(Continued)*

(a) Share capital *(Continued)*

(i) Authorised and issued share capital *(Continued)*

notes:

1. Pursuant to a special resolution passed by the shareholders of the Company at an extraordinary general meeting on 5 October 2020, the issued share capital of the Company was reduced by cancelling paid up capital to the extent of HK$0.19 on each of the shares in issue such that the nominal value of all the issued shares be reduced (the "Capital Reduction") from HK$0.20 each to HK$0.01 each. Immediately following the Capital Reduction becoming effective, each of the authorised but unissued shares with par value of HK$0.20 each were sub-divided into 20 shares with par value of HK$0.01 each (the "Sub-division"). Upon the Capital Reduction and the Sub-division (collectively referred to as the "Capital Reorganisation") becoming effective, the authorised share capital of the Company was HK$1,000,000,000, divided into 100,000,000,000 ordinary shares of HK$0.01 each and the issued share capital of the Company was approximately HK$2,575,000 (equivalent to approximately RMB2,775,000), divided into 257,572,058 ordinary shares of HK$0.01 each. The Capital Reorganisation was completed on 29 January 2021.

2. On 5 May 2022, the Group announced that a placing agreement has been entered with the Company and the placing agent. An aggregate of 51,500,000 shares have been successfully placed at HK$0.22 per placing share. The placing have been completed on 23 May 2022. The net proceeds received by the Company from the placing of new shares were approximately HK$11,046,000 (equivalent to approximately RMB9,413,000), among which approximately RMB439,000 were credited to the share capital account and the balance of approximately RMB8,974,000 were credited to the share premium account.

3. On 13 May 2022 and 29 June 2022, 21,400,000 and 25,600,000 share options were exercised at the exercise price of HK$0.20 and HK$0.25 per share, respectively. The net consideration received from the issuance of 47,000,000 shares of HK$0.01 each was approximately HK$10,680,000 (equivalent to approximately RMB8,990,000), of which RMB400,000 was credited to issued share capital. The remaining balance of RMB8,590,000 was credited to the share premium account. In addition, amount attributable to the related share options of approximately RMB3,505,000 has been transferred from share option reserve to the share premium account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

29. CAPITAL AND RESERVES *(Continued)*

(b) Nature and purpose

(i) Share premium

Share premium represents the share premium of the Company, the application of which is governed by the Companies Law of the Cayman Islands. Under the Companies Law (2000 revision) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of the business.

(ii) Capital reduction reserve

Pursuant to a special resolution passed on 15 July 2015, the issued share capital of the Company was reduced by cancelling paid up capital to the extent of HK$0.099 on each of the shares in issue such that the nominal value of all the issued shares be reduced (the "Issued Capital Reduction") from HK$0.10 each to HK$0.001. Immediately following the Issued Capital Reduction, each of the authorised but unissued shares with par value of HK$0.10 each had been subdivided into one hundred (100) unissued new shares of HK$0.001 ("Authorised Capital Reduction"). Upon the Issued Capital Reduction and the Authorised Capital Reduction becoming effective, the authorised share capital of the Company was HK$1,000,000,000, divided into 1,000,000,000,000 ordinary shares of HK$0.001 each. The Issued Capital Reduction and the Authorised Capital Reduction were completed on 16 October 2015.

Details of the Capital Reduction, Sub-division and Capital Reorganisation pursuant to a special resolution passed on 5 October 2020 are set out in Note 29(a) to these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

29. CAPITAL AND RESERVES *(Continued)*

(b) Nature and purpose *(Continued)*

(iii) Share-based compensation reserve

Share-based compensation reserve comprises the portion of the grant date fair value of unexercised share options granted to employees, directors of the Company and other service providers that has been recognised in accordance with the accounting policy adopted for share-based payments in Note 4(p) to these consolidated financial statements.

(iv) Financial assets at FVTOCI reserve

The fair value reserve of financial assets at FVTOCI comprises the cumulative net changes in the fair value of equity instruments designated as measured at FVTOCI in accordance with the accounting policy adopted for equity/debt instruments designated at FVTOCI.

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 4(e) to these consolidated financial statements.

(vi) Contribution surplus

The contribution surplus of the Company represents the difference between the aggregate nominal value of the share capital issued by the Company and the net asset value of subsidiaries acquired through an exchange of shares.

Under the Companies Law (2000 Revision) of the Cayman Islands, contribution surplus is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of contribution surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued capital account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

29. CAPITAL AND RESERVES *(Continued)*

(c) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The capital structure of the Group consists of (i) cash and cash equivalents; (ii) debts and (iii) capital, which comprises all components of equity.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. In order to balance its overall capital structure, the Group may issue new shares, raise new debt financing or sell assets to reduce debt.

The Group monitors its capital structure on the basis of gearing ratio. The Group's gearing ratio as at 31 December 2022 is 18.2% (2021: 19.5%), which is calculated by dividing total liabilities of approximately RMB65,558,000 (2021: approximately RMB70,471,000) over the total assets of approximately RMB360,640,000 (2021: approximately RMB360,846,000).

There were no changes in the Group's approach to capital management during the year.

The externally imposed capital requirements for the Group is in order to maintain its listing on the Stock Exchange it has to have a public float at least 25% of the shares. The Group receives a report from the share registrars showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

30. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENTS OF THE COMPANY

Statement of financial position of the Company

	Note	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment		–	–
Investments in subsidiaries		–	–
		–	–
Current assets			
Other receivables, prepayments and deposits		5,804	5,271
Amounts due from subsidiaries		57,359	171,791
Cash and bank balances		587	340
		63,750	177,402
Current liabilities			
Other payables		4,489	3,220
Bonds payables		–	12,889
		4,489	16,109
Net current assets		59,261	161,293
Total assets less current liabilities		59,261	161,293
Non-current liability			
Bonds payables		57,479	35,352
Net assets		1,782	125,941
Capital and reserves			
Share capital	29	3,614	2,775
Reserves		(1,832)	123,166
Total equity		1,782	125,941

Approved by the Board of Directors on 31 March 2023 and are signed on its behalf by:

Tsui Annie
Director

Feng Keming
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

30. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENTS OF THE COMPANY *(Continued)*

Reserves movements of the Company

	Share capital	Share premium	Contribution surplus	Capital reduction reserve	Share-based compensation reserve	Exchange reserve	Accumulated losses	Total
		Note 29b(i)	Note 29b(vi)	Note 29b(ii)	Note 29b(iii)	Note 29b(v)		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	43,630	358,848	56,774	495,170	1,432	14,196	(836,431)	133,619
Profit for the year	–	–	–	–	–	–	10,635	10,635
Exchange differences on other translating into presentation currency	–	–	–	–	–	(18,313)	–	(18,313)
Total comprehensive income/(loss) for the year	–	–	–	–	–	(18,313)	10,635	(7,678)
Capital reduction (Note 29(a))	(40,855)	–	–	40,855	–	–	–	–
At 31 December 2021 and 1 January 2022	2,775	358,848	56,774	536,025	1,432	(4,117)	(825,796)	125,941
Loss for the year	–	–	–	–	–	–	(160,892)	(160,892)
Exchange differences on other translating into presentation currency	–	–	–	–	–	16,229	–	16,229
Total comprehensive income/(loss) for the year	–	–	–	–	–	16,229	(160,892)	(144,663)
Recognition of equity-settled share-based payments (Note 31)	–	–	–	–	2,101	–	–	2,101
Placing of new Shares (Note 29(a))	439	8,974	–	–	–	–	–	9,413
Issue of share upon exercise of share options (Note 31)	400	12,095	–	–	(3,505)	–	–	8,990
Release upon lapse of share options (Note 31)	–	–	–	–	(16)	–	16	–
At 31 December 2022	3,614	379,917	56,774	536,025	12	12,112	(986,672)	1,782

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

31. EQUITY SETTLED SHARE-BASED TRANSACTIONS

On 15 September 2019, the Company has adopted a share option scheme (the "Scheme") whereby the directors of the Company are authorised, at their discretion, to invite eligible participants of the Group, including the employees and directors of any companies in the Group, to take up options at HK$1 consideration to subscribe for shares of the Company.

The Scheme remains in force for a period of 10 years from the adoption of the Scheme. Options granted must be accepted within 21 days from the date of the offer of grant of the option. The purpose of the Scheme is to provide incentives and/or rewards to eligible participants for their contributions to, and continuing efforts to promote the interests of the Company. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

The maximum number of shares in respect of which share options may be granted under the Scheme shall be 214,652,058 shares, approximately 10% of the shares in issue as at 15 November 2019. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes, must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

The exercise price must be at least the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of grant; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares on the date of offer of the grant.

The option period is determined by the directors of the Company provided that it is not later than 10 years from the date the directors of the Company makes an offer of the grant of an option subject to the provision for early termination. There is no specified minimum period under the Scheme for which an option must be held or the performance target which must be achieved before an option can be exercised under the terms of the Scheme.

(a) The terms and conditions of the grants are as follows:

	Number of share options	Vesting conditions	Contractual life of options
Option granted on 8 October 2020	21,460,000	Immediately from the date of grant	2 years
Option granted on 8 April 2022	25,757,000	Immediately from the date of grant	2 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

31. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(a) The terms and conditions of the grants are as follows: *(Continued)*

For the year ended 31 December 2022

Details of grantees	Date granted	Period during which options are exercisable	Outstanding as at 1 January 2022	Granted during the year	Exercised/ cancelled/ lapsed during the year	Outstanding as at 31 December 2022	Exercise price per share	Closing price per share immediately before the date of grant
Category: Directors								
Ms. Tsui Annie	8 October 2020	8 October 2020 to 7 October 2022	2,146,000	–	(2,146,000)	–	HK$0.20	HK$0.17
Mr. Feng Keming	8 October 2020	8 October 2020 to 7 October 2022	2,146,000	–	(2,146,000)	–	HK$0.20	HK$0.17
Ms. Ho Yuen Ki	8 October 2020	8 October 2020 to 7 October 2022	2,146,000	–	(2,146,000)	–	HK$0.20	HK$0.17
Category: Employees								
Employees	8 October 2020	8 October 2020 to 7 October 2022	15,022,000	–	(15,022,000)	–	HK$0.20	HK$0.17
	8 April 2022	8 April 2022 to 7 April 2024	–	25,757,000	(25,600,000)	157,000	HK$0.25	HK$0.25
			21,460,000	25,757,000	(47,060,000)	157,000		

Note: All share options granted were vested immediately.

For the year ended 31 December 2021

Details of grantees	Date granted	Period during which options are exercisable	Outstanding as at 1 January 2021	Granted during the year	Exercised/ cancelled/ lapsed during the year	Outstanding as at 31 December 2021	Exercise price per share	Closing price per share immediately before the date of grant
Category: Directors								
Ms. Tsui Annie	8 October 2020	8 October 2020 to 7 October 2022	2,146,000	–	–	2,146,000	HK$0.20	HK$0.17
Mr. Feng Keming	8 October 2020	8 October 2020 to 7 October 2022	2,146,000	–	–	2,146,000	HK$0.20	HK$0.17
Ms. Ho Yuen Ki	8 October 2020	8 October 2020 to 7 October 2022	2,146,000	–	–	2,146,000	HK$0.20	HK$0.17
Category: Employees								
Employees	8 October 2020	8 October 2020 to 7 October 2022	15,022,000	–	–	15,022,000	HK$0.20	HK$0.17
			21,460,000	–	–	21,460,000		

Note: All share options granted were vested immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

31. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(b) Movement in the number and weighted average exercise prices of share options are as follows:

	2022		2021	
	Weighted average exercise price (per share) HK$	Number of options '000	Weighted average exercise price (per share) HK$	Number of options '000
Outstanding at the beginning of year	0.20	21,460	0.20	21,460
Granted during the year	0.25	25,757	–	–
Exercised during the year	0.23	(47,000)	–	–
Lapsed during the year	0.20	(60)	–	–
Outstanding at the end of year	0.25	157	0.20	21,460
Exercisable at the end of year	0.25	157	0.20	21,460

As at 31 December 2022, the weighted average remaining contractual life of the share option is 1.25 (2021: 0.77) years.

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. During the year ended 31 December 2022, 25,757,000 (2021: Nil) shares options were granted to employees of the Group. The estimate of the fair value of the share options granted is measured based on a binomial option pricing model.

Fair value of share options granted during the years ended 31 December 2022 and 2020 and assumptions

	2022 Employees	2020 Directors	2020 Employees
Fair value of each share option at grant date	HK$0.0945	HK$0.0863	HK$0.0718
Share price of each share at grant date	HK$0.25	HK$0.17	HK$0.17
Exercise price of each share option	HK$0.25	HK$0.20	HK$0.20
Expected volatility	90.18%	124.719%	124.719%
Option life	2 years	2 years	2 years
Expected dividend yield	0%	0%	0%
Risk-free interest rate	1.943%	0.107%	0.107%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

31. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(c) Fair value of share options and assumptions *(Continued)*

The expected volatility is based on the historical volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. The assumptions used in computing the fair value of the share options are based on management's best estimate. Changes in the subjective input assumptions could materially affect the fair value estimate.

The equity-settled share based payment charged to profit or loss was approximately RMB2,101,000 (2021: Nil) for the year ended 31 December 2022.

During the year ended 31 December 2022, 60,000 (2021: Nil) share options was lapsed and share option reserve of approximately RMB16,000 (2021: Nil) was reclassified to accumulated losses.

There was no market vesting condition or non-market performance condition associated with the options granted.

32. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap monthly relevant income of HK$30,000. Contributions to the scheme vest immediately.

Under the MPF Scheme, retirement benefits of existing and retired employees are payable by the relevant scheme administrators and the Group has no further obligations beyond the annual contributions.

The employees in the PRC are members of state-managed retirement benefit scheme operated by the PRC government. The Company's subsidiary operating in the PRC is required to contribute a certain percentage of payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the scheme is to make the required contribution under the scheme.

During the years ended 31 December 2022 and 2021, the Group had no forfeited contributions under the MPF Scheme and the retirement benefit scheme in the PRC that might be used by the Group to reduce the existing level of contributions.

For the year ended 31 December 2022, the aggregate amount of the Group's contributions to the aforementioned schemes was approximately RMB46,000 (2021: approximately RMB59,000) which was included in the staff costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

33. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group has the following material related party transactions:

Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in Note 13, is as follows:

	2022 **RMB'000**	2021 RMB'000
Short-term employees benefit	**1,059**	1,032
Retirement scheme contributions	**16**	15
Total	**1,075**	1,047

Total remuneration is included in "staff cost" (see Note 11(b)).

34. COMMITMENTS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Lease liabilities RMB'000	Bonds payables RMB'000	Total RMB'000
At 1 January 2021	25	49,699	49,724
Non-cash changes:			
– Interest expenses	–	5,241	5,241
Changes from financing cash flows:			
– Interest paid	–	(5,241)	(5,241)
– Repayment of lease liabilities	(25)	–	(25)
Currency realignment	–	(1,458)	(1,458)
At 31 December 2021 and 1 January 2022	–	48,241	48,241
Non-cash changes:			
– Interest expenses	–	4,910	4,910
Changes from financing cash flows:			
– Interest paid	–	(3,628)	(3,628)
– Repayment of bonds payables	–	(13,622)	(13,622)
– Proceeds from issue of bond	–	17,353	17,353
– Transaction cost on issue of bond	–	(86)	(86)
Currency realignment	–	4,311	4,311
At 31 December 2022	**–**	**57,479**	**57,479**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2022

36. NON-CASH TRANSACTIONS

During the year ended 31 December 2022, the Group disposed certain property, plant and equipment with a consideration of RMB6,880,000. The amount is still not yet settle and recognised in other receivables as at the year ended 31 December 2022.

37. OPERATING LEASE ARRANGEMENTS

The Group as lessee

The Group regularly entered into short-term leases for leases properties. As at 31 December 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in Note 11.

FIVE YEAR FINANCIAL SUMMARY

Consolidated results

	Year ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**62,408**	65,671	52,824	63,065	74,676
Loss before tax	**(53,796)**	(9,054)	(25,393)	(25,261)	(10,132)
Income tax credit/(expense)	**995**	(543)	(195)	(52)	377
Net loss for the year	**(52,801)**	(9,597)	(25,588)	(25,313)	(9,755)
Attributable to:					
Owners of the Company	**(52,801)**	(9,429)	(25,571)	(25,050)	(9,563)
Non-controlling interests	**–**	(168)	(17)	(263)	(192)
	(52,801)	(9,597)	(25,588)	(25,313)	(9,755)

	As at 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**122,493**	169,024	138,626	117,418	99,261
Current assets	**238,147**	191,822	228,270	289,171	330,425
Current liabilities	**(8,079)**	(34,231)	(6,850)	(13,814)	(18,264)
Net current assets	**230,068**	157,591	221,420	275,357	312,161
Non-current liabilities	**(57,479)**	(36,240)	(49,699)	(44,026)	(42,865)
Net assets	**295,082**	290,375	310,347	348,749	368,557