

APPENDIX I

ACCOUNTANT’S REPORT

The following is the text of a report set out on pages I-1 to I-3, received from the Company’s reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200, Accountants’ Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[DRAFT]

[Letterhead of PricewaterhouseCoopers]

ACCOUNTANT’S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BEST LINKING GROUP HOLDINGS LIMITED AND GOLDLINK CAPITAL (CORPORATE FINANCE) LIMITED

Introduction

We report on the historical financial information of Best Linking Group Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-4 to I-50, which comprises the consolidated balance sheets as at 31 December 2020, 2021 and 2022, the balance sheets of the Company as at 31 December 2020, 2021 and 2022, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2020, 2021 and 2022 (the “**Track Record Period**”) and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-4 to I-50 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [REDACTED] (the “**document**”) in connection with the proposed [REDACTED] from GEM to the Main Board of The Stock Exchange of Hong Kong Limited.

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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Reporting accountant’s responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant’s judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant’s report, a true and fair view of the financial position of the Company as at 31 December 2020, 2021 and 2022 and the consolidated balance sheets of the Group as at 31 December 2020, 2021 and 2022 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

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Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Historical Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 27 to the Historical Financial Information which contains information about the dividends paid by Best Linking Group Holdings Limited in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
[REDACTED]

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I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

PREPARATION OF HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountant’s report.

The Historical Financial Information in this report was prepared by the directors of the Company based on the previously issued financial statements of the Group for the Track Record Period (“**Historical Financial Statements**”). The previously issued financial statements were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Note</i>	Year ended 31 December,		
		2020	2021	2022
		<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Revenue	5	69,499	132,250	127,730
Cost of sales	6	<u>(43,362)</u>	<u>(77,740)</u>	<u>(69,806)</u>
Gross profit		26,137	54,510	57,924
Other income	8	632	382	567
Other (losses)/gains, net	9	(1,047)	(465)	1,333
Selling and distribution expenses	6	(1,080)	(2,106)	(2,687)
Administrative expenses	6	<u>(8,346)</u>	<u>(10,472)</u>	<u>(15,891)</u>
Operating profit		<u>16,296</u>	<u>41,849</u>	<u>41,246</u>
Finance income	11	69	24	190
Finance cost	11	(113)	(7)	(4)
Finance (cost)/income, net		<u>(44)</u>	<u>17</u>	<u>186</u>
Profit before income tax		16,252	41,866	41,432
Income tax expense	12	<u>(2,608)</u>	<u>(6,780)</u>	<u>(6,503)</u>
Profit for the year attributable to owners of the Company		<u><u>13,644</u></u>	<u><u>35,086</u></u>	<u><u>34,929</u></u>
Other comprehensive income/(loss)				
<i>Items that may be reclassified to profit or loss</i>				
Currency translation differences	22	<u>3,032</u>	<u>1,371</u>	<u>(4,895)</u>
Total comprehensive income for the year		<u><u>16,676</u></u>	<u><u>36,457</u></u>	<u><u>30,034</u></u>
Earnings per share for profit attributable to equity holders of the Company for the year				
Basic and diluted earnings per share (HK cents per share)	13	<u><u>3.4</u></u>	<u><u>8.8</u></u>	<u><u>8.7</u></u>

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CONSOLIDATED BALANCE SHEETS

		As at 31 December,		
		2020	2021	2022
	<i>Note</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
ASSETS				
Non-current assets				
Property, plant and equipment	15	8,507	13,088	25,129
Prepayments and deposits	18	4,261	5,850	818
Deferred tax assets	28	<u>78</u>	<u>107</u>	<u>475</u>
		<u>12,846</u>	<u>19,045</u>	<u>26,422</u>
Current assets				
Inventories	19	23,867	25,575	20,634
Trade receivables	17	22,028	38,895	41,707
Prepayments, deposits and other receivables	18	5,564	4,298	9,422
Current income tax recoverable		152	—	—
Cash and cash equivalents	20	<u>43,130</u>	<u>56,387</u>	<u>51,003</u>
		<u>94,741</u>	<u>125,155</u>	<u>122,766</u>
TOTAL ASSETS		<u><u>107,587</u></u>	<u><u>144,200</u></u>	<u><u>149,188</u></u>
EQUITY				
Equity attributable to owners of the Company				
Share capital	21	4,000	4,000	4,000
Reserves	22	<u>97,074</u>	<u>125,531</u>	<u>139,565</u>
Total equity		<u><u>101,074</u></u>	<u><u>129,531</u></u>	<u><u>143,565</u></u>
LIABILITIES				
Non-current liability				
Lease liabilities	24	<u>79</u>	<u>—</u>	<u>79</u>
		<u>79</u>	<u>—</u>	<u>79</u>
Current liabilities				
Trade payables	25	4,465	8,343	1,034
Accruals and other payables	26	1,868	1,901	3,485
Current income tax liabilities		—	4,346	924
Lease liabilities	24	<u>101</u>	<u>79</u>	<u>101</u>
		<u>6,434</u>	<u>14,669</u>	<u>5,544</u>
Total liabilities		<u><u>6,513</u></u>	<u><u>14,669</u></u>	<u><u>5,623</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>107,587</u></u>	<u><u>144,200</u></u>	<u><u>149,188</u></u>

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BALANCE SHEETS OF THE COMPANY

		As at 31 December,		
		2020	2021	2022
<i>Note</i>		<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
ASSETS				
Non-current assets				
	Investment in subsidiaries	31	41,888	41,888
	Loan to a subsidiary		<u>1,879</u>	<u>17,910</u>
			<u>43,767</u>	<u>59,798</u>
Current assets				
	Prepayments		—	104
	Cash and cash equivalents	20	<u>24,954</u>	<u>15,995</u>
			<u>24,954</u>	<u>5,173</u>
			<u>24,954</u>	<u>16,099</u>
			<u>24,954</u>	<u>5,173</u>
	TOTAL ASSETS		<u><u>68,721</u></u>	<u><u>68,837</u></u>
			<u><u>68,721</u></u>	<u><u>64,971</u></u>
EQUITY				
Equity attributable to owners of the Company				
	Share capital	21	4,000	4,000
	Reserves	23	<u>54,994</u>	<u>44,573</u>
			<u>58,994</u>	<u>22,634</u>
	Total equity		<u><u>58,994</u></u>	<u><u>48,573</u></u>
			<u><u>58,994</u></u>	<u><u>26,634</u></u>
LIABILITIES				
Current liabilities				
	Accruals	26	1,000	753
	Amounts due to subsidiaries	32	<u>8,727</u>	<u>19,511</u>
			<u>9,727</u>	<u>20,264</u>
	Total liabilities		<u><u>9,727</u></u>	<u><u>20,264</u></u>
			<u><u>9,727</u></u>	<u><u>38,337</u></u>
	TOTAL EQUITY AND LIABILITIES		<u><u>68,721</u></u>	<u><u>68,837</u></u>
			<u><u>68,721</u></u>	<u><u>64,971</u></u>

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						Total HK\$'000
	Share capital HK\$'000 (Note 21)	Share premium HK\$'000 (Note 21)	Capital reserve HK\$'000 (Note 22)	Statutory reserve HK\$'000 (Note 22)	Exchange reserve HK\$'000 (Note 22)	Retained earnings HK\$'000	
Balance at 1 January 2020	4,000	42,511	13,000	2,170	(636)	31,353	92,398
Profit for the year	—	—	—	—	—	13,644	13,644
Other comprehensive income							
Currency translation differences	—	—	—	—	3,032	—	3,032
Total comprehensive income for the year	—	—	—	—	3,032	13,644	16,676
Transactions with equity holders:							
Dividends paid (Note 21)	—	(8,000)	—	—	—	—	(8,000)
Transfer to statutory reserve	—	—	—	506	—	(506)	—
	—	(8,000)	—	506	—	(506)	(8,000)
Balance at 31 December 2020	<u>4,000</u>	<u>34,511</u>	<u>13,000</u>	<u>2,676</u>	<u>2,396</u>	<u>44,491</u>	<u>101,074</u>

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	Attributable to owners of the Company						Total HK\$'000		
	Share capital HK\$'000 (Note 21)	Share premium HK\$'000 (Note 21)	Capital reserve HK\$'000 (Note 22)	Statutory reserve HK\$'000 (Note 22)	Exchange reserve HK\$'000 (Note 22)	Retained earnings HK\$'000			
	Balance at 1 January 2021	4,000	34,511	13,000	2,676	2,396		44,491	101,074
	Profit for the year	—	—	—	—	—		35,086	35,086
Other comprehensive income									
Currency translation differences	—	—	—	—	1,371	—	1,371		
Total comprehensive income for the year	—	—	—	—	1,371	35,086	36,457		
Transactions with equity holders:									
Dividends paid (Note 21)	—	(8,000)	—	—	—	—	(8,000)		
Transfer to statutory reserve	—	—	—	529	—	(529)	—		
	—	(8,000)	—	529	—	(529)	(8,000)		
Balance at 31 December 2021	<u>4,000</u>	<u>26,511</u>	<u>13,000</u>	<u>3,205</u>	<u>3,767</u>	<u>79,048</u>	<u>129,531</u>		

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	Attributable to owners of the Company						Total HK\$'000
	Share capital HK\$'000 (Note 21)	Share premium HK\$'000 (Note 21)	Capital reserve HK\$'000 (Note 22)	Statutory reserve HK\$'000 (Note 22)	Exchange reserve HK\$'000 (Note 22)	Retained earnings HK\$'000	
Balance at 1 January 2022	4,000	26,511	13,000	3,205	3,767	79,048	129,531
Profit for the year	—	—	—	—	—	34,929	34,929
Other comprehensive loss							
Currency translation differences	—	—	—	—	(4,895)	—	(4,895)
Total comprehensive income for the year	—	—	—	—	(4,895)	34,929	30,034
Transactions with equity holders:							
Dividends paid (Note 21)	—	(16,000)	—	—	—	—	(16,000)
Transfer to statutory reserve	—	—	—	1,522	—	(1,522)	—
	—	(16,000)	—	1,522	—	(1,522)	(16,000)
Balance at 31 December 2022	<u>4,000</u>	<u>10,511</u>	<u>13,000</u>	<u>4,727</u>	<u>(1,128)</u>	<u>112,455</u>	<u>143,565</u>

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Note</i>	Year ended 31 December,		
		2020	2021	2022
		<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Cash flows from operating activities				
Cash generated from operations	30(a)	15,963	31,338	31,093
Income tax paid		(4,890)	(2,311)	(10,266)
Interest received		<u>69</u>	<u>24</u>	<u>190</u>
Net cash generated from operating activities		<u>11,142</u>	<u>29,051</u>	<u>21,017</u>
Cash flows from investing activities				
Purchases of property, plant and equipment		(1,035)	(184)	(3,873)
Payments for construction in progress		—	(5,873)	(6,387)
Prepayments for purchase of property, plant and equipment		(4,243)	(789)	—
Prepayments for purchase of intangible assets		<u>—</u>	<u>(800)</u>	<u>—</u>
Net cash used in investing activities		<u>(5,278)</u>	<u>(7,646)</u>	<u>(10,260)</u>
Cash flows from financing activities				
Payment of interest elements of lease liabilities	30(b)	(113)	(7)	(4)
Payment of principal elements of lease liabilities	30(b)	(3,757)	(101)	(104)
Dividends paid	27	<u>(8,000)</u>	<u>(8,000)</u>	<u>(16,000)</u>
Net cash used in financing activities		<u>(11,870)</u>	<u>(8,108)</u>	<u>(16,108)</u>
(Decrease)/increase in cash and cash equivalents		(6,006)	13,297	(5,351)
Cash and cash equivalents at beginning of the year		49,040	43,130	56,387
Currency translation differences		<u>96</u>	<u>(40)</u>	<u>(33)</u>
Cash and cash equivalents at end of the year		<u>43,130</u>	<u>56,387</u>	<u>51,003</u>

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II NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 26 October 2018 as an exempted company with limited liability under the Companies Act (2022 Revision) (as consolidated or revised from time to time) of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing and trading of a range of machinery products and mechanical parts (the “**Business**”). The ultimate holding company of the Company is C Centrum Holdings Limited. The ultimate controlling party of the Group is Mr. Chan Yuk Pan (“**Mr. YP Chan**”).

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”) unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) and disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under historical cost convention. The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

All effective standards amendments to standards and interpretations, which are mandatorily effective from the financial year beginning on 1 January 2022 are consistently applied by the Group throughout the Track Record Period.

2.1.1 Amended standards and interpretations

New and amended standards and interpretations which have been issued but are not yet effective and have not been early adopted by the Group

Certain new and amended standards and interpretations have been published that are mandatory for financial year beginning on or after 1 January 2023 and have not been early adopted by the Group. These are:

		Effective for accounting periods beginning on or after
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
HKFRS 17 and amendments to HKFRS 17	Insurance Contracts	1 January 2023
Initial Application of HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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The Group is in the process of making an assessment of the impact of these new standards, amendments to standards and interpretations of HKFRS and is not yet in a position to state whether they would have a significant impact on the Group’s results and financial position.

2.2 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Group on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving 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.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (the “CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors who make strategic decisions.

2.5 Foreign currency translation

(i) *Functional and presentation currency*

Items included in the consolidated 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 consolidated financial statements are presented in HK\$ which is the Company’s functional and the Company’s and the Group’s presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the consolidated statements of comprehensive income.

All foreign exchange gains and losses are presented in the consolidated statements of comprehensive income within “other (losses)/gains, net”.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

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(iii) Group companies

The results and financial positions of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this 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 rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the reporting period in which they are incurred.

Depreciation of property and equipment is calculated using the straight line method to allocate their cost to their residual values over its estimated useful lives, as follows:

Plant and machinery	10 years
Office equipment	5 years
Motor vehicles	3 years
Leasehold improvements	Shorter of lease terms and useful lives

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other (losses)/gains, net" in the consolidated statements of comprehensive income.

Construction-in-progress represents machineries under installation and leasehold improvement under construction, which is stated at historical cost less accumulated impairment losses, if any. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are ready for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy.

2.7 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

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2.8 Financial assets

(i) Classification

The Group classifies its financial assets as those to be measured at amortised cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in consolidated statements of comprehensive income.

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represented solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in consolidated statements of comprehensive income and presented in “other (losses)/gains, net” together with foreign exchange gains and losses.

2.9 Impairment of financial assets

The Group assess on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3 details how the Group determine whether there has been a significant increase in credit risk.

2.10 Financial liabilities

(i) Classification and measurement

Financial liabilities are classified as measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in consolidated statements of comprehensive income. Any gain or loss on derecognition is also recognised in consolidated statements of comprehensive income.

(ii) Derecognition

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in consolidated statements of comprehensive income.

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2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheets where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business.

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. See Note 17 for further information about the Group's accounting for trade receivables and Note 2.9 for a description of the Group's impairment policies.

2.13 Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.14 Cash and cash equivalents

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents include deposits held at call with banks and cash on hand.

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation

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authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.18 Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognised in respect of employees’ services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheets.

(ii) Retirement benefits plans

The Group contributed to a mandatory provident fund scheme (the “**MPF Scheme**”) which is a defined contribution plan and is available to all employees in Hong Kong. Contributions to the MPF Scheme by the Group and employees are calculated as a percentage of employees’ basic salaries. The MPF Scheme cost charged to profit or loss represents contributions payable by the Group to the MPF Scheme.

The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

Full time employees of the Group’s PRC entity participate in a government mandated multi-employer defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other these benefits based on certain percentage of the employees’ salaries. Full time employees who have passed the probation period are entitled to such benefits.

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The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The Group did not have defined benefit plans.

(iii) Bonus plans

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.20 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods in the ordinary course of the Group's activities.

Revenue is recognised when or as the control of the good is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good may be transferred over time or at a point in time.

Control of the good is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- 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 control of the goods transfers over time, revenue is recognised over the period of the contract 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 goods. Specific criteria where revenue is recognised are described below.

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When either party to a contract has performed, the Group presents the contract in the consolidated balance sheets as a contract asset or a contract liability, depending on the relationship between the entity’s performance and the customer’s payment.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Revenue is recognised when specific criteria have been met for the Group’s activity as described below:

The Group manufactures and trades a range of machinery products and mechanical parts to customers. Sales of goods transferred at a point in time are recognised when control of the products has transferred, being when the products are delivered to the customers, the customer has full discretion over the usage of the products, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. No element of financing is deemed present as the sales are made with a credit term of 60–120 days, which is consistent with market practice.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers the promised goods to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group’s obligation to transfer the promised goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

2.22 Earnings per share

(i) *Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.23 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.24 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

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2.25 Leases

The Group leases production factory in the PRC and office in Hong Kong. Property leases are typically made for fixed periods of two to ten years. Lease terms are negotiated on an individual basis and contain various terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

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

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group, where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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Right-of-use assets included the rights to use certain properties under leases which are measured at cost. The initial costs of right-of-use assets include the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset’s useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipments and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in consolidated statements of comprehensive income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

2.26 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.27 Research and development costs

Research and development expenditure is recognised as an expense as incurred and classified under of cost of sales when it is not fulfill the criteria of captalisation.

3 FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

3.1 Financial risk factors

The Group’s activities expose it to a variety of financial risks: foreign exchange risk, credit risk, cash flow and fair value interest rate risk and liquidity risk. The Group’s overall risk management procedures focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group’s financial performance.

(i) *Foreign exchange risk*

The Group operates in Hong Kong and the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollars (“USD”) and Renminbi (“RMB”). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, which are denominated in these currencies. Since HK\$ is pegged to USD, the Group believes the exposure of transactions denominated in USD which are entered into the by Group to be insignificant.

During the years ended 31 December 2020, 2021 and 2022, the Group has not entered into any derivative instruments to hedge its foreign exchange exposures.

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As at 31 December 2020, 2021 and 2022, if USD has strengthened/weakened by 5% against RMB, and RMB has strengthened/weakened by 5% against HK\$, with all other variables held constant, the post-tax profit for the year would have change mainly as a result of foreign exchange gains/losses on translation of USD and RMB denominated on cash and cash equivalents, trade and other receivables and trade and other payables, as follows:

	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Post-tax profit (decrease)/increase when RMB against USD			
— Strengthened 5%	752	1,061	1,210
— Weakened 5%	(752)	(1,061)	(1,210)
Post-tax profit (decrease)/increase when HK\$ against RMB			
— Strengthened 5%	185	636	224
— Weakened 5%	<u>(185)</u>	<u>(636)</u>	<u>(224)</u>

(ii) Credit risk

(i) Risk management

Credit risk of the Group mainly arises from trade receivables, deposits and other receivables and cash and cash equivalents. Majority of bank deposits are placed with reputable banks and financial institutions. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet.

The Group has policies in place to ensure that credit terms are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group’s historical experience in collection of trade and other receivables falls within the recorded allowances and the shareholder are of the opinion that adequate provision for uncollectible receivables has been made.

The carrying amounts of trade receivables, deposits and other receivables and cash and cash equivalents represent the Group’s maximum exposure to credit risk in relation to financial assets.

For the years ended 31 December 2020, 2021 and 2022, 64%, 58% and 55% of the Group’s revenue was derived from its top five customers, respectively. As at 31 December 2020, 2021 and 2022, 61%, 83% and 71% of the total trade receivables were due from the Group’s top five customers.

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to the expected credit loss model:

- trade receivables; and
- other financial assets at amortised cost.

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Trade receivables

The Group then determines the provision for expected credit losses by grouping the trade receivables based on shared credit risk characteristics and the days past due, and applying expected credit loss rates to the respective gross carrying amounts of the trade receivables. The expected loss rates are based on the probability of a receivable progressing through successive stages of delinquency to write-off. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Asia-Pacific Region annual Gross Domestic Product (the “GDP”) growth rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

As at 31 December 2020, 2021 and 2022, no provision of impairment for trade receivables were made as the expected loss rate were minimal.

Other financial assets at amortised cost

Other financial assets at amortised cost include cash and cash equivalents and other receivables. Impairment on other financial assets are measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the counterparties to settle the receivables. The Group has identified the Hong Kong unemployment rate, Hong Kong GDP and the PRC GDP to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. The Group has closely monitored the credit qualities and the collectability of the other financial assets at amortised cost and the loss allowance for other financial assets at amortised cost as at 31 December 2020, 2021 and 2022 was immaterial.

(iii) Cash flow and fair value interest rate risk

The Group has no significant interest-bearing assets or liabilities except for cash and cash equivalents.

Hence our Group’s income and operating cash flows are less dependent on changes in market interest rates. Accordingly, our directors are of the opinion that our Group does not have significant cash flow and fair value interest rate risk and no sensitivity analysis is performed.

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Our Group’s liquidity risk is further mitigated through the availability of financing through its own cash resources to meet its financial commitments. In the opinion of our directors, our Group does not have any significant liquidity risk.

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The following tables show the remaining contractual maturities at the end of each reporting period of our Group’s financial liabilities based on contractual undiscounted cash flows and the earliest date our Group can be required to pay. Balances due within 12 months equal their carrying balances (including both interest and principal) as the impact of discounting is not significant.

	Repayable on demand <i>HK\$’000</i>	Less than 1 year <i>HK\$’000</i>	Between 1 and 2 years <i>HK\$’000</i>	Between 2 and 5 years <i>HK\$’000</i>	Over 5 years <i>HK\$’000</i>	Total <i>HK\$’000</i>
As at 31 December 2020						
— Trade payables	—	4,465	—	—	—	4,465
— Accruals and other payables	—	1,275	—	—	—	1,275
— Lease liabilities	—	108	81	—	—	189
	—	5,848	81	—	—	5,929
As at 31 December 2021						
— Trade payables	—	8,343	—	—	—	8,343
— Accruals and other payables	—	1,139	—	—	—	1,139
— Lease liabilities	—	81	—	—	—	81
	—	9,563	—	—	—	9,563
As at 31 December 2022						
— Trade payables	—	1,034	—	—	—	1,034
— Accruals and other payables	—	2,616	—	—	—	2,616
— Lease liabilities	—	108	81	—	—	189
	—	3,758	81	—	—	3,839

3.2 Capital management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

As at 31 December 2020, 2021 and 2022, the Group did not have any debt owed to other party.

3.3 Fair value estimation

The carrying amounts of the Group’s financial assets, including trade receivables, deposits and other receivables, cash and cash equivalents, and financial liabilities, including trade payables and accruals and other payables and lease liabilities approximate their fair values as at the reporting date due to their short maturities.

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4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Provision for slow moving inventories

The Group makes provision for slow moving inventories based on assessing the needs and reasonableness of provision for slowing moving inventories at each period end. The identification of slow moving inventories requires the use of judgments and key assumptions which take into consideration of historical sales pattern, ageing and expectation of future sales orders. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and provision for inventories in the period in which such estimate has been changed.

(b) Impairment of right-of-use assets

The Group leased land and buildings in the PRC for the purposes of its office premises and manufacturing plant under an operating lease of 10 years where the leased land and buildings, classified as right-of-use assets of the Group were without land and property ownership certificates and the construction planning permit. Without the certificates and permit, the existing land and buildings might be ordered for demolition or confiscated and the lease may be deemed as invalid. Our directors are of the opinion, based on the advice from the Group's external legal adviser, that the title defect of the leased land and buildings does not affect the operation of production facility of the Group. It is unlikely to be terminated or interrupted or to have a material effect on the carrying amount of the right-of-use assets which was included in right-of-use assets totalling HK\$3,350,000, HK\$2,816,000 and HK\$2,018,000 as at 31 December 2020, 2021 and 2022, respectively.

(c) Income taxes

The Group is subject to income taxes mainly in Hong Kong and the PRC. Significant judgment is required in determining provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the periods in which such determination are made.

(d) Loss allowance of receivables

The Group makes provision for impairment of receivables based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's historical default rates, existing market conditions as well as forward looking estimates at the end of each reporting period. The Group recognised lifetime expected credit loss for trade receivables carried at amortised cost based on either individually customers who are long overdue with significant amounts or known insolvencies or non-response to collection activities, or collectively assessing them for likelihood of recovery based on ageing of the balances with similar risk characteristics taking into account the forward looking information. The identification of impairment of receivables requires the use of judgment and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying value of receivables and loss for the impairment of receivables recognized in the periods in which such estimates have been changed.

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5 REVENUE AND SEGMENT INFORMATION

The CODM has been identified as the executive directors of our Group. Management has determined the operating segments based on the information reviewed by our executive director for the purpose of allocating resources and assessing performance. The only component in internal reporting to the executive directors is our Group’s manufacturing and trading of a range of machinery products and mechanical parts for the years ended 31 December 2020, 2021 and 2022. In this regard, management considers there is only one operating segment under the requirements of HKFRS 8 “Operating Segments”.

The directors assess the performance of the operating segment based on a measure of revenue and gross profit.

All of our Group’s revenue are from contracts with customers and are recognised at a point in time. Please refer to Note 2.21 for details of accounting policies on revenue recognition.

(a) Revenue from major customers who have individually contributed 10% or more of total revenue of the Group

For the years ended 31 December 2020, 2021 and 2022, there were four, three and one customers, which individually contributed over 10% of our Group’s total revenue. Revenue contributed from our major customers were as follows:

	Year ended 31 December,		
	2020	2021	2022
	HK\$’000	HK\$’000	HK\$’000
Customer A	13,053	23,609	28,856
Customer B	10,109	N/A*	N/A*
Customer C	8,043	16,601	N/A*
Customer D	7,159	N/A*	N/A*
Customer E	N/A*	17,684	N/A*

* The corresponding customers did not contribute over 10% of total revenue of the Group for the respective years.

(b) Segment revenue by customers’ geographical location

Our Group is domiciled in the PRC and Hong Kong. Our Group’s revenue by geographical location, which is determined by the location of customers, is as follows:

	Year ended 31 December,		
	2020	2021	2022
	HK\$’000	HK\$’000	HK\$’000
Singapore	24,120	45,858	51,216
Hong Kong	18,134	40,961	35,799
Malaysia	8,555	10,412	18,676
The Philippines	1,215	20,007	12,806
Japan	3,421	7,171	3,030
Vietnam	498	1,379	2,482
The PRC	1,391	1,436	1,064
New Zealand	58	1,439	983
Taiwan	823	1,494	912
Northern Ireland	10,109	1,215	—
Thailand	1,009	—	—
Others (Note)	166	878	762
	<u>69,499</u>	<u>132,250</u>	<u>127,730</u>

Note:

Others include Canada, Iceland and Korea.

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(c) **Details of contract liabilities** (Note 26)

	As at 31 December,		
	2020	2021	2022
	HK\$'000	HK\$'000	HK\$'000
Contract liabilities, included in accruals and other payables	<u>8</u>	<u>4</u>	<u>—</u>

Note:

As at 31 December 2020 and 2021, contract liabilities represent advanced payments received from the customers for goods that have not yet been transferred to the customers, the contract liabilities mainly included the advance payments received from sale of machinery products. The contract liabilities decreased during the year due to fluctuation in sales with advanced payments.

	Year ended 31 December,		
	2020	2021	2022
	HK\$'000	HK\$'000	HK\$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year			
Sales contracts	<u>175</u>	<u>8</u>	<u>4</u>

As at 31 December 2020, 2021 and 2022, all performance obligations not yet satisfied by the Group were from contracts with original expected duration of less than one year. Therefore, as permitted by the relevant practical expedient under HKFRS 15 “Revenue from Contracts with Customers”, the transaction price allocated to these unsatisfied performance obligations were not disclosed.

(d) **Non-current assets by geographical location**

The total of non-current assets other than deferred tax assets, broken down by location of the assets, is shown in the following:

	As at 31 December,		
	2020	2021	2022
	HK\$'000	HK\$'000	HK\$'000
The PRC	12,535	18,006	21,653
Hong Kong	<u>233</u>	<u>932</u>	<u>4,294</u>
	<u>12,768</u>	<u>18,938</u>	<u>25,947</u>

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6 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses and administrative expenses are analysed as follows:

	Year ended 31 December,		
	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Raw materials and consumables used (<i>Note 19</i>)	36,043	69,697	56,999
Changes in inventories of finished goods and work in progress (<i>Note 19</i>)	822	285	4,485
(Reversal of)/provision for slow moving inventories, net (<i>Note 19</i>)	(3)	22	109
Employee benefit expenses, including directors’ emoluments (<i>Note 7</i>)	8,027	10,620	12,100
Amortisation	76	—	—
Depreciation (<i>Note 15</i>)	1,734	1,835	2,181
Legal and professional fees	1,563	1,688	1,482
[REDACTED]	—	—	[REDACTED]
Auditors’ remuneration			
— Audit services	950	1,050	1,000
— Non-audit services	50	50	50
Utilities	610	761	949
Transportation expenses	866	1,873	2,203
Other expenses	2,050	2,437	2,927
	<u>52,788</u>	<u>90,318</u>	<u>[REDACTED]</u>
Total cost of sales, selling and distribution expenses and administrative expenses	<u>52,788</u>	<u>90,318</u>	<u>[REDACTED]</u>

7 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS’ EMOLUMENTS

(a) Employee benefit expenses

	Year ended 31 December,		
	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Wages, salaries, bonuses and other benefits	7,843	9,849	11,303
Retirement benefit costs			
— defined contribution plans	125	695	708
Mandatory provident fund scheme	59	76	89
	<u>8,027</u>	<u>10,620</u>	<u>12,100</u>

(b) Five highest paid individuals

The five individuals whose remuneration were the highest in the Group include two, two and two directors for the years ended 31 December 2020, 2021 and 2022, respectively, whose remuneration are reflected in the analysis presented in Note 10(a) below.

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The remuneration paid to the remaining three, three and three individuals for the years ended 31 December 2020, 2021 and 2022, respectively, are as follows:

	Year ended 31 December,		
	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Wages, salaries and other benefits	846	913	1,333
Discretionary bonuses	—	—	119
Retirement benefit costs			
— defined contribution plans	6	18	24
Mandatory provident fund scheme	25	25	26
	<u>877</u>	<u>956</u>	<u>1,502</u>

The emolument of the highest paid individuals fell within the following bands:

	Year ended 31 December,		
	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Emolument band			
Nil to HK\$1,000,000	<u>3</u>	<u>3</u>	<u>3</u>

8 OTHER INCOME

	Year ended 31 December,		
	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Sales of scrapped materials	180	302	376
Employment support scheme	198	—	144
Government grants	240	—	—
Sundry income	14	80	47
	<u>632</u>	<u>382</u>	<u>567</u>

9 OTHER (LOSSES)/GAINS, NET

	Year ended 31 December,		
	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Exchange differences, net	<u>(1,047)</u>	<u>(465)</u>	<u>1,333</u>

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10 BENEFITS AND INTERESTS OF DIRECTOR

(a) Directors’ emoluments

The emoluments of individual directors for our Company paid and payable by our Group for the years ended 31 December 2020, 2021 and 2022 are set out below:

For the year ended 31 December 2020:

	Fees <i>HK\$’000</i>	Salaries <i>HK\$’000</i>	Discretionary bonuses <i>HK\$’000</i>	Allowances and benefits in kind <i>HK\$’000</i>	Employer’s contribution to pension scheme <i>HK\$’000</i>	Total <i>HK\$’000</i>
Executive directors:						
Mr. YP Chan (<i>Chairman and Chief Executive Officer</i>)	—	767	—	—	22	789
Mr. Chan Lung Pan	—	372	—	—	18	390
Independent non-executive directors:						
Mr. Chan Wan Tsun Adrian Alan	180	—	—	—	—	180
Ms. Tsang Hau Lam	144	—	—	—	—	144
Ms. Tam Ho Ting	144	—	—	—	—	144

For the year ended 31 December 2021:

	Fees <i>HK\$’000</i>	Salaries <i>HK\$’000</i>	Discretionary bonuses <i>HK\$’000</i>	Allowances and benefits in kind <i>HK\$’000</i>	Employer’s contribution to pension scheme <i>HK\$’000</i>	Total <i>HK\$’000</i>
Executive directors:						
Mr. YP Chan (<i>Chairman and Chief Executive Officer</i>)	—	871	—	—	27	898
Mr. Chan Lung Pan	—	412	—	—	18	430
Independent non-executive directors:						
Mr. Chan Wan Tsun Adrian Alan	180	—	—	—	—	180
Ms. Tsang Hau Lam	144	—	—	—	—	144
Ms. Tam Ho Ting	144	—	—	—	—	144

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For the year ended 31 December 2022:

	Fees <i>HK\$'000</i>	Salaries <i>HK\$'000</i>	Discretionary bonuses <i>HK\$'000</i>	Allowances and benefits in kind <i>HK\$'000</i>	Employer's contribution to pension scheme <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive directors:						
Mr. YP Chan (<i>Chairman and Chief Executive Officer</i>)	—	862	102	—	30	994
Mr. Chan Lung Pan	—	420	69	—	18	507
Independent non-executive directors:						
Mr. Chan Wan Tsun Adrian Alan	180	—	—	—	—	180
Ms. Tsang Hau Lam	144	—	—	—	—	144
Ms. Tam Ho Ting	144	—	—	—	—	144
	<u>144</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>144</u>

No directors waived their emoluments during the years ended 31 December 2020, 2021 and 2022.

(b) Directors’ retirement benefits

None of our directors received or will receive any retirement benefits during the years ended 31 December 2020, 2021 and 2022.

(c) Directors’ termination benefits

None of our directors received or will receive any termination benefits during the years ended 31 December 2020, 2021 and 2022.

(d) Consideration provided to third parties for making available directors services

During the years ended 31 December 2020, 2021 and 2022, our Group did not pay consideration to any third parties for making available directors’ services.

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the years ended 31 December 2020, 2021 and 2022, there were no loans, quasi-loans and other dealing arrangements in favour of directors, or controlled bodies corporate by and connected entities with such directors.

(f) Directors’ material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to our Group’s business to which our Group was a party and in which a director of our Company had a material interest, whether directly to indirectly; subsisted at the end of the year or at any time during the years ended 31 December 2020, 2021 and 2022.

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11 FINANCE (COST)/INCOME, NET

	Year ended 31 December,		
	2020	2021	2022
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Finance income			
Interest income on cash and cash equivalents	69	24	190
Finance cost			
Interest expenses on lease liabilities	(113)	(7)	(4)
Finance (cost)/income, net	<u>(44)</u>	<u>17</u>	<u>186</u>

12 INCOME TAX EXPENSE

The amount of income tax expense charged to the consolidated statements of comprehensive income represents:

	Year ended 31 December,		
	2020	2021	2022
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Current income tax			
— The PRC enterprise income tax (“EIT”)	935	661	2,208
— Hong Kong profits tax	1,725	6,197	4,704
— Over provision of prior periods	(38)	(49)	(41)
Total current income tax	<u>2,622</u>	<u>6,809</u>	<u>6,871</u>
Deferred income tax (Note 28)	<u>(14)</u>	<u>(29)</u>	<u>(368)</u>
Income tax expense	<u>2,608</u>	<u>6,780</u>	<u>6,503</u>

(i) Hong Kong profits tax

In accordance with the two-tiered profits tax rates regime effective from 1 January 2018, Hong Kong profits tax is calculated at 8.25% on the first HK\$2,000,000, and 16.5% on the remaining balance of the estimated assessable profits of an operating subsidiary for the years ended 31 December 2020, 2021 and 2022.

(ii) The PRC EIT

Under the Enterprise Income Tax Law of the PRC (the “EIT Law”), the applicable income tax rate for Kyoei Seiki Co., Limited (“Kyoei Seiki”) in the PRC is 25%.

Pursuant to the New EIT Law, with respect to a new and high technology enterprise, the tax levied on its income will be charged at a preferential rate of 15% after obtaining the High New Technology Enterprise Certificate (the “Certificate”) and completing the tax reduction and exemption filing with the tax authorities. Kyoei Seiki renewed the Certificate when it expired on 8 November 2020, The renewed Certificate was issued on 9 December 2020 and is valid for 3 years. During the years ended 31 December 2020, 2021 and 2022, as a result of Kyoei Seiki qualifying for High New Technology Enterprise status, the applicable tax rate of Kyoei Seiki is 15%.

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The tax on the Group’s profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the Group entities as follows:

	Year ended 31 December,		
	2020	2021	2022
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Profit before income tax	<u>16,252</u>	<u>41,866</u>	<u>41,432</u>
Tax calculated at tax rates applicable to profits of the respective subsidiaries	2,436	6,652	6,403
Income not subject to tax	—	—	(43)
Expenses not deductible for tax purposes	391	399	653
Research and development tax credit (<i>Note</i>)	(181)	(222)	(469)
Over provision of prior periods	<u>(38)</u>	<u>(49)</u>	<u>(41)</u>
Income tax expense	<u><u>2,608</u></u>	<u><u>6,780</u></u>	<u><u>6,503</u></u>

Note:

According to relevant laws and regulations promulgated by the State Taxation Administration of the PRC, enterprises engaging in research and development activities are entitled to claim 75% for the year ended 31 December 2020 and 100% for the years ended 31 December 2021 and 2022 of the research and development expenses. The aggregate research and development expenses charged to statement of comprehensive income amounted to HK\$1,613,000, HK\$1,479,000 and HK\$3,125,000 during the years ended 31 December 2020, 2021 and 2022 respectively.

13 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue. The weighted average number of ordinary shares for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the capitalisation of shares.

	Year ended 31 December,		
	2020	2021	2022
Profit attributable to equity holders of the Company (<i>HK\$’000</i>)	13,644	35,086	34,929
Weighted average number of shares in issue (<i>thousand</i>)	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>
Basic earnings per share (<i>HK cents per share</i>)	<u><u>3.4</u></u>	<u><u>8.8</u></u>	<u><u>8.7</u></u>

Diluted earnings per share for the years ended 31 December 2020, 2021 and 2022 were the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years.

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14 SUBSIDIARIES

The Group’s principal subsidiaries at 31 December 2020, 2021 and 2022 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly or indirectly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The countries of incorporation or registration are also their principal place of business.

Name of subsidiaries	Place and date of incorporation and kind of legal entity	Principal activities and place of operation	Issued and paid-in capital/registered capital	Ownership interest held by the Group			As of the date of this report
				2020	2021	2022	
Directly held:							
Kyoei Seiki Holdings Limited	The BVI, limited liability company, 14 September 2018	Investment holding in the BVI	1 ordinary share of US\$1 each	100%	100%	100%	[100%]
Best Linking Holdings Limited	The BVI, limited liability company, 13 September 2018	Investment holding in the BVI	1 ordinary share of US\$1 each	100%	100%	100%	[100%]
Indirectly held:							
Wing Fung Machinery Company Limited	Hong Kong, limited company, 10 November 2005	Investment holding in Hong Kong	13,000,000 ordinary shares HK\$13,000,000	100%	100%	100%	[100%]
Best Linking Limited	Hong Kong, limited company, 15 September 2010	Trading of machinery products in Hong Kong	1 ordinary share HK\$1	100%	100%	100%	[100%]
Kyoei Seiki Co., Limited	The PRC, limited liability company, 5 September 2007	Manufacturing of machinery products in the PRC	Registered capital of HK\$20,000,000	100%	100%	100%	[100%]

- (a) The statutory financial statements of Wing Fung Machinery Company Limited and Best Linking Limited for the years ended 31 December 2020, 2021 and 2022 were audited by PricewaterhouseCoopers, Certified Public Accountants in Hong Kong.
- (b) The statutory financial statements of Kyoei Seiki Co., Limited for the years ended 31 December 2020, 2021 and 2022 were audited by 東莞市華瑞會計師事務所 in the PRC.
- (c) No statutory audit was required for other subsidiaries during the years ended 31 December 2020, 2021 and 2022.

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15 PROPERTY PLANT AND EQUIPMENT

	Right-of- use assets <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Leasehold improvement <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2020							
Cost	4,304	1,160	24,480	—	—	—	29,944
Accumulated depreciation	<u>(1,562)</u>	<u>(991)</u>	<u>(19,966)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(22,519)</u>
Net book amount	<u>2,742</u>	<u>169</u>	<u>4,514</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,425</u>
Year ended 31 December 2020							
Opening net book amount	2,742	169	4,514	—	—	—	7,425
Additions	1,305	54	44	667	270	—	2,340
Disposal	(38)	—	—	—	—	—	(38)
Depreciation	(649)	(61)	(918)	(99)	(7)	—	(1,734)
Exchange differences	<u>205</u>	<u>11</u>	<u>248</u>	<u>34</u>	<u>16</u>	<u>—</u>	<u>514</u>
Closing net book amount	<u>3,565</u>	<u>173</u>	<u>3,888</u>	<u>602</u>	<u>279</u>	<u>—</u>	<u>8,507</u>
At 31 December 2020							
Cost	5,827	1,294	26,156	707	286	—	34,270
Accumulated depreciation	<u>(2,262)</u>	<u>(1,121)</u>	<u>(22,268)</u>	<u>(105)</u>	<u>(7)</u>	<u>—</u>	<u>(25,763)</u>
Net book amount	<u>3,565</u>	<u>173</u>	<u>3,888</u>	<u>602</u>	<u>279</u>	<u>—</u>	<u>8,507</u>
At 1 January 2021							
Cost	5,827	1,294	26,156	707	286	—	34,270
Accumulated depreciation	<u>(2,262)</u>	<u>(1,121)</u>	<u>(22,268)</u>	<u>(105)</u>	<u>(7)</u>	<u>—</u>	<u>(25,763)</u>
Net book amount	<u>3,565</u>	<u>173</u>	<u>3,888</u>	<u>602</u>	<u>279</u>	<u>—</u>	<u>8,507</u>
Year ended 31 December 2021							
Opening net book amount	3,565	173	3,888	602	279	—	8,507
Additions	62	107	77	—	—	5,873	6,119
Depreciation	(780)	(41)	(639)	(238)	(137)	—	(1,835)
Exchange differences	<u>83</u>	<u>7</u>	<u>97</u>	<u>12</u>	<u>5</u>	<u>93</u>	<u>297</u>
Closing net book amount	<u>2,930</u>	<u>246</u>	<u>3,423</u>	<u>376</u>	<u>147</u>	<u>5,966</u>	<u>13,088</u>
At 31 December 2021							
Cost	6,037	1,439	26,949	726	294	5,966	41,411
Accumulated depreciation	<u>(3,107)</u>	<u>(1,193)</u>	<u>(23,526)</u>	<u>(350)</u>	<u>(147)</u>	<u>—</u>	<u>(28,323)</u>
Net book amount	<u>2,930</u>	<u>246</u>	<u>3,423</u>	<u>376</u>	<u>147</u>	<u>5,966</u>	<u>13,088</u>

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	Right-of- use assets <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Leasehold improvement <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2022							
Cost	6,037	1,439	26,949	726	294	5,966	41,411
Accumulated depreciation	<u>(3,107)</u>	<u>(1,193)</u>	<u>(23,526)</u>	<u>(350)</u>	<u>(147)</u>	<u>—</u>	<u>(28,323)</u>
Net book amount	<u>2,930</u>	<u>246</u>	<u>3,423</u>	<u>376</u>	<u>147</u>	<u>5,966</u>	<u>13,088</u>
Year ended 31 December 2022							
Opening net book amount	2,930	246	3,423	376	147	5,966	13,088
Additions	268	78	41	494	3,260	11,418	15,559
Transfer from CIP	—	—	9,701	—	—	(9,701)	—
Written-off	—	(1)	(2)	—	—	—	(3)
Depreciation	(760)	(60)	(980)	(295)	(86)	—	(2,181)
Exchange differences	<u>(204)</u>	<u>(20)</u>	<u>(543)</u>	<u>(35)</u>	<u>(9)</u>	<u>(523)</u>	<u>(1,334)</u>
Closing net book amount	<u>2,234</u>	<u>243</u>	<u>11,640</u>	<u>540</u>	<u>3,312</u>	<u>7,160</u>	<u>25,129</u>
At 31 December 2022							
Cost	5,871	1,398	34,222	1,148	3,531	7,160	53,330
Accumulated depreciation	<u>(3,637)</u>	<u>(1,155)</u>	<u>(22,582)</u>	<u>(608)</u>	<u>(219)</u>	<u>—</u>	<u>(28,201)</u>
Net book amount	<u>2,234</u>	<u>243</u>	<u>11,640</u>	<u>540</u>	<u>3,312</u>	<u>7,160</u>	<u>25,129</u>

The right-of-use assets represents the lease on production factory in the PRC, and office and carpark in Hong Kong.

During the year, the amounts of depreciation expense charged to cost of sales and administrative expenses are as follows:

	Year ended 31 December,		
	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cost of sales	1,357	1,194	1,561
Administrative expenses	<u>377</u>	<u>641</u>	<u>620</u>
	<u>1,734</u>	<u>1,835</u>	<u>2,181</u>

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16 FINANCIAL INSTRUMENTS BY CATEGORY

The Group’s financial instruments include the following:

	As at 31 December,		
	2020	2021	2022
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Financial assets at amortised costs:			
Trade receivables	22,028	38,895	41,707
Deposits and other receivables	54	493	178
Cash and cash equivalents	43,130	56,387	51,003
	<u>65,212</u>	<u>95,775</u>	<u>92,888</u>
Financial liabilities at amortised costs:			
Trade payables	4,465	8,343	1,034
Lease liabilities	180	79	180
Accruals and other payables	1,275	1,139	2,616
	<u>5,920</u>	<u>9,561</u>	<u>3,830</u>

17 TRADE RECEIVABLES

	As at 31 December,		
	2020	2021	2022
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Trade receivables	<u>22,028</u>	<u>38,895</u>	<u>41,707</u>

As at 31 December 2020, 2021 and 2022, the carrying amounts of trade receivables approximated their fair values.

The Group’s sales are on credit terms primarily from 60 days to 120 days.

The ageing analysis of the trade receivables, based on invoice date, are as follows:

	As at 31 December,		
	2020	2021	2022
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Up to 30 days	3,174	20,499	14,762
31–60 days	4,290	9,768	5,353
61–90 days	5,259	4,890	11,235
91–120 days	9,305	3,738	10,357
	<u>22,028</u>	<u>38,895</u>	<u>41,707</u>

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The carrying amounts of the Group’s trade receivables were denominated in the following currencies:

	As at 31 December,		
	2020	2021	2022
	HK\$’000	HK\$’000	HK\$’000
USD	16,846	37,181	31,462
RMB	303	268	403
JPY	16	—	—
HK\$	<u>4,863</u>	<u>1,446</u>	<u>9,842</u>
	<u>22,028</u>	<u>38,895</u>	<u>41,707</u>

The maximum exposure to credit risk as at 31 December 2020, 2021 and 2022 was the carrying value of the receivables mentioned above. The Group does not hold any collateral as security.

As at 31 December 2020, 2021 and 2022, no provision of impairment for trade receivables were made as the expected loss rate were minimal.

18 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December,		
	2020	2021	2022
	HK\$’000	HK\$’000	HK\$’000
Non-current			
Prepayments for purchase of property, plant and equipment	4,243	5,032	—
Prepayments for purchase of computer software	—	800	800
Rental deposits	<u>18</u>	<u>18</u>	<u>18</u>
	<u>4,261</u>	<u>5,850</u>	<u>818</u>
Current			
Deposits and other receivables	36	475	160
Prepayments for inventories	<u>5,528</u>	<u>3,823</u>	<u>9,262</u>
	<u>5,564</u>	<u>4,298</u>	<u>9,422</u>
Total prepayments, deposits and other receivables	<u>9,825</u>	<u>10,148</u>	<u>10,240</u>

The carrying amounts of the Group’s prepayments, deposits and other receivables were denominated in the following currencies:

	As at 31 December,		
	2020	2021	2022
	HK\$’000	HK\$’000	HK\$’000
RMB	5,798	6,240	1,105
HK\$	4,027	1,107	3,990
USD	—	1,569	640
JPY	<u>—</u>	<u>1,232</u>	<u>4,505</u>
	<u>9,825</u>	<u>10,148</u>	<u>10,240</u>

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19 INVENTORIES

	As at 31 December,		
	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000
Raw materials	6,736	8,287	8,817
Work in progress	2,773	2,418	2,453
Finished goods	<u>14,687</u>	<u>15,230</u>	<u>9,801</u>
	24,196	25,935	21,071
Less: provision for slow moving inventories	<u>(329)</u>	<u>(360)</u>	<u>(437)</u>
	<u><u>23,867</u></u>	<u><u>25,575</u></u>	<u><u>20,634</u></u>

The raw materials and consumable used and changes in inventories of finished goods and work in progress were recognised as expense and included in cost of sales during the years ended 31 December 2020, 2021 and 2022, totalling amounted to HK\$36,865,000, HK\$69,982,000 and HK\$61,484,000 (Note 6).

Movements on the provision for slow moving inventories are as follows:

	Year ended 31 December,		
	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000
At 1 January	311	329	360
Reversal of provision for slow moving inventories (Note 6)	(116)	(50)	(258)
Provision for slow moving inventories (Note 6)	113	72	367
Exchange differences	<u>21</u>	<u>9</u>	<u>(32)</u>
At 31 December	<u><u>329</u></u>	<u><u>360</u></u>	<u><u>437</u></u>

The Group reversed provision for slowing moving inventories and included in cost of sales amounted to HK\$116,000, HK\$50,000 and HK\$258,000 as the relevant inventories was sold during the years ended 31 December 2020, 2021 and 2022 (Note 6).

20 CASH AND CASH EQUIVALENTS

	Group As at 31 December,			Company As at 31 December,		
	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000
Cash at banks	43,082	56,347	50,951	24,954	15,995	5,173
Cash on hand	<u>48</u>	<u>40</u>	<u>52</u>	<u>—</u>	<u>—</u>	<u>—</u>
Cash and cash equivalents	<u><u>43,130</u></u>	<u><u>56,387</u></u>	<u><u>51,003</u></u>	<u><u>24,954</u></u>	<u><u>15,995</u></u>	<u><u>5,173</u></u>
Maximum exposure to credit risk	<u><u>43,082</u></u>	<u><u>56,347</u></u>	<u><u>50,951</u></u>	<u><u>24,954</u></u>	<u><u>15,995</u></u>	<u><u>5,173</u></u>

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The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	Group			Company		
	As at 31 December,			As at 31 December,		
	2020	2021	2022	2020	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
HK\$	34,328	32,280	27,446	24,954	15,995	5,170
USD	8,263	22,212	22,823	—	—	3
RMB	419	1,895	734	—	—	—
JPY	120	—	—	—	—	—
	<u>43,130</u>	<u>56,387</u>	<u>51,003</u>	<u>24,954</u>	<u>15,995</u>	<u>5,173</u>

Cash at banks earned interest at floating rates based on daily bank deposits rate. As at 31 December 2020, 2021 and 2022, the carrying amounts of cash and cash equivalents approximated their fair values.

As 31 December 2020, 2021 and 2022, approximately HK\$3,236,000, HK\$10,631,000 and HK\$18,647,000 of the Group’s cash and cash equivalents were placed with banks in the PRC denominated in RMB or USD, which is subject to foreign exchange control regulations of the PRC.

21 SHARE CAPITAL AND SHARE PREMIUM

		Number of ordinary shares	Nominal value of ordinary share	
			HK\$'000	Share premium
			HK\$'000	HK\$'000
Authorised:				
At 31 December 2020, 2021 and 2022		<u>10,000,000,000</u>	<u>100,000</u>	
	<i>Note</i>			
Issued and paid:				
At 1 January 2020		400,000,000	4,000	42,511
Dividends paid	(a)	<u>—</u>	<u>—</u>	<u>(8,000)</u>
At 31 December 2020 and 1 January 2021		400,000,000	4,000	34,511
Dividends paid	(b)	<u>—</u>	<u>—</u>	<u>(8,000)</u>
At 31 December 2021 and 1 January 2022		400,000,000	4,000	26,511
Dividends paid	(c), (d)	<u>—</u>	<u>—</u>	<u>(16,000)</u>
At 31 December 2022		<u>400,000,000</u>	<u>4,000</u>	<u>10,511</u>

Notes:

- (a) On 29 May 2020, the proposed final dividend of HK2.0 cents per share, amount to HK\$8,000,000 for the year ended 31 December 2019 was approved. Such dividend was recorded for as a reduction of share premium of the Group pursuant to the Article of Association and the Companies Act (2022 Revision) (as consolidated or revised from time to time) of the Cayman Islands. The final dividend was paid on 30 June 2020.

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- (b) On 8 November 2021, the proposed interim dividend of HK2.0 cents per share, amount to HK\$8,000,000 for the year ended 31 December 2021 was approved. Such dividend was recorded for as a reduction of share premium of the Group pursuant to the Article of Association and the Companies Act (2022 Revision) (as consolidated or revised from time to time) of the Cayman Islands. The interim dividend was paid on 13 December 2021.
- (c) On 22 March 2022, the proposed final dividend of HK\$2.0 cents per share, amount to HK\$8,000,000 for the year ended 31 December 2021 was approved. Such dividend was recorded for as a reduction of share premium of the Group pursuant to the Article of Association and the Companies Act (2022 Revision) (as consolidated or revised from time to time) of the Cayman Islands. The final dividend was paid on 6 July 2022.
- (d) On 7 November 2022, the proposed interim dividend of HK2.0 cents per share, amount to HK\$8,000,000 for the year ended 31 December 2022 was approved. Such dividend was recorded for as a reduction of share premium of the Group pursuant to the Article of Association and the Companies Act (2022 Revision) (as consolidated or revised from time to time) of the Cayman Islands. The interim dividend was paid on 12 December 2022.

22 RESERVES

(a) Capital reserve

Capital reserves of the Group represented the difference between the net asset value of the subsidiaries acquired pursuant to the reorganisation on 21 December 2018, over the nominal value of the share capital of the Company issued in exchange thereof.

(b) Statutory reserve

The PRC laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the profit after income tax (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holders. All statutory reserves are created for specific purposes. A PRC company is required to appropriate an amount of not less than 10% of statutory profit after income tax to statutory surplus reserves, prior to distribution of its post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the company, to expand the company’s operations, or to increase the capital of the company. In addition, a company may make further contribution to the discretionary surplus reserve using its post-tax profits in accordance with resolutions of the board of directors.

(c) Exchange reserve

Exchange reserve of the Group comprises all currency translation differences arising from translation difference of the financial statements of the Group’s subsidiary in the PRC.

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23 RESERVE MOVEMENTS OF THE COMPANY

	Share capital <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Reserves subtotal <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 January 2020	4,000	84,399	(19,036)	65,363	69,363
Loss for the year	<u>—</u>	<u>—</u>	<u>(2,369)</u>	<u>(2,369)</u>	<u>(2,369)</u>
Total comprehensive income	<u>4,000</u>	<u>84,399</u>	<u>(21,405)</u>	<u>62,994</u>	<u>66,994</u>
Transactions with equity holders:					
Dividends paid	<u>—</u>	<u>(8,000)</u>	<u>—</u>	<u>(8,000)</u>	<u>(8,000)</u>
	<u>—</u>	<u>(8,000)</u>	<u>—</u>	<u>(8,000)</u>	<u>(8,000)</u>
Balance at 31 December 2020	<u>4,000</u>	<u>76,399</u>	<u>(21,405)</u>	<u>54,994</u>	<u>58,994</u>
Balance at 1 January 2021	4,000	76,399	(21,405)	54,994	58,994
Loss for the year	<u>—</u>	<u>—</u>	<u>(2,421)</u>	<u>(2,421)</u>	<u>(2,421)</u>
Total comprehensive income	<u>4,000</u>	<u>76,399</u>	<u>(23,826)</u>	<u>52,573</u>	<u>56,573</u>
Transactions with equity holders:					
Dividends paid	<u>—</u>	<u>(8,000)</u>	<u>—</u>	<u>(8,000)</u>	<u>(8,000)</u>
	<u>—</u>	<u>(8,000)</u>	<u>—</u>	<u>(8,000)</u>	<u>(8,000)</u>
Balance at 31 December 2021	<u>4,000</u>	<u>68,399</u>	<u>(23,826)</u>	<u>44,573</u>	<u>48,573</u>
Balance at 1 January 2022	4,000	68,399	(23,826)	44,573	48,573
Loss for the year	<u>—</u>	<u>—</u>	<u>(5,939)</u>	<u>(5,939)</u>	<u>(5,939)</u>
Total comprehensive income	<u>4,000</u>	<u>68,399</u>	<u>(29,765)</u>	<u>38,634</u>	<u>42,634</u>
Transactions with equity holders:					
Dividends paid	<u>—</u>	<u>(16,000)</u>	<u>—</u>	<u>(16,000)</u>	<u>(16,000)</u>
	<u>—</u>	<u>(16,000)</u>	<u>—</u>	<u>(16,000)</u>	<u>(16,000)</u>
Balance at 31 December 2022	<u>4,000</u>	<u>52,399</u>	<u>(29,765)</u>	<u>22,634</u>	<u>26,634</u>

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24 LEASE LIABILITIES

(a) Amounts recognised in the consolidated balance sheets

The consolidated balance sheets show the following amounts relating to leases:

	As at 31 December,		
	2020	2021	2022
	HK\$'000	HK\$'000	HK\$'000
Right-of-use assets*			
Properties	3,565	2,930	2,234

* The balances were included in the Note 15 “Properties, plant and equipment”.

	As at 31 December,		
	2020	2021	2022
	HK\$'000	HK\$'000	HK\$'000
Lease liabilities			
Non-current portion	79	—	79
Current portion	101	79	101
	<u>180</u>	<u>79</u>	<u>180</u>

Additions to the right-of-use assets amounted to approximately HK\$1,305,000, HK\$62,000 and HK\$268,000 during the years ended 31 December 2020, 2021 and 2022, respectively.

(b) Amounts recognised in the consolidated statements of comprehensive income

The consolidated statements of comprehensive income show the following amounts relating to leases:

	Year ended 31 December,		
	2020	2021	2022
	HK\$'000	HK\$'000	HK\$'000
Depreciation charge of right-of-use assets			
Properties	649	780	760
Finance costs on leases (Note 11)	113	7	4

The total cash outflow for leases during the years ended 2020, 2021 and 2022 is HK\$3,870,000, HK\$108,000 and HK\$108,000, including the payment of principal elements and interest elements of lease liabilities amounting to HK\$3,757,000 and HK\$113,000; HK\$101,000 and HK\$7,000; and HK\$104,000 and HK\$4,000 respectively.

The Group leases production factory in the PRC and office and carpark in Hong Kong. These lease liabilities were measured at net present value of the lease payments for the lease terms that are not yet paid. On 25 June 2020, the Company and the landlord of the production factory in the PRC has entered into a new contract, superseding the original rental contract. The rental agreement has the same scope of lease with revised monthly rental, totaling HK\$3,644,000 for 72 months, which was fully paid during the year ended 31 December 2020.

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25 TRADE PAYABLES

Trade payables at the end of each reporting period comprise amounts outstanding to contract creditors and suppliers. The average credit period taken for trade purchase is generally from 0–90 days.

	As at 31 December,		
	2020	2021	2022
	HK\$'000	HK\$'000	HK\$'000
Trade payables	4,465	8,343	1,034

As at 31 December 2020, 2021 and 2022, the ageing analysis of the trade payables, based on invoice date, are as follows:

	As at 31 December,		
	2020	2021	2022
	HK\$'000	HK\$'000	HK\$'000
Up to 30 days	3,012	7,057	774
31–60 days	1,144	1,271	106
61–90 days	210	—	121
Over 3 months	99	15	33
	<u>4,465</u>	<u>8,343</u>	<u>1,034</u>

	As at 31 December,		
	2020	2021	2022
	HK\$'000	HK\$'000	HK\$'000
RMB	2,057	622	889
HK\$	2,406	7,719	145
USD	<u>2</u>	<u>2</u>	<u>—</u>
	<u>4,465</u>	<u>8,343</u>	<u>1,034</u>

As at 31 December 2020, 2021 and 2022, the carrying amounts of trade payables approximate their fair values.

26 ACCRUALS AND OTHER PAYABLES

	Group			Company		
	As at 31 December,			As at 31 December,		
	2020	2021	2022	2020	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accrued auditors’ remuneration	1,000	822	1,050	1,000	722	950
Accrued [REDACTED]	—	—	[REDACTED]	—	—	[REDACTED]
Accrued employee benefit expenses	585	759	869	—	—	—
Other accruals	157	199	241	—	31	90
Other payables	4	—	10	—	—	—
Payable for purchase of property, plant and equipment	114	117	540	—	—	—
Contract liabilities (Note 5(c))	<u>8</u>	<u>4</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>1,868</u>	<u>1,901</u>	<u>[REDACTED]</u>	<u>1,000</u>	<u>753</u>	<u>[REDACTED]</u>

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The carrying amounts of the Group’s contract liabilities, accruals and other payables were denominated in the following currencies:

	Group			Company		
	As at 31 December,			As at 31 December,		
	2020	2021	2022	2020	2021	2022
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
RMB	843	1,030	1,349	—	—	—
HK\$	<u>1,025</u>	<u>871</u>	<u>2,136</u>	<u>1,000</u>	<u>753</u>	<u>1,815</u>
	<u>1,868</u>	<u>1,901</u>	<u>3,485</u>	<u>1,000</u>	<u>753</u>	<u>1,815</u>

27 DIVIDENDS

(a) Dividends declared and paid during the year

	Year ended 31 December,		
	2020	2021	2022
	HK\$’000	HK\$’000	HK\$’000
Interim dividends declared and paid in respect of 2021 and 2022 of HK2.0 cents per share	—	8,000	8,000
Final dividends declared and paid in respect of 2019 and 2021 of HK2.0 cents per share	<u>8,000</u>	<u>—</u>	<u>8,000</u>

(b) Dividends for the year

	Year ended 31 December,		
	2020	2021	2022
	HK\$’000	HK\$’000	HK\$’000
Interim dividends of HK2.0 cents per share	—	8,000	8,000
Proposed final dividends of HK4.0 cents per share (2021: HK2.0 cents) (Note)	<u>—</u>	<u>8,000</u>	<u>16,000</u>
	<u>—</u>	<u>16,000</u>	<u>24,000</u>

Note:

The proposed final dividend have been proposed by the directors after the report date. The proposed final dividend, subject to the shareholders’ approval at the forthcoming annual general meeting, is not reflected as dividend payables as at 31 December 2021 and 2022.

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28 DEFERRED INCOME TAX

The movement in deferred income tax assets during the years ended 31 December 2020, 2021 and 2022, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follow:

	Lease liabilities <i>HK\$'000</i>	Provision for inventories <i>HK\$'000</i>	Decelerated tax depreciation <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2020	17	47	—	64
Charged to consolidated statement of comprehensive income (<i>Note 12</i>)	<u>14</u>	<u>—</u>	<u>—</u>	<u>14</u>
As at 31 December 2020	<u><u>31</u></u>	<u><u>47</u></u>	<u><u>—</u></u>	<u><u>78</u></u>
At 1 January 2021	31	47	—	78
Charged to consolidated statement of comprehensive income (<i>Note 12</i>)	<u>22</u>	<u>7</u>	<u>—</u>	<u>29</u>
As at 31 December 2021	<u><u>53</u></u>	<u><u>54</u></u>	<u><u>—</u></u>	<u><u>107</u></u>
At 1 January 2022	53	54	—	107
(Credited)/charged to consolidated statement of comprehensive income (<i>Note 12</i>)	<u>(30)</u>	<u>11</u>	<u>387</u>	<u>368</u>
As at 31 December 2022	<u><u>23</u></u>	<u><u>65</u></u>	<u><u>387</u></u>	<u><u>475</u></u>

As at 31 December 2020, 2021 and 2022, deferred income tax liabilities of approximately HK\$2,413,000, HK\$2,881,000 and HK\$4,289,000 have not been recognised for the withholding tax that would be payable on the unremitted earnings of subsidiaries in the PRC of approximately HK\$24,129,000, HK\$28,808,000 and HK\$42,886,000, respectively, as our directors considered that the timing of the reversal of the related temporary differences can be controlled and the related temporary difference will not be reversed and will not be taxable in the foreseeable future.

29 RELATED PARTIES TRANSACTIONS

- (a) For the purposes of these consolidated financial statements, parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control. The director is of the view that the following individual were related parties that had transactions or balances with the Group during the years ended 31 December 2020, 2021 and 2022:

Name	Relationship with the Group
Mr. YP Chan	Shareholder and Executive Director
Ms. Leung Tak Yee	Shareholder and the spouse of Mr. YP Chan

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(b) Key management compensation

Key management include executive directors and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December,		
	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	1,715	1,862	2,263
Discretionary bonuses	—	—	278
Retirement benefit costs — defined contribution plans	<u>62</u>	<u>68</u>	<u>67</u>
	<u>1,777</u>	<u>1,930</u>	<u>2,608</u>

30 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax to cash generated from operations

	Year ended 31 December,		
	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cash flows from operating activities			
Profit before income tax	16,252	41,866	41,432
Adjustments for:			
Amortisation	76	—	—
Depreciation	1,734	1,835	2,181
(Reversal of provision)/provision for slow moving inventories, net	(3)	22	109
(Gain)/loss on disposal of property, plant and equipment	(1)	—	3
Finance income	(69)	(24)	(190)
Finance cost	<u>113</u>	<u>7</u>	<u>4</u>
Changes in working capital	18,102	43,706	43,539
Trade receivables	(4,380)	(16,526)	(4,263)
Prepayments, deposits and other receivables	(934)	1,366	6
Inventories	825	(1,061)	(2,617)
Trade payables	2,840	3,846	(7,250)
Accruals and other payables	<u>(490)</u>	<u>7</u>	<u>1,678</u>
Net cash generated from operations	<u>15,963</u>	<u>31,338</u>	<u>31,093</u>

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(b) Reconciliation of liabilities arising from financing activities

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

	Lease Liabilities <i>HK\$’000</i>
Net debt as at 1 January 2020	(2,715)
Cash flows	3,870
Other non-cash movements	
— Additions	(1,206)
— Accrued interest	(113)
— Foreign exchange adjustments	<u>(16)</u>
Net debt as at 31 December 2020	<u><u>(180)</u></u>
Net debt as at 1 January 2021	(180)
Cash flows	108
Other non-cash movements	
— Accrued interest	<u>(7)</u>
Net debt as at 31 December 2021	<u><u>(79)</u></u>
Net debt as at 1 January 2022	(79)
Cash flows	108
Other non-cash movements	
— Additions	(205)
— Accrued interest	<u>(4)</u>
Net debt as at 31 December 2022	<u><u>(180)</u></u>

31 INVESTMENT IN SUBSIDIARIES

	2020 <i>HK\$’000</i>	2021 <i>HK\$’000</i>	2022 <i>HK\$’000</i>
Investment in unlisted shares, at cost	<u>41,888</u>	<u>41,888</u>	<u>41,888</u>

32 AMOUNTS DUE TO SUBSIDIARIES

As at 31 December 2020, 2021 and 2022, amount due to subsidiaries were non-trade in nature, unsecured, interest-free and repayable on demand. Their carrying amounts approximately their fair values and were denominated in HK\$.

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33 CAPITAL COMMITMENTS

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	Year ended 31 December,		
	2020	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment and intangible assets			
— Not later than one year	5,125	8,251	1,999
— Later than one year but not later than five years	<u>405</u>	<u>822</u>	<u>288</u>
	<u>5,530</u>	<u>9,073</u>	<u>2,287</u>

34 CONTINGENT LIABILITIES

As at 31 December 2020, 2021 and 2022, the Group did not have any significant contingent liabilities.

35 SUBSEQUENT EVENT

[There were no significant events subsequent to the Track Record Period, which require adjustment or disclosure in accordance with HKFRSs.]

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III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2022. Except as disclosed in Note 27 in Section II, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2022.