Smart Globe Holdings Limited
竣球控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1481

ANNUAL REPORT
2023

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. NG Ho Lun *(Chairman)*
(appointed with effect from 7 July 2023)
Mr. CHU Lok Fung Barry
(appointed with effect from 7 July 2023)
Mr. CHEN Kun
(appointed with effect from 7 July 2023)
Mr. LAM Tak Ling Derek
Ms. TSE Yuen Shan Ivy
(resigned with effect from 7 July 2023)
Mr. CHAN Yee Yeung
(resigned with effect from 7 July 2023)

Independent Non-Executive Directors

Dr. WU Ka Chee Davy
(appointed with effect from 7 July 2023)
Mr. YIU Ho Chi Stephen
(appointed with effect from 7 July 2023)
Ms. LAW Ying Wai Denise
(appointed with effect from 7 July 2023)
Mr. LI Chun Hung
(resigned with effect from 7 July 2023)
Mr. ONG Chor Wei
(resigned with effect from 7 July 2023)
Mr. YAM Kam Kwong
(resigned with effect from 7 July 2023)

Audit Committee

Ms. LAW Ying Wai Denise *(Chairperson)*
(appointed with effect from 7 July 2023)
Dr. WU Ka Chee Davy
(appointed with effect from 7 July 2023)
Mr. YIU Ho Chi Stephen
(appointed with effect from 7 July 2023)
Mr. LI Chun Hung
(resigned with effect from 7 July 2023)
Mr. ONG Chor Wei
(resigned with effect from 7 July 2023)
Mr. YAM Kam Kwong
(resigned with effect from 7 July 2023)

Remuneration Committee

Dr. WU Ka Chee Davy *(Chairperson)*
(appointed with effect from 7 July 2023)
Mr. CHU Lok Fung Barry
(appointed with effect from 7 July 2023)
Mr. YIU Ho Chi Stephen
(appointed with effect from 7 July 2023)
Mr. ONG Chor Wei
(resigned with effect from 7 July 2023)
Ms. TSE Yuen Shan Ivy
(resigned with effect from 7 July 2023)
Mr. LI Chun Hung
(resigned with effect from 7 July 2023)
Mr. YAM Kam Kwong
(resigned with effect from 7 July 2023)

Nomination Committee

Mr. NG Ho Lun *(Chairperson)*
(appointed with effect from 7 July 2023)
Mr. YIU Ho Chi Stephen
(appointed with effect from 7 July 2023)
Ms. LAW Ying Wai Denise
(appointed with effect from 7 July 2023)
Mr. LAM Tak Ling Derek
(ceased to be a member of the nomination committee with effect from 7 July 2023)
Mr. LI Chun Hung
(resigned with effect from 7 July 2023)
Mr. ONG Chor Wei
(resigned with effect from 7 July 2023)
Mr. YAM Kam Kwong
(resigned with effect from 7 July 2023)

Company Secretaries

Mr. CHU Lok Fung Barry
(appointed with effect from 7 July 2023)
Mr. CHEN Kun
(appointed with effect from 7 July 2023)
Mr. CHEUNG Sum Chin
(resigned with effect from 7 July 2023)

Authorised Representatives

Mr. CHU Lok Fung Barry
(appointed with effect from 7 July 2023)
Mr. CHEN Kun
(appointed with effect from 7 July 2023)
Mr. LAM Tak Ling Derek
(ceased to be an authorised representative with effect from 7 July 2023)
Mr. CHAN Yee Yeung
(resigned with effect from 7 July 2023)

Registered Office

Windward 3
Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

Principal Place of Business in Hong Kong

Suite 5705–08, 57/F, One Island East
Taikoo Place, 18 Westlands Road
Quarry Bay
Hong Kong

Principal Place of Business in the People's Republic of China ("PRC")

Heyuan Hi-Tech Development Zone
Heyuan, Guangdong Province
PRC

Cayman Islands Share Registrar and Transfer Office

Ocorian Trust (Cayman) Limited
Windward 3
Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

Hong Kong Share Registrar and Transfer Office

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

Company's Website

http://www.smartglobehk.com

Legal Adviser

Deacons

Financial Adviser

Asian Capital Limited

Auditor

Baker Tilly Hong Kong Limited
Certified Public Accountants
Registered Public Interest Auditors
Level 8, K11 ATELIER King's Road
728 King's Road
Quarry Bay
Hong Kong

Stock code

1481

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board (the "**Board**") of directors (the "**Directors**") of Smart Globe Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I am pleased to present to you our annual results of the Group for the year ended 31 December 2023 ("**FY2023**").

2023 was a milestone year filled with changes and opportunities for the Group. During the year, the Group was exposed to several market challenges and uncertainties, in particular the slow global economic growth and the rapidly changing market conditions. However, the Group achieved a substantial reduction of loss for FY2023 as compared to the previous year, resulted from the continuous optimization of the Group's sales strategies.

In May 2023, TeraMetal Holdings Limited became the controlling shareholder of the Company. This development brought forth a new era of management, as we welcomed new and esteemed directors with extensive backgrounds and diversified expertise to our Board, which will also open up the prospects of our existing business and new business opportunities.

Although we believe that competition within printing industry will likely continue to be fierce in coming year, the Directors are of the view that we are able to remain competitive by optimizing our sales strategy and leveraging our professionalism, experience and competitive edge to drive sales and reach out to a wider group of customers. We are confident that, through our collective endeavors, the Group is well-positioned to overcome the volatilities and capture new opportunities in printing business in forthcoming years. In addition, we are excited about the prospects ahead of us as we explore new business avenues with the assistance of our new controlling shareholder, with an aim of maximizing shareholders' benefits as a whole.

On behalf of the Board, I would like to extend my heartfelt gratitude to the Group's management and employees. Their professionalism, dedication and commitment to excellence are the foundation of our Group's continuing success. I would like to also extend my deepest appreciation to our valued shareholders, business partners, suppliers and customers for their trust and support, and to the Board members for their unwavering commitment and guidance. We will remain committed on creating long-term value for our shareholders in return for your unwavering support and trust in us.

Yours faithfully,
Mr. NG Ho Lun
Chairman
Smart Globe Holdings Limited

27 March 2024

The Board of the Company hereby presents the Company's annual report for the year ended 31 December 2023 ("**FY2023**"), together with the comparative figures for the corresponding period in 2022 (**"FY2022"**).

Business Review

The Group is primarily engaged in the business of printing books, novelty items, and packaging products. In addition, the Group offers an extensive suite of services that encompasses the entire printing process, from pre-press to printing to finishing. The Group also produces customised and value-added printing products.

For FY2023, the Group recorded a decrease in its total revenue by approximately 26.1% to approximately HK$97.2 million from approximately HK$131.6 million for FY2022. This was mainly due to less customer orders received from the United States of America ("**USA**"), Hong Kong and the United Kingdom ("**UK**") in the books products segment as compared to FY2022. Loss of the Group was approximately HK$3.7 million for FY2023 whereas a loss of approximately HK$16.5 million was recorded for FY2022 which was mainly attributable to the increase in the Group's gross profit resulted from the change in sales strategy by focusing on customer orders with higher margin, in particular the profit margin in the second half of FY2023 improved significantly as compared with the corresponding period in FY2022, which was partially offset by the increase in administrative expenses such as staff cost and other taxes in the People's Republic of China (the "**PRC**").

Financial Review

Revenue

The Group's revenue represents amounts received or receivable from production and printing of books, novelty and packaging products. During FY2023, the Group's revenue amounted to HK$97.2 million, which was 26.1% lower than the corresponding figure for FY2022. The decrease was mainly due to less customer orders received from USA, Hong Kong and UK in the books products segment.

During FY2023, approximately 92.2% of total revenue was contributed by the books products segment. Revenue contributed by the books products segment for FY2023 was approximately HK$89.7 million, which was 28.3% lower than the revenue contributed by the same segment for FY2022 of approximately HK$125.0 million.

Gross profit

During FY2023, the Group's gross profit amounted to approximately HK$21.6 million, which was 181.0% higher than the gross profit of approximately HK$7.7 million for FY2022. Such increase was mainly attributable to the change in sales strategy by focusing on customer orders with higher margin, in particular the profit margin in the second half of FY2023 improved significantly as compared with the corresponding period in FY2022, which was partially offset by the increase in administrative expenses such as staff cost and other taxes in the PRC.

Gross profit margin

The Group's gross profit margin increased from 5.8% for FY2022 to 22.2% for FY2023.

Other income/other gains and losses

The other income increased by approximately HK$0.3 million to approximately HK$0.9 million in FY2023 from approximately HK$0.6 million in FY2022, mainly due to the combined effect of an increase in bank interest income of approximately HK$0.8 million and a decrease in receipt of government grants of approximately HK$0.4 million in FY2023.

The other gains decreased by approximately 84.2% from approximately HK$1.9 million for FY2022 to approximately HK$0.3 million for FY2023. This was mainly due to the decrease in exchange gain incurred during FY2023.

Selling and distribution costs

The selling and distribution costs decreased by approximately 23.2% from approximately HK$7.6 million in FY2022 to approximately HK$5.8 million in FY2023. This was mainly due to the combined effect of a decrease in transportation and freight charges of approximately HK$2.3 million and an increase of other marketing expenses of approximately HK$0.5 million in FY2023.

Administrative expenses

The administrative expenses increased by approximately 14.3% from approximately HK$18.1 million in FY2022 to approximately HK$20.6 million in FY2023. The increase was mainly due to the increase in staff cost and other taxes in the PRC of approximately HK$1.6 million and HK$0.5 million respectively.

Loss for the year

As a result of the above factors, loss for FY2023 reduced to approximately HK$3.7 million (FY2022: approximately HK$16.5 million).

The above financial data were chosen to be presented in this report as they represent a material financial impact on the financial statements of the Group for FY2022 and/or FY2023. The Board believes that by presenting the changes of these financial data, they can effectively explain the financial performance of the Group for FY2023.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for FY2023 (FY2022: Nil).

OUTLOOK

Looking ahead, the Group will continue to explore and capture new business opportunities for potential growth. This includes enhancing our marketing strategy to expand our quality customer base and promote our one-stop printing services to existing and potential customers. Simultaneously, we are actively seeking new business opportunities to diversify our income sources and mitigate business risks. Furthermore, we will strive to further tighten control over operating expenses and streamline production processes. We will also leverage our leading one-stop printing platform to enhance our capabilities, improve overall production efficiency, and prepare for future growth and opportunities. By adopting these multifaceted approaches, we are poised to drive sustainable growth and solidify our market position.

MANDATORY GENERAL OFFER AND CHANGE IN CONTROLLING SHAREHOLDER

On 26 April 2023 (after trading hours), TeraMetal Holdings Limited ("**TeraMetal**") (as the purchaser), Master Sage Limited and Fortune Corner Holdings Limited (both as the seller, collectively the "**Sellers**") entered into a sale and purchase agreement, pursuant to which TeraMetal conditionally agreed to purchase, and the Sellers conditionally agreed to sell, in aggregate, 750,000,000 ordinary shares of the Company ("**Shares**"), representing 73.53% of the then issued Shares, at an aggregate consideration of HK$196,050,000, equivalent to HK$0.2614 per Share ("**Offer Price**"). Completion took place on 2 May 2023.

Upon completion, TeraMetal owned an aggregate of 750,000,000 Shares, representing 73.53% of the then entire issued Shares. In accordance with Rule 26.1 of The Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission of Hong Kong, TeraMetal was required to make a mandatory general offer at the Offer Price for all issued Shares (other than those already owned and/or agreed to be acquired by TeraMetal and the parties acting in concert with it) (the "**Offer**"). On 20 June 2023, being the closing date of the Offer, TeraMetal received valid acceptances of an aggregate of 154,260,000 Shares, representing 15.12% of the then issued Shares. On 25 July 2023, TeraMetal and a manager entered into a secondary block trade agreement, pursuant to which TeraMetal agreed to place down up to 154,260,000 Shares to parties independent of TeraMetal and the Company (the "**Placing**"). Completion of the Placing took place on 1 August 2023. Accordingly, TeraMetal is interested in 750,000,000 Shares, representing 73.53% of the issued Shares since then.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Shares of the Company were successfully listed on Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 11 December 2020. The Company completed placing of 20,000,000 Shares on 5 August 2022. Apart from above, there has been no change in the capital structure of the Group since listing on Main Board. The share capital of the Group only comprises ordinary shares.

As at the date of this report, the Company's issued share capital was HK$10,200,000 and the number of its issued ordinary shares was 1,020,000,000 of HK$0.01 each.

The Group financed its operations with shareholders' equity and cash generated from operations. A summary of the Group's liquidity and financial resources is set out below:

	31 December 2023 *HK$'000* **(Audited)**	31 December 2022 *HK$'000* (Audited)
Total assets	**150,329**	150,287
Shareholders' equity	**126,603**	131,607
Gearing ratio	**5.2%**	1.4%

The Group maintained bank balances and cash amounting to approximately HK$65.6 million as at 31 December 2023 (as at 31 December 2022: approximately HK$57.1 million), which increased by approximately 15.0% as compared with that as at 31 December 2022. The primary use of cash was to satisfy the working capital of the Group (such as purchase of inventories and emoluments of directors and other members of key management).

The Group's non-current assets decreased to approximately HK$35.7 million as at 31 December 2023 (as at 31 December 2022: approximately HK$43.3 million), the decrease was primarily due to the refund of the deposit paid for potential investment and depreciation of property, plant and equipment in FY2023.

As at 31 December 2023, the Group's current assets amounted to approximately HK$114.6 million (as at 31 December 2022: approximately HK$107.0 million), which comprised inventories of approximately HK$19.1 million (as at 31 December 2022: approximately HK$14.8 million), trade and other receivables of approximately HK$29.2 million (as at 31 December 2022: approximately HK$34.4 million), tax recoverable of approximately HK$0.6 million (as at 31 December 2022: approximately HK$0.6 million), and bank balances and cash of approximately HK$65.6 million (as at 31 December 2022: approximately HK$57.1 million).

As at 31 December 2023, the Group's current liabilities amounted to approximately HK$19.6 million, which comprised trade and other payables of approximately HK$16.6 million (as at 31 December 2022: approximately HK$15.6 million), contract liabilities of approximately HK$0.5 million (as at 31 December 2022: approximately HK$1.1 million), and lease liabilities of approximately HK$2.5 million (as at 31 December 2022: approximately HK$1.8 million).

As at 31 December 2023, the net current assets of the Group increased by approximately HK$6.7 million or approximately 7.6% to approximately HK$95.0 million (as at 31 December 2022: approximately HK$88.3 million).

The Group had total lease liabilities of approximately HK$6.6 million as at 31 December 2023 (as at 31 December 2022: approximately HK$1.8 million).

As at 31 December 2023, the Group did not have any interest-bearing bank borrowings (as at 31 December 2022: nil).

The Group's gearing ratio, which was calculated as total interest-bearing liabilities divided by total equity as at the relevant reporting date was approximately 5.2% as at 31 December 2023 (as at 31 December 2022: approximately 1.4%). The Group's current ratio, which was calculated as current assets divided by current liabilities as at the relevant reporting date stood at approximately 5.8 as at 31 December 2023 (as at 31 December 2022: approximately 5.7).

TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout FY2023. To manage the liquidity risk, the management monitors the Group's liquidity position and maintains sufficient cash and cash equivalents. The management also monitors the availability of the Group's funding through an adequate amount of committed credit facilities and the ability to settle the payables of the Group.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

As its revenue is mainly denominated in United States dollars ("**US$**") and Hong Kong dollars ("**HK$**"), and HK$ is pegged to US$, the Group's exposure to fluctuations in exchange rate in relation to the Group's revenue is relatively low.

The Group is exposed to foreign exchange risks as the Group's production is mainly in the PRC. The appreciation of RMB may lead to an increase of our cost of production. During FY2023, the Group has not entered into any financial instrument for hedging purposes nor other hedging instruments to hedge against foreign exchange rate risks. The Group will keep on reviewing and monitoring the exchange fluctuation between RMB and HK$, and will consider entering into hedging arrangement as and when appropriate.

CAPITAL EXPENDITURE, CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

During FY2023, the Group had acquired property, plant and equipment at approximately HK$0.5 million (FY2022: HK$1.1 million). There were no charges on the assets of the Group as at 31 December 2023.

As at 31 December 2023, the Group had (i) no significant capital commitments; and (ii) no material contingent liabilities.

MATERIAL INVESTMENTS/MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Reference is made to the announcements of the Company dated 14 September 2022, 15 September 2022, 27 October 2022, 20 January 2023 and 31 March 2023 in relation to the discloseable transaction regarding the Group's proposed acquisition of 5% equity interest in Veivo Web Technology Limited involving the Company's issue of consideration shares under the general mandate granted by the shareholders to the Directors at the annual general meeting of the Company held on 13 May 2022. The aforesaid proposed transaction was terminated on 31 March 2023.

Reference is made to the announcements of the Company dated 15 July 2022, 15 August 2022, 12 October 2022, 30 November 2022, 31 January 2023, 31 March 2023 and 5 July 2023 in relation to the Group's proposed subscription of 30% of the enlarged registered capital of Hubei Kang Shi Zhen Yi Yao Technology Co., Ltd. (the "**Target Company**"). The aforesaid proposed transaction was terminated on 5 July 2023.

Save as disclosed herein, during FY2023, the Company did not make any material acquisitions and disposals of subsidiaries, associates, joint ventures, significant investments nor capital commitment. The Company does not have any future plan for other material acquisition, disposal, investment or addition of capital assets as at the date of this report.

EMPLOYEES' INFORMATION AND EMOLUMENT POLICIES

Our employees are based in Hong Kong and Heyuan, Guangdong Province, the PRC. As at 31 December 2023, there were 364 (as at 31 December 2022: 319) employees in the Group. The total staff costs, including directors' emoluments, amounted to approximately HK$34.7 million for FY2023 (FY2022: approximately HK$42.4 million). Staff remuneration packages are determined with reference to market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical insurance, and grants discretionary incentive bonuses to eligible staff based on their performance and contributions to the Group.

The workers are mainly based at our production site located at Heyuan Hi-Tech Development Zone, Heyuan, Guangdong Province, the PRC (the "**Heyuan Factory**"). As at 31 December 2023, there were 350 (as at 31 December 2022: 306) employees in the Heyuan Factory.

USE OF PROCEEDS IN RELATION TO THE 2022 PLACING

References are made to the announcements of the Company respectively dated 15 July 2022, 5 August 2022, 15 August 2022, 12 October 2022, 30 November 2022, 31 January 2023, 31 March 2023 and 5 July 2023.

On 15 July 2022, the Company entered into a subscription agreement (the "**Subscription Agreement**") with the Target Company, pursuant to which the Company has conditionally agreed to subscribe for 30% enlarged registered capital in the Target Company upon the completion, at the subscription price of HK$30,000,000 (the "**Subscription**"). The completion of the Subscription is conditional upon, among other things, the Company having completed its due diligence investigation on the Target Company and in its absolute discretion satisfied with the results thereof. For further details, please refer to the announcement of the Company dated 15 July 2022.

On 5 August 2022, the Company placed an aggregate of 20,000,000 placing shares, raising net proceeds of approximately HK$20.7 million for the purpose of the pharmaceutical related projects' investment (the "**2022 Placing**").

On 15 August 2022, the Company entered into a supplemental deed with the Target Company to advance an RMB amount equivalent to HK$7,000,000 to the Target Company for the purpose of the Target Company's operation and future expansion plan (the "**Advancement**"). Upon satisfaction or waiving of the conditions precedent as stated in the Subscription Agreement, the Advancement will form part of the Subscription consideration. To secure the Advancement made by the Company to the Target Company, the Company requested Fuyou Pharmaceutical Technology (Suzhou) Co., Ltd ("**Fuyou Pharmaceutical**", being substantial shareholder of the Target Company) to pledge its 10% equity interests in the Target Company in favour of the Company (or its nominee).

Due to the prolonged due diligence investigation process, the Company decided to cease to proceed with the transaction and the Subscription and entered into a deed of assignment and novation with Riverton Holdings Limited ("**Riverton**"), CP Printing (Heyuan) Limited* (同利紙製品(河源)有限公司) ("**Tong Li**", being an indirect wholly-owned subsidiary of the Company) and Fuyou Pharmaceutical on 5 July 2023, whereby, among other things, (i) the Company and Tong Li assigns and transfers all their right, title, benefit, interest, property, claim, demand, covenants, undertakings, obligations and liabilities in the agreement to Riverton and (ii) Fuyou Pharmaceutical releases and discharges Tong Li from all its obligations and liabilities under the share pledge agreement dated 15 August 2022 entered into between Tong Li and Fuyou Pharmaceutical, for a consideration of HK$7,000,000 to recover the Advancement for the Group's continued development of its core business activities.

As at the date of this report, the net proceeds of HK$20.7 million (including the recovered Advancement) have not been utilised and are expected to be utilised in the year of 2024.

The net proceeds raised from the 2022 Placing was approximately HK$20.7 million. The initial amount of net proceeds as at 5 August 2022, remaining balance as at 1 January 2023, utilised amount during FY2023, and the remaining balance as at 31 December 2023 and as at the date of this report, respectively, are summarised below:

	Initial amount of net proceeds as at 5 August 2022 *Approximately HK$' million*	**Remaining balance as at 1 January 2023** *Approximately HK$' million*	**Utilised amount during FY2023** *Approximately HK$' million*	**Remaining balance as at 31 December 2023 and as at the date of this report** *Approximately HK$' million*
Total	20.7	13.7 *(note)*	—	20.7 *(note)*

Note: On 5 August 2022, the Company completed the 2022 Placing and raised net proceeds of approximately HK$20.7 million. On 15 August 2022, the Company agreed to make the Advancement of HK$7.0 million to the Target Company. On 5 July 2023, the Company entered into agreement to recover the Advancement of HK$7.0 million.

As at 31 December 2023, the Company's intended use of proceeds of the 2022 Placing is set out as follows:

	Original allocation of the net proceeds and as at 1 January 2023 *Approximately HK$' million*	**Revised allocation as at 5 July 2023** *Approximately HK$' million*	**Amounts unutilised as at 31 December 2023 and as at the date of this report** *Approximately HK$' million*	**Expected timeline of utilisation of the proceeds**
Intended use of proceeds				
Pharmaceutical related projects	20.7	13.7	13.7	By 31 December 2024
Core business activities	—	7.0	7.0	By 31 December 2024
Total	20.7	20.7	20.7	

EVENTS SUBSEQUENT TO END OF THE REPORTING PERIOD

There were no significant events subsequent to 31 December 2023 which would materially affect the Group's operating and financial performance as of the date of this report.

UPDATE ON DIRECTORS' INFORMATION

Saved as disclosed in the announcement of the Company dated 7 July 2023, there are no other updates on directors related information or other information required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. NG Ho Lun (吳浩麟)

Mr. Ng, aged 31, was appointed as an executive Director, chairman of the Board and chief executive officer on 7 July 2023. Mr. Ng is the founder, director and chief executive officer of Huachin Mining Limited since August 2017, and primarily responsible for setting strategic goals and development direction of the company. He graduated from the University of Southern California in Los Angeles with a bachelor degree majoring in Business Finance and minor in Economics in 2016.

Mr. CHU Lok Fung Barry (朱樂峰)

Mr. Chu, aged 53, was appointed as an executive Director, joint company secretary, financial controller, authorised representative and process agent of the Company on 7 July 2023. Since April 2020, Mr. Chu has been the financial controller and company secretary of Huachin Mining Limited, and primarily responsible for the strategic planning and general management of the finance and accounting functions.

Mr. Chu has over 27 years of experience in strategic and general management, compliance, auditing, financial and accounting. Mr. Chu was appointed as the Company Secretary and Financial Controller of CAA Resources Limited (now known as Grace Life-tech Holdings Limited, stock code: 2112.HK) from April 2013 to January 2020. From March 2010 to October 2012, he served as the Assistant Controller of Winson Oil International (HK) Limited. From September 2003 to February 2010, Mr. Chu served as the Group Chief Accountant of Come Sure Group (Holdings) Limited (stock code: 794.HK). From May 1997 to July 2001 and from March 2002 to March 2003, Mr. Chu worked in the audit departments of two international accounting firms in Hong Kong, responsible for various statutory and special audit works. From March 1996 to May 1997, Mr. Chu served as a management trainee at Midas International Limited (now known as Magnus Concordia Group Limited, stock code: 1172.HK), responsible for preparing group budgets and management reports.

Mr. Chu obtained a Master of Arts in Chinese Historical Studies from The University of Hong Kong in 2021. He also obtained a Master of Economics from The University of Hong Kong in 2015, a Master of Arts in Philosophy from The Chinese University of Hong Kong in 2011, a Master of Science in Accountancy from The Hong Kong Polytechnic University in 2007, and a Bachelor of Business from Monash University in Australia in 1995. He has been a fellow member of the Hong Kong Institute of Certified Public Accountants since February 2009 and a certified practicing accountant of the CPA Australia since October 1999.

Mr. CHEN Kun (陳坤)

Mr. Chen, aged 38, was appointed as an executive Director, joint company secretary, authorised representative and process agent of the Company on 7 July 2023. His primary responsibilities are corporate governance matters of the Group. He has more than 10 years of experience in the legal industry. Subsequent to his admission as a solicitor of the High Court of Hong Kong in November 2011, he worked as assistant solicitor with law firms in Hong Kong from November 2011 to May 2019. He became a partner of Jimmie K. S. Wong & Partners (a Hong Kong law firm) since June 2019 and a sole proprietor of Peter Chen Law Office (a Hong Kong law firm) since December 2020. He is currently the joint company secretary of China Tianrui Group Cement Company Limited (stock code: 1252.HK), and company secretary of BGMC International Limited (stock code: 1693.HK), Grace Life-tech Holdings Limited (stock code: 2112.HK), Rici Healthcare Holdings Limited (stock code: 1526.HK), Christine International Holdings Limited (stock code: 1210.HK), IDT International Limited (stock code: 167.HK) and Prosperous Printing Company Limited (stock code: 8385.HK).

Mr. Chen received his Bachelor of Laws degree in 2008 and the Postgraduate Certificate in Laws in 2009 from The University of Hong Kong.

Mr. Lam Tak Ling Derek (林德凌)

Mr. Lam, aged 53, was appointed as an executive Director on 5 May 2017. Mr. Lam is primarily responsible for overall strategic planning and overseeing the general management of the Group. Mr. Lam has more than 20 years of experience in the printing industry. During the period from July 1994 to July 2012, he worked in a company principally engaged in the printing of books, as a sales director. He joined the Group as a sales and marketing manager in August 2012 and has been a director of CP Printing since August 2014.

Independent non-executive Directors

Dr. WU Ka Chee Davy (胡家慈博士)

Dr. Wu, aged 55, was appointed as an independent non-executive Director on 7 July 2023.

Dr. Wu has been a senior lecturer of the Department of Accountancy, Economics and Finance at The Hong Kong Baptist University since September 1999. From 2006 to 2012, Dr. Wu was a member of the Advisory Group on Share Capital, Distribution of Profits and Assets and Charges Provisions for the rewrite of the Companies Ordinance (Chapter 622 of the laws of Hong Kong), on appointment by the Financial Services and Treasury Bureau ("**FSTB**") of the Government of the Hong Kong Special Administrative Region. From 2011 to 2016, he was a member of the Advisory Group on Modernisation of Corporate Insolvency Law, also on appointment by the FSTB. Since January 2023, he has been a consultant on governance for Pok Oi Hospital. He currently also serves as an independent non-executive Director of Xtep International Holdings Ltd (stock code: 1368.HK). He was an independent non-executive director of Goal Rise Logistics (China) Holdings Limited (now known as Yues International Holdings Group Ltd, stock code: 1529.HK) from August 2017 to November 2021, and an independent non-executive director of Wan Leader International Limited (stock code: 8482.HK) from August 2018 to March 2021. All such companies are listed on the Stock Exchange.

Dr. Wu attained a bachelor's degree in law in November 1993, a postgraduate certificate in law in June 1994 and a doctorate degree in law in December 2003, all from The University of Hong Kong. He also obtained a master's degree in business administration from The Hong Kong Polytechnic University in November 2013.

Mr. YIU Ho Chi Stephen (姚好智)

Mr. Yiu, aged 61, was appointed as an independent non-executive Director on 7 July 2023. He has over 30 years of extensive experience in auditing, accounting, finance, company secretarial, corporate governance and strategic planning gained from his tenure at international public accounting firm, multinational corporations and listed companies.

Mr. Yiu served as Chief Financial Officer of DBA Telecommunication (Asia) Holdings Limited (previous stock code: 3335.HK) from October 2013 to November 2020. From June 2002 to July 2010, he served as the Chief Financial Officer of Come Sure Group (Holdings) Limited (stock code: 794. HK) and was also appointed as an executive director and the Company Secretary since its listing in February 2009 until July 2010. From April 2000 to November 2001, Mr. Yiu served as the Financial Controller of Bosswin Industries Limited. From July 1996 to March 2000, Mr. Yiu was served as the Chief Financial Officer of Freight Links Express Holdings (Hong Kong) Limited (now known as Shanghai Industrial Urban Development Group Limited, stock code: 563.HK). Mr. Yiu served as the Financial Support Manager of Polaroid Far East Limited, the Far East Regional Office of Polaroid Corporation USA, from February 1995 to July 1996. From August 1989 to February 1995, Mr. Yiu was served in the finance division of Sino Land Company Limited (Stock Code: 83.HK) and leaving as Assistant Manager for Group Treasury. From September 1986 to September 1988, Mr. Yiu served as an auditor in an international accounting firm.

Mr. Yiu obtained a Diploma in Accounting from Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in 1986, a Bachelor of Laws from Peking University in 1997 and a Master of Business from Curtin University in Australia in 2002. He has been a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants since January 1994, and a Certified Professional Forensic Accountant of the Institute of Certified Forensic Accountants in the United States since February 2018.

Ms. LAW Ying Wai Denise (羅瑩慧)

Ms. Law, aged 42, was appointed as an independent non-executive director of the Company on 7 July 2023. Ms. Law possesses over 15 years of experience in corporate finance and auditing. She is a director of Halcyon Capital Limited which specialises in initial public offerings and corporate advisory in mergers and acquisitions. She used to work for an international accounting firm and other corporate finance arms of financial institutions in Hong Kong. She is also currently an independent non-executive director of Trio Industrial Electronics Group Limited (stock code: 1710. HK), a company listed on the Stock Exchange.

Ms. Law graduated from the University of New South Wales in Australia with a degree of Bachelor of Commerce in Accounting and Finance in April 2004. She is a member of the American Institute of Certified Public Accountants.

FINANCIAL HIGHLIGHTS

Loss per share (HK cents)

Loss per ordinary share based on loss attributable to owners of the Company

	2023	2022
(i) Based on weighted average number of ordinary shares	**HK(0.36) cents**	HK(1.64) cents
(ii) On a fully diluted basis	**Not applicable**	Not applicable

The calculation of basic loss per share is based on the loss of the Company of approximately HK$3,690,000 for FY2023 (FY2022: approximately HK$16,500,000) and on the weighted average number of approximately 1,020,000,000 (FY2022: 1,008,164,000) ordinary shares in issue during FY2023.

Diluted loss per share for the years ended 31 December 2022 and 2023 are not presented as there is no dilutive potential ordinary share.

Revenue (HK$'000)

	Year ended 31 December				
	2019	2020	2021	2022	**2023**
Revenue	132,194	127,213	167,899	131,647	**97,241**

Net profit (loss) for the year (HK$'000)

	Year ended 31 December				
	2019	2020	2021	2022	**2023**
Profit (loss) for the year attributable to owners of the Company	23,142	16,001	1,649	(16,500)	**(3,690)**

ABOUT THE ESG REPORT

Smart Globe Holdings Limited ("**Smart Globe**") is delighted to present its environmental, social and governance ("**ESG**") report ("**ESG Report**") for the financial year, from 1 January 2023 to 31 December 2023 ("**Reporting Period**"). This ESG report herein focuses on providing an overview of the environmental and social aspects of the Company and its subsidiaries (the "**Group**"). It outlines how we seek to continually improve our operational strategy regarding our environment and society to cope with global sustainability standards.

The Group believes prudent management of environmental and social issues is one of the key factors in long-term success in this rapidly changing world. To better understand the risks and opportunities for environmental protection, the Group closely follows the requirements and expectations of regulatory authorities through efficient operation management, well-established policies and procedures, and higher standards of energy-efficient measures and waste treatment. The Group believes that our expertise, capabilities and ownership patterns can be part of the solution to some of the challenges the Group is facing.

To carry out the Group's sustainability strategy from top to bottom, the Board of Directors (the "**Board**") of the Company has ultimate responsibility for ensuring the effectiveness of the Group's environmental, social and governance policies. The Board has established a certain dedicated ESG Working Group to manage ESG issues within each business division of the Group. The designated staff has been assigned to enforce and supervise the implementation of the relevant policies.

Smart Globe is committed to the implementation of sustainable development and social corporate responsibility. While the Group is actively developing and expanding our business, the Group also takes environmental, social and moral needs into serious consideration so as to strike a balance and unity between the profitability, environmental and social impacts. The Group also pays great attention to stakeholders, including but not limited to customers, investors, environment, suppliers, employees and government, to establish a good relationship through better understanding and responding to their expectations. As a result, the Group will continue to maintain close contact with the stakeholders to meet the expectations and needs of the stakeholders with an aim to continuously improve our ESG strategies to create an efficient and diversified business.

During the process of the preparation of this ESG Report, the Group conducted a thorough review and evaluation of the existing Group's policies and practices. The Group reviews its reporting scope from time to time to ensure completeness and that the material topics of the Group's overall portfolio are covered. Unless otherwise stated, this ESG Report covers the data and information from its factory located in Heyuan, Guang Dong Province, the People's Republic of China (the "**PRC**") (the "**Heyuan Factory**") and its Hong Kong office.

Report Scope and Boundary

In order to comply with the disclosure obligations of "comply or explain" provisions, this ESG Report has outlined the overall Group's performance in environmental protection, human resources, operating practice and community involvement during the Reporting Period.

This ESG Report was approved by the Board on 27 March 2024. For details on the Group's corporate governance, please refer to "Corporate Governance Report" on pages 43 to 57 of the Group's Annual Report.

Reporting Framework

The ESG Report is prepared in accordance with the selected global, local and industrial standards and best practices, which include, but are not limited to, the Environmental, Social and Governance Reporting Guide (the "**Reporting Guide**") as set out in Appendix C2 to the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the "**HKEX**") (the "**Listing Rules**") and any applicable international sustainability reporting standards in Hong Kong.

During the preparation for this ESG Report, the Group has applied the reporting principles in the Reporting Guide as follows:

Materiality: Materiality assessment was conducted to identify material ESG issues, thereby adopting the confirmed material ESG issues as the focus for the preparation of the ESG Report. The materiality of ESG issues was reviewed and confirmed by the Board and senior management. For further details, please refer to the sections headed "Our Stakeholders" and "Materiality Assessment".

Quantitative: The standards, methodologies and applicable assumptions used in the calculation of Key Performance Indicators ("**KPIs**") were supplemented by explanatory notes.

Balance: The Group reviews and discloses the ESG performance in an unbiased, fair and objective manner, which is conducive to evaluating the Group's performance objectively and rationally.

Consistency: Unless otherwise stated, the preparation approach of this ESG Report is consistent with the previous financial years for comparison. If there are any changes in the scope of disclosure and calculation methodologies that may affect the comparison with previous ESG reports, explanations will be provided to the corresponding data.

Information and Feedback

For details in relation to our financial performance and corporate governance, please visit our website on http://www.smartglobehk.com/and/or see our Annual Report for the year ended 31 December 2023. The Group also treasure your feedback and comments on our sustainability performance. Please send your feedback and other sustainability enquiries to our Customer Service at sales@cpprinting.com.hk.

ESG MANAGEMENT

Statement of the board

As a responsible corporate citizen, the Group acknowledges that prudent environmental and societal management is of great importance to sustainable economic growth. The ESG Report summarises the strategy, practice and vision of the Group concerning issues related to ESG and conveys the Group's devotion to sustainability. To address the global concern about climate change, the Group has also considered and incorporated the climate-related issues into the ESG Report. All potential and actual risks that may have an impact on the Group's business will be covered and evaluated in the annual enterprise risk assessment.

The Group has established a governance structure to enhance its management of ESG issues. The Board has overall responsibility for overseeing the Group's ESG-related risks and opportunities, establishing and adopting the ESG-related strategies and targets of the Group, reviewing the Group's performance annually against the targets, and revising the strategies as appropriate if significant variance from the target is identified. In order to exert governance over the ESG issues, the Group has set up an ESG Working Group that comprises members from middle to senior management and it serves as a supportive role to the Board in implementing the ESG-related strategies and targets, conducting materiality assessments of ESG issues and prioritise them, and promote the implementation of respective measures. Under the authority of the Board, the ESG Working Group assists in collecting ESG data from the respective functional department, monitoring the implementation of the measures, and investigating deviations from the targets, and liaising with the respective functional department to take prompt rectification actions. The ESG Working Group reports to the Board about the ESG performance of the Group and the effectiveness of the ESG management system on a semi-annual basis.

The Board will continue to review the progress based on the set goals and targets and improve the Group's sustainable development.

Governance structure

Board	• The Board is responsible for the overall decision-making, oversees the formulation, administration, and assessment of the ESG system.
ESG Working Group	• The ESG Working Group is responsible for assisting the Board in managing and monitoring the ESG matters on a daily basis.
Functional Department	• Functional department is responsible for the execution of implemented measures to achieve the set strategies and targets.

OUR STAKEHOLDERS

The Group strongly believes that our stakeholders play a crucial role in sustaining the success of our business. The Group is actively searching for every opportunity to understand and engage our stakeholders to ensure that improvement can be implemented in our products and services.

Stakeholders	Probable Points of Concern	Communication and Responses
HKEX	Compliance with listing rules, and timely and accurate announcements.	Meetings, training, workshops, programs, website updates, and announcements.
Government	Compliance with laws and regulations, preventing tax evasion, and social welfare.	Interaction and visits, government inspections, tax returns and other information.
Investors	Corporate governance, business strategies and performance, and investment returns.	Organising briefing sessions and seminars, interviews, shareholders' meetings, issue of financial reports or operation reports for investors, media and analysis.
Media & Public	Corporate governance, environmental protection, and human rights.	Issue of newsletters on the Company's website.
Customers	Service quality, service delivery schedule, reasonable prices, service value, and personal data protection.	After-sales services.

Stakeholders	Probable Points of Concern	Communication and Responses
Employees	Rights and benefits of employees, compensation, training and development, work hours, and working environment.	Conducting union activities, training, interviews with employees, internal memos, and employee suggestion boxes.
Community	Community environment, employment opportunities, community development, and social welfare.	Developing community activities, employee voluntary activities, and community welfare subsidies and donations.

MATERIALITY ASSESSMENT

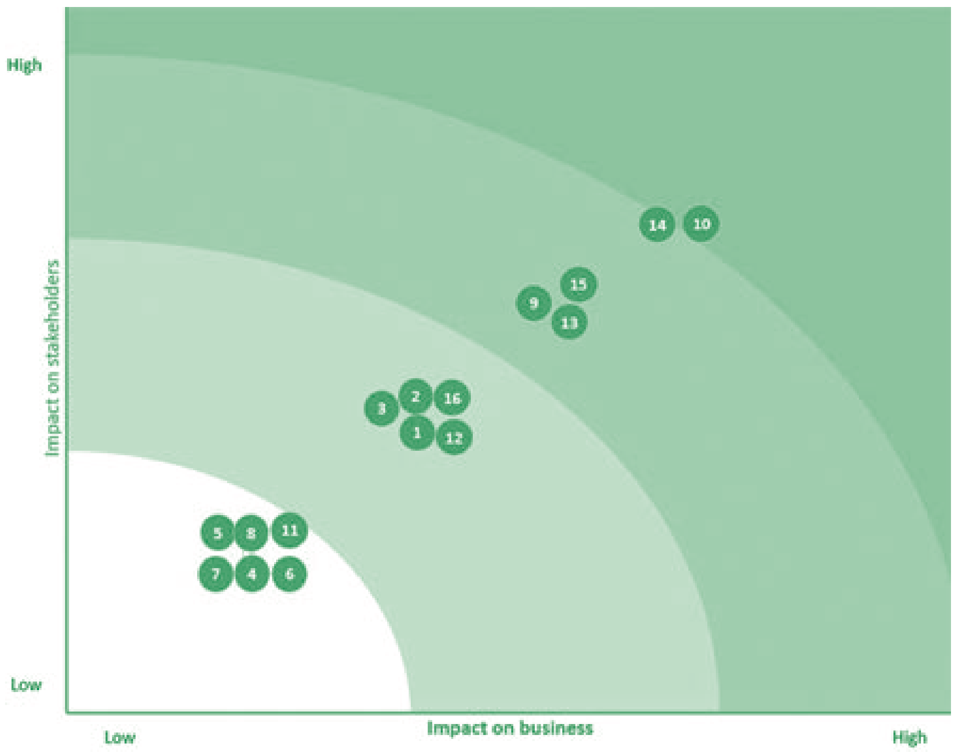
The Group has identified ESG issues that have potential or actual impact on its sustainable development from various sources, such as issues identified in previous ESG reports, internal policies, industry trends and the Sustainability Accounting Standards Board's Materiality Map[i]. The ESG issues have been analysed concerning an array of factors, including the Group's overall strategy, development, and goals and targets. The Group has conducted a materiality assessment to rate the identified ESG issues that are pertinent to its business and stakeholders, and their respective level of impact.

The material ESG issues are considered as those which have or may have a significant impact on:

- the office and factory located in Hong Kong and the PRC;
- the current and future environment and/or society;
- the Group's financial and/or operational performance; and
- the stakeholders' assessments, decisions and actions.

i Sustainability Accounting Standards Board's Materiality Map, https://materiality.sasb.org/

The Group has conducted a materiality assessment to rate the identified ESG issues that are pertinent to its business and stakeholders, and their respective levels of impact. The assessment results are shown below:



ESG Issues

1	Emissions	9	Employment
2	Greenhouse Gas (“**GHG**”) Emissions	10	Health and Safety
3	Hazardous Waste	11	Development and Training
4	Non-Hazardous Waste	12	Labour Standards
5	Energy Consumption	13	Supply Chain Management
6	Water Consumption	14	Product and Service Responsibility
7	Natural Resources	15	Anti-corruption
8	Climate Change	16	Community Investment

ENVIRONMENTAL

Overview

The Group places great emphasis on the impact of commercial activities on the environment and natural resources. Our production can be broadly divided into pre-press, printing and post-press processes. Pre-press activities generally involve a series of steps such as color proofing, imposition and plate-making. The Group conducts our printing process with our multiple-color printing presses ranging from 2-colour to 8-colour capacities for products of various color specifications. The post-press process typically includes folding, collating, sewing, trimming, binding and other finishing operations. During production, the Group consumes papers, dyes and some packaging materials. Being a responsible printing service provider, the Group integrates the concept of environmental protection into our internal management and daily operation activities and successfully passes the ISO 14001 environmental management certification to achieve the goal of environmental sustainability. To present a comprehensive emission overview, we compared the emission figures and relevant intensities of the Reporting Period to the year ended 31 December 2022 ("**Last Year**").

During the Reporting Period, the Group has fully complied with all applicable requirements as set up by the laws and regulations regarding air and GHG emissions including but not limited to "Environmental Protection Law of the PRC" (中華人民共和國環境保護法), "Water Pollution Prevention and Control Law of the PRC" (中華人民共和國水污染防治法), "Atmospheric Pollution Prevention and Control Law of the PRC" (中華人民共和國大氣污染防治法) and "Law of the PRC on the Prevention and Control of Solid Waste Pollution" (中華人民共和國固體廢物污染環境防治法).

Emissions

During the Group's daily operations, goods delivery by vehicle is the major activity that generate air pollutants, including nitrogen oxides ("**NO_X**"), sulphur oxides ("**SO_X**") and Particulate Matter ("**PM**"). During the Reporting Period, the air emissions generated by the Group are as follows:

	Year ended 31 December	
Air Emissions *(g)*[ii]	**2023**	2022
NO_X emissions	**43,403.06**	12,670.55
SO_X emissions	**105.30**	78.54
PM emissions	**4,158.85**	1,214.08

During the Reporting Period, the Group experienced a significant increase in NOx, SOx, and PM emissions, resulting in the failure to achieve the target. This increase can be primarily attributed to the pandemic recovery efforts. Additionally, the number of vehicles within the Group increased, and their usage became more frequent, leading to a rise in air emissions during the Reporting Period. To uphold the principles of sustainable development, the Group is committed to maintaining the air emissions at a similar level to the baseline year ended 31 December 2023 in the next reporting period. For fleet management, regular maintenance checks are performed for all the vehicles to enhance fuel consumption efficiency, ensure road safety and to keep air emissions at their minimum.

ii During the Reporting Period, the vehicle used by the Group is 3 light goods vehicles, while only 1 light good vehicle for the last reporting period.

GHG Emissions

GHG generated from human activities is one of the significant drivers of global warming which affects the lives of present and future generations. Therefore, the Group is highly concerned about the importance of monitoring and mitigating GHG emissions in our operations. As mentioned, vehicle fuel combustion is the major activity that generates direct emissions from operations. In addition, indirect GHG emissions mainly resulted from the consumption of purchased electricity. During the Reporting Period, there was no business air travel by employees.

In order to reduce the impact of GHG emissions, greening plays a vital role in creating a more environmentally friendly working environment. The GHG emissions generated by the Group are shown as follows:

	Year ended 31 December	
GHG Emissions *(tonnes CO_2-e)*	**2023**	2022
Scope 1 — Direct Emissions from Mobile Combustion Sources	**18.19**	14.20
Scope 2 — Energy Indirect Emissions (Electricity consumption)[iii]	**4,368.10**	4,755.95
Scope 3 — Other Indirect Emissions (Business air travel)	**—**	1.70
Total Gross Floor Area *(m^2)*	**27,231.10**	27,231.10
Total amount of GHG emissions emitted *(tonnes CO_2-e):*	**4,386.29**	4,771.85
The intensity of GHG emissions emitted *(tonnes CO_2-e/m^2 floor area):*	**0.16**	0.18

During the Reporting Period, the GHG emissions intensity of the Group decreased by 8%, which the target has achieved. To uphold the principles of sustainable development, the Group is committed to reducing or maintaining the total GHG emissions intensity between 90% to 120% of the level of the baseline year ended 31 December 2023 in the next reporting period.

Our Group has implemented an array of measures to mitigate GHG emissions, including but not limited to the following:

- Performing periodic maintenance of our vehicles to reduce pollution and emissions;
- Replacing old, retired vehicles with low-emission vehicles where applicable;
- Prohibiting combustion of wastes;
- Switching off all electronic equipment/mobile machinery when it is not in operation;
- Using more energy-efficient lighting products, such as LED lighting;
- Conducting proper and regular maintenance of equipment to keep their efficiency and reduce energy consumption; and
- Turning off lighting facilities during lunchtime, and the last employee who leaves the office/site must ensure that all lights are switched off.

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iii The Group is accounting for Scope 2 carbon emission (indirect emission from consumption of purchased electricity) only. According to the Ministry of Ecology and Environment of the PRC, the latest national emission factor of electricity is 0.5703 tCO_2/MWh. The emission coefficient of HK Electric is 0.68 kg CO_2/kWh according to the HK Electric Sustainability Report 2022.

Waste Management

During the Reporting Period, the Group has fully complied with all applicable requirements as set up by the laws and regulations regarding the generation of hazardous waste and non-hazardous waste including but not limited to the "Environmental Protection Law of the PRC" (中華人民共和國環境保護法) and the "Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste" (中華人民共和國固體廢物污染環境防治法).

In order to prevent hazardous wastes from polluting the environment and strengthen the management of hazardous wastes, the Group formulated a "Hazardous wastes management policy" (危險廢物污染規範管理制度) in accordance with the "Environmental Protection Law of the PRC" (中華人民共和國環境保護法). The Group prohibits any dumping of hazardous wastes into the environment; hazardous waste is separately collected, stored, transferred and disposed of against non-hazardous waste; hazardous waste is stored in a special container with a clear label. The hazardous waste generated during our operation such as organic solvent waste (HW06), waste mineral oils (HW08), waste dyes and paints (HW12) are hazardous wastes stated on the "National Catalogue of Hazardous Waste" (國家危險廢物名錄). The Group has contracted a waste collection company listed in the "Construction Program for Hazardous Waste and Medical Waste Treatment Facilities in the PRC" (全國危險廢物和醫療廢物處置設施建設規則) to handle those hazardous waste in accordance with the laws and regulations.

Waste Produced *(tonnes)*	**Year ended 31 December 2023**	2022
Total Hazardous Waste Produced[iv]	**44.53**	28.36
Total Non-hazardous Waste Produced[v]	**38.71**	45.04
Total Gross Floor Area *(m^2)*[vi]	**27,231.10**	27,231.10
Intensity of Hazardous Waste Produced *(tonnes/m^2)*[vi]	**0.0016**	0.0010
Intensity of Non-hazardous Waste Produced *(tonnes/m^2)*[vi]	**0.0014**	0.0017

In order to reduce waste generation, the Group put effort into reducing the usage of waste at source. Our employees receive a daily briefing before starting their work, they fully understand the job's nature and requirements, which gives less chance of making unnecessary waste of raw materials as well as hazardous materials.

During the Reporting Period, as the epidemic situation improved, the Group's business operations gradually resumed, resulting in an increased use of hazardous materials. Consequently, the hazardous waste intensity increased, failing to achieve the target set in the previous reporting period. However, the Group made significant efforts to reduce non-hazardous waste. As a result, there was a 13% decrease in the intensity of total non-hazardous waste, successfully achieving the target. To uphold the principles of sustainable development, the Group is committed to reducing or maintaining the intensity of the hazardous waste and non-hazardous waste produced between 90% to 120% of the level of the baseline year ended 31 December 2023 in the next reporting period.

iv Total hazardous waste includes organic solvent waste (HW06), waste mineral oils (HW08), waste dyes and paints (HW12), containers and cleansing sundries that contain or taint with hazardous wastes (HW49) and waste activated carbon (HW49).

v Total non-hazardous waste includes wrapping paper, paper core barrel and plastic tape.

vi To align with consistency reporting principle, therefore the floor area for the intensity calculation has been restated for both hazardous and non-hazardous waste.

Energy Efficiency

The Group treasures the use of electricity. Through the implementation of a variety of measures established in the "Electricity and Water Saving Management Policy" (節約用電用水管理規定), the Group is committed to achieving electricity conservation under the principle of saving:

- Air-conditioners are permitted to switch on only when the air temperature is above 28 degrees Celsius and should be turned off 30 minutes after office hours;
- Electronic equipment with Grade 1 energy efficiency labeling is preferential when acquisition requisition is made;
- All electronic equipment is switched off when they are not in operation;
- Lighting facilities are recommended to be turned off during lunchtime, and the last employee who leaves the office or factory must ensure that all lights are switched off.

The Group believes that establishing the above "Electricity and Water Saving Management Policy" (節約用電用水管理規定), will be effective in raising the awareness of employees' energy-saving initiatives and reduce energy consumption in the long run.

During the Reporting Period, the energy consumption of the Group is shown as follows:

Energy Consumption *(MWh)*[vii]	**Year ended 31 December 2023**	2022[viii]
Direct Energy Consumption — Vehicle Fuel (Petrol and Diesel)	**69.91**	51.78
Indirect Energy Consumption — Purchased Electricity	**7,653.96**	8,332.39
Total Gross Floor Area *(m^2)*	**27,231.10**	27,231.10
Total Energy Consumption *(MWh)*	**7,723.87**	8,384.17
Energy Consumption Intensity *(MWh/m^2 floor area)*	**0.28**	0.31

During the Reporting Period, the energy consumption intensity of the Group decreased by 8%. To uphold the principles of sustainable development, the Group is committed to reducing or maintaining the energy consumption intensity between 90% to 120% of the level of the baseline year ended 31 December 2023 in the next reporting period.

vii The data of energy consumption for the Reporting Period are disclosed in accordance with "Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange to display the more comprehensive performance of the Group.

viii The data of energy consumption for Last Year are reinstated and disclosed in accordance with "Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange for meaningful comparison.

Water Management

The Group has complied with the "Water Pollution Prevention and Control Law of the PRC" (中華人民共和國水污染防治法) with an aim to prevent and control water pollution, protect and improve the environment and ensure the safety of drinking water. During the Reporting Period, we have no issue in sourcing water that is fit for purpose.

The Group treasures the preciousness of water resources. Through the implementation of a variety of measures established in the "Electricity and Water Saving Management Policy" (節約用電用水管理規定), the Group is committed to achieving water conservation under the principle of saving, purifying and recycling:

- Any water wastage phenomenon is prohibited;
- Water is used for washing hands or fruit is used to flush the toilet;
- Any water leakage, breakage or other potential damage to water pipes is regularly inspected and identified;
- Meter reading is checked constantly for revealing any hidden leakage phenomena;
- Water-saving education and ideas of water-saving are continuously promoted among our employees.

The Group believes that by establishing the above "Electricity and Water Saving Management Policy" (節約用電用水管理規定), it will be effective in raising the awareness of employees' water conservation initiatives and reduce water consumption in the long run.

During the Reporting Period, the water consumption of the Group is shown as follows:

Water Consumption *(m^3)*	**Year ended 31 December**	
	2023	2022
Total Water Consumption	**248,790.00**	200,384.00
Total Gross Floor Area *(m^2)*	**27,231.10**	27,231.10
Water Consumption Intensity *(m^3/m^2)*	**9.14**	7.36

During the Reporting Period, the water consumption intensity of the Group increased by 24%, which did not achieve the target set in the previous reporting period. The increase in water consumption is mainly due to pandemic recovery. To uphold the principles of sustainable development, the Group is committed to maintaining the water consumption intensity between 90% to 120% of the level of the baseline year ended 31 December 2023 in the next reporting period.

Packaging Materials

The Group is engaged in the packaging business, especially in paper-based packaging. Packaging is specially designed based on the type of end product due to specific quality and safety requirements as requested by clients. During the Reporting Period, the intensity of the packaging materials used decreased. The following is the usage of packaging materials during the Reporting Period:

Packaging Materials Used *(tonnes)*	**Year ended 31 December**	
	2023	2022
Total Packaging Materials Used	**358.35**	604.84
Total Gross Floor Area *(m^2)*[ix]	**27,231.10**	27,231.10
Intensity of Packaging Materials Used *(tonnes/m^2)*[ix]	**0.01**	0.02

The Environment and Natural Resources

As a printing service provider, there is no significant consumption of natural resources, and therefore, the Group's activities do not have any significant impact on the environment. However, the Group is concerned about the natural resources consumed along the supply chain and it endeavours to select vendors that are environmentally and socially conscious. Details of vendor selection criteria are set out in the "Supply Chain Management" section below.

[ix] To align with consistency reporting principle, therefore the floor area for the intensity calculation has been restated for packaging materials.

Climate Change

The Group has considered the potential climate-related risks and opportunities in respect of the recommendations of the Task Force on Climate-related Financial Disclosures ("**TCFD**"), in which potential physical risks and transition risks from climate change may pose adverse financial impacts on the Group's businesses. Acute physical risk can arise from extreme weather conditions such as flooding and storms and chronic physical risk can arise from sustained high temperature, while transition risk may result from the change in environmental-related regulations or change in customer preferences.

Upon evaluation of the potential acute physical risk that may cause disruption to our manufacturing and supply network, our office and production plant are not located in high-risk flood areas. We maintain a large supplier base so we can source from alternate suppliers in the event of our suppliers being affected by extreme weather conditions, and hence it is a remote risk. While the sustained high temperature may result in an elevation of electricity consumption, the Group has adopted energy conservation measures in managing such risk, which is detailed in the above subsection headed "Energy Efficiency". As for the potential transition risk, the Group continues to monitor the regulatory environment and has experienced expertise in designing and manufacturing products that meet customers' demands and expectations. Our commitment to quality has enabled us to obtain relevant ISO standards, and thus, the risk is relatively low.

It is expected that potential extreme weather conditions, sustained high temperatures, changes in environmental-related regulations and customer preference do not have a material impact on the Group's operations. Nevertheless, the Group continues to monitor the climate-related risks and implement relevant measures to minimise our exposure to physical and transition risks.

The potential climate-related risks and opportunities in respect of the recommendations of the Task Force on Climate-related Financial Disclosures are summarised below:

Risk Type	Risks	Potential Financial Impacts	Short (current Reporting Period)	Medium (one to three years)	Long (four to ten years)	Mitigation Strategy
Physical Risks	• Extreme weather conditions such as flooding and typhoon	• Reduce revenue from business due to business and supply chain disruptions	√	√		• Locate our offices and production plants in low-risk flood areas • Establish an adverse weather condition policy • Maintain or expand the supplier base to avoid disruption
	• Sustained elevated temperature	• Increase in business operating costs			√	• Adopt energy conservation measures to avoid overconsumption of natural resources
Transition Risks	• Changes in environmental-related regulations	• Higher operating costs to adopt new practices or technologies		√	√	• Adopt energy conservation measures to reduce emissions • Continue to monitor the regulatory environment to ensure that the Group complies with environmental-related laws and regulations
	• Shift in consumer preference to products incorporating more environmentally friendly concepts	• Reduce demand for printing and other products, decrease competitiveness and create adverse impacts on revenues			√	• Adhere to the Group's sustainable development concept, strictly control the printing production process, and commit to producing high-quality products to meet the expectations of consumers and the market

SOCIAL

Employment

The Group has put a lot of effort into making sure that the Group has strictly complied with a series of labour laws in the PRC and Hong Kong including but not limited to the "Labour Contract Law of the PRC" (中華人民共和國勞動合同法), "Labour Law of the PRC" (中華人民共和國勞動法) and the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). With reference to those laws and regulations, the Group has established an "Employment Policy", "Remuneration Calculation and Compensation Policy" and "Anti-discrimination Policy" to ensure employment protection with regard to compensation and dismissal, recruitment and promotion, working hours and rest periods, equal opportunity, diversity and anti-discrimination, and other benefits and welfare.

The Group believes that employees are the key asset and important component to business success, so the Group pays attention to every employee's personal growth and has set up various channels of communication with employees to enhance employees' sense of belonging to the Group. The Group is committed to improving human resources policies and workplace facilities to guarantee employees' health and safety at all times.

The Team

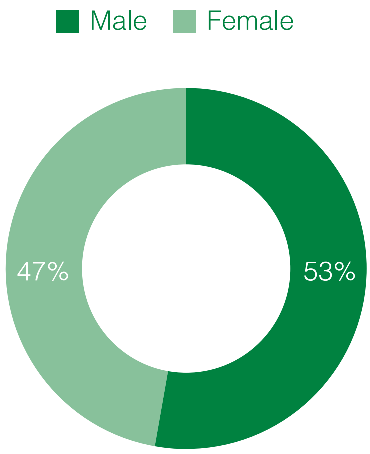
The Group believes that a diversified and cohesive team is indispensable to the success of business. The Group strives to ensure that the recruitment process is fair and without any discrimination.

As at 31 December 2023, the Group had a total of 364 employees (2022: 319 employees).

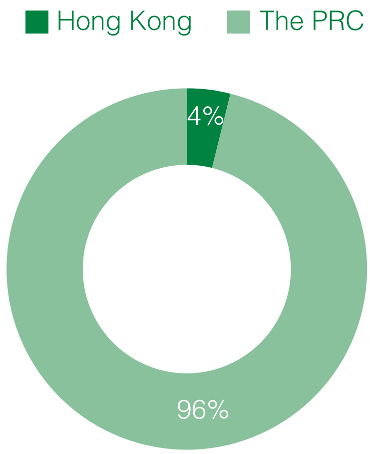
The breakdowns of the Group's workforce by employment type, gender, age group and geographical region are as follows:

	As at 31 December 2023
Total Workforce	**364**
By Employment Type	
Full time	364
Part time	—
By Gender	
Male	193
Female	171
By Age Group	
Below 25	3
25–29	11
30–39	87
40–49	138
50 or above	125
By Geographical Region	
Hong Kong	14
The PRC	350

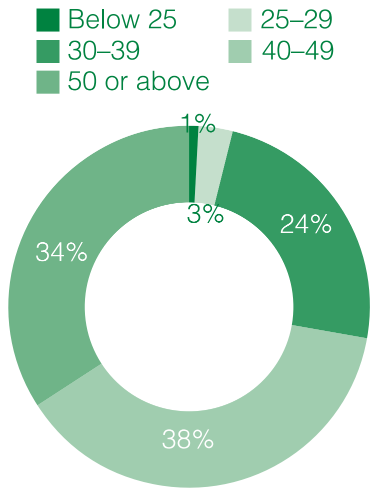
BY GENDER



BY GEOGRAPHICAL REGION



BY AGE GROUP



During the Reporting Period, the employee turnover across the Group was 17%, the details are as follows:

Employee Turnover Rates	**As at 31 December 2023**
Overall Turnover Rate	**17%**
By Gender	
Male	14%
Female	20%
By Age Group	
Below 25	67%
25–29	45%
30–39	30%
40–49	14%
50 or above	7%
By Geographical Region	
Hong Kong	7%
The PRC	17%

Occupational Health and Safety

During the Reporting Period, the Group has complied with the "Production Safety Law of the PRC" (中華人民共和國生產法), the "Labour Contract Law of the PRC" (中華人民共和國勞動合同法), the "Labour Law of the PRC" (中華人民共和國勞動法) and other relevant laws and regulations which stipulate requirements to maintain safe production conditions and to protect the occupational health of employees. The Group has been carrying out regular health examinations for employees engaging in potential occupational hazards, educating employees on occupational safety and sanitation, preventing workplace accidents, and reducing occupational hazards. In order to strengthen the Group's occupational safety, improve working conditions and protect the personal interests of employees, the Group established a "Production Safety Management Policy".

The "Production Safety Management Policy" defines the role and responsibilities of safety managers with regard to the implementation of all types of safety education, safety inspection and safety risk; the safety manager should closely monitor the daily operations and make sure that all staff working in the factory have complied with those safety measures; employees should be punctual and attentive in all safety training and fire drill.

Furthermore, the Group has implemented safety measures at our production sites and established guidelines for workplace safety and occupational health safety, including fire safety, warehouse safety, electricity safety, work-related injuries and emergency and evacuation procedures to minimise the risk of injury to employees. The Group maintains a general register with records of accidents and dangerous occurrences. The Group has installed appropriate fire safety equipment with regular fire drills to provide fire prevention training to our staff. The Group also conducts training sessions for production staff on accident prevention and management. The Group has been awarded the quality standard certification of ISO 45001 in respect of the occupational health and safety of our working environment.

During the Reporting Period, there were 4 work-related injury cases and no fatal cases reported within the Group. In these 4 cases, a total of 162 working days were lost because our Group promised to provide sufficient days of sick leave due to work injury to our employees. For the past three reporting periods (including the Reporting Period), there were no work-related fatalities. The Group continues to reflect on its existing safety policies and is committed to continuously adapting and improving its occupational safety measures as necessary.

Development and Training

The Group provides a series of training to our employees classified as orientation training, on-job training and specialised training, each of which caters to employees' personal growth and job requirements. To provide a comprehensive understanding of the organisation, all new employees are provided with an "Employee Handbook", which outlines the company's regulations, systems, professional behaviour standards, and code of ethics. Orientation training includes a briefing on the Group's Code of Conduct and Environmental, Health and Safety training. On-job training would be provided to employees on various aspects, including advanced knowledge and skills in machine operations, machinery and equipment safety training, training on gas safety in confined spaces for technicians and PPE training for factory employees. Specialised training is tailor-made for selected employees such as ISO system training for system auditors.

Our factory employees are well-trained for their upcoming job nature and requirements as they are required to attend briefing sessions conducted by their seniors who explain operations techniques and precautions measures to be taken. Those daily briefings are crucial in preventing operation accidents, reducing unqualified products that lead to wastage and ensuring the quality of the final outputs to enhance customer satisfaction.

During the Reporting Period, the percentage of employees trained are as follows:

The percentage of employees trained	**As at 31 December 2023**
Total	**95%**
By Gender	
Male	52%
Female	48%
By Employee Category	
Entry level	45%
Middle level	49%
Management level	6%

The average training hours completed per employee are shown as follow:

The average training hours completed per employee	**As at 31 December 2023**
Average hours of training that employees participated in	**0.8**
By Gender	
Male	0.8
Female	0.7
By Employment Category	
Entry level	0.7
Middle level	0.5
Management level	3.0

Labour Standard

During the Reporting Period, the Group has strictly complied with a series of labour laws in the PRC and Hong Kong including but not limited to the "Labour Contract Law of the PRC" (中華人民共和國勞動合同法), the "Labour Law of the PRC" (中華人民共和國勞動法) and the Employment Ordinance (Chapter 57 of the Laws of Hong Kong).

With the aim to protect the children of their childhood, prevent inappropriate physical and manual work for children and protect the free labour rights and employees' rights and interests, the Group stipulated "Child Labour Policy" and "Anti-forced Labour Policy" which have strict requirements on the recruitment process. Upon receipt of the candidate's resume, the human resources department will conduct a thorough background check to ensure whether the personal data stated on the application form is true. During the job interview, the Group carefully examines and verifies the applicant's original identity card and makes detailed inquiries to applicants to ensure that the Group does not employ child labour and forced labour.

The Group strictly prohibits the use of forced labour and child labour. If management discovers irregular employment of child labour or forced labour, the Group will immediately terminate the contract, ascertain the causes of such irregular employment and accountabilities of relevant recruitment staff to eliminate such practices. During the Reporting Period, the Group did not employ child labour or forced labour.

Supply Chain Management

The Group has established a "Purchase Quotation Process Policy" to closely monitor the performance of the supplier to ensure the quality of raw materials. The Group believes supply chain management can maximise customer value and achieve sustainable competitive advantages. The Group's goal is to maintain a long-term strategic partnership with suppliers with high renown, high-quality service and a strong sense of social responsibility. The Group also regularly reviews the suppliers' performance and obtains relevant licenses in order to better control and guarantee the quality of their products and services. The Group evaluates all potential suppliers' backgrounds, qualifications, expertise, experience, financial status, professionalism, etc. Moreover, social and environmental aspects are also important criteria for supplier selection. The Group will not select suppliers with poor environmental performance or reputation to promote environmentally preferable products in the industry. All approved suppliers are reviewed regularly to ensure the quality of the services and products purchased is up to standard.

As a printing service provider, the raw materials used by the Group in its ordinary business are mainly papers. The Group endeavors to work with FSC/CoC certified paper suppliers to ensure that the paper purchased and used in the production of printing products is matched with all applicable environmental protection and social responsibility requirements. On the other hand, the Group also obtained the FSC/CoC certificate of relevant papers in order to promote and support the use of FSC recycled paper, paperboard and printed paper products along the supply chain.

There was a total of 28 and 145 approved suppliers located in Hong Kong and the PRC, respectively, during the Reporting Period. The Group has performed an annual evaluation of the suppliers in order to assess whether the suppliers have complied with the standards of the Group.

Product Quality Assurance

The Group has regularly entrusted chemical inspection companies to conduct chemical analysis of the ink and paper used in production. Those reports are reviewed by the quality control department so as to ensure the standard of the ink and paper and avoid affecting the quality of the subsequent printing process.

In order to effectively control unqualified products and prevent the unintended use and shipment of unqualified products, "Unqualified Products Control Procedures" are specially formulated. The quality control department would initiate corrective and preventive procedures to report unqualified samples selected from the production line with clear explanations of the problems so as to notify the relevant production line to implement corrective measures such as full inspection, qualified goods selection, reproduction or scrap. Those corrective measures adopted by the production lines are recorded in the corrective and preventive report for future reference and to avoid the recurrence of similar mistakes.

Besides, the Group has formulated an "Improvement Procedure" (持續改進程序) with an aim to establish a sound improvement system to investigate and analyse the causes of potential and unqualified items and take timely measures to prevent potential or unqualified recurrence or occurrence, so that the quality of products and services can be controlled and continuously improved.

In the event of product failure with a quality issue which is not caused by improper use by the customers, the Group will recall the products and provide replacements to customers if the issue is caused by the Group according to the Group's investigation. The warehouse will count the total number of returned products, and the Group's Production Material Control ("**PMC**") team will investigate the incidents and issue a report to the manager of the quality control department that outlines the responsible department for the product failure, the problem analysed, and the corrective actions identified and implemented.

There was no product sold or shipped subject to recalls for safety or health reasons during the Reporting Period.

Our Products and Service

During the Reporting Period, the Group has complied with the "Regulations on the Administration of Printing Industry" (印刷業管理條例) promulgated and implemented by the PRC State Council and obtained relevant license for printing operations. During the Reporting Period, the Group also strictly followed the "Temporary Regulations for the Qualifications of the Operators in the Printing Industry" (印刷業經營者資格條件暫行規定) promulgated and implemented by the General Administration of Press and Publication (the "**GAPP**") of the PRC which specifies the qualifications required for enterprises engaged in printing operations. According to this regulation, enterprises undertaking decoration and packaging printing shall have fixed production and operation places suitable for the operation of printing. The Group integrates the concept of environmental protection into our internal management and daily operation activities. It is honoured with the ISO 14001 environmental management certification to achieve the goal of environmental sustainability.

In relation to export products, the Group strictly follows the requirements and corporate with the statutory authorities concerning the relevant laws and regulations which are set out in the "Regulations for the Implementation of the Law of PRC on Import and Export Commodity Inspection" (中華人民共和國進出商品檢驗法實施條例) and coordinate with the compulsory inspection of our products regarding the quality, quantity, packaging and requirements for safety, hygiene, health, environmental protection and anti-fraud protection.

The Group values customer relations as they are integral to the success of its business. We pledge to offer quality after-sales service to our customers and take customer complaints seriously. All the feedback and complaints are recorded in our customer complaint register, detailing information such as the cause of the complaint, the product concerned, follow-up actions, results, etc. By keeping track of all the complaints, we can ensure that our customers' concerns have been attended to accordingly while implementing the rectifications promptly.

The Group works to create a good client experience by providing quality products and services that suit customers' needs. We welcome feedback from our customers and provide them with various ways of solving their issues. During the Reporting Period, 8 cases of products and service-related complaints were received, and all complaints have been solved in a timely manner.

Data Privacy

In order to build customer trust and loyalty, the Group has established measures to reduce the risk of employees leaking confidential information to outsiders.

The Group restricts the use of customers' personal data for any purposes other than what has been stated in the customer contracts. If any employee has been discovered to have misappropriated customers' private data, the Group will take disciplinary action against the employee concerned and reserve its right to legal action. Moreover, non-disclosure agreements are signed by the employees of the Group to ensure that they are aware of their legally binding obligations to protect the confidential information of the Group.

Intellectual Property Rights

The Group closely monitors the behavior of the employees to avoid any misappropriation of clients' intellectual properties. The Group has established a "Customers' Property Control Procedure" to protect the property provided by the customers. For instance, the Group's PMC team is responsible for confirming and accepting relevant materials and incoming samples provided by customers. The warehouse is responsible for the storage and protection of customers' property. Security checks are carried out whenever vehicles and employees leave the factory area to avoid theft cases.

Apart from protecting clients' intellectual properties from infringement or defamation, the Group would make sure that the materials brought by the clients have not infringed on others' intellectual properties. If the Group has reasons to suspect that the client is not the owner of the intellectual properties, the PMC team will request the clients to provide a declaration form to make sure that the clients have been duly authorised to use the intellectual properties. During the Reporting Period, the Group has not been exposed to any litigation claims regarding infringement of intellectual property rights.

During the Reporting Period, the Group complied with all laws and regulations related to intellectual property rights in the PRC and Hong Kong that have a significant impact on it, including but not limited to the "Trademark Law of the PRC" (中華人民共和國商標法), the "Copyright Law of the PRC" (中華人民共和國著作權法) and the Copyright Ordinance (Cap. 528 of the Laws of Hong Kong).

Anti-corruption

During the Reporting Period, the Group observed the "Criminal Law of the PRC" (中華人民共和國刑法), "Anti-Money Laundering Law of the PRC" (中華人民共和國反洗錢法) and the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong). Employees are strictly prohibited from engaging in illegal activities, including but not limited to bribery, fraud and misappropriation. Upon employment, all employees are requested to sign an "Anti-bribery & corruption commitment" and promise to reject and not engage in commercial bribery and corruption-related activities.

The Group has a "Whistle-blowing Policy" in place to encourage employees to report suspicious fraudulent activities. The Group intends to protect the whistle-blower from common concerns such as confidentiality and potential retaliation. Therefore, the employee(s) reporting in good faith under this procedure shall be assured of the protection against unfair termination or victimisation, even if the reports are subsequently proved to be unsubstantiated.

The Group will actively combat any money laundering using public or private accounts and ensure that there is no corruption and bribery within the Group. If employees want to report any suspicious corruption cases, they can report to the relevant management by telephone, e-mail, or letter.

During the Reporting Period, the Group has provided orientations to the new employees in relation to business ethics including anti-corruption. The Group closely monitors the regulatory development and will arrange relevant training for the Directors and its employees, where necessary. Also, no corruption and money laundering cases were reported during the Reporting Period.

Community Investment

The Group understands that the enterprise's development depends on the community's support. Meanwhile, the Group has also shown the spirit of serving the communities where the Group operates and has been actively involved in community investment. The Group encourages our employees to participate and contribute to society as a sustainable business is dependent on the stability and well-being of our community.

During the Reporting Period, the Group donated a total of HK$60,000 to Aberdeen Kai-Fong Welfare Association Social Service Centre, to support the welfare and social services of elderly people, children, youth and families who live in the Southern District of Hong Kong, which was carried out by the Aberdeen Kai-Fong Welfare Association Social Service.

HKEX ESG REPORTING GUIDE CONTENT INDEX

Part A: Environmental

ESG Aspects	Related Section(s)	Remarks
	A1. Emissions	
Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	*Overview, Emissions, GHG Emissions, Waste Management*	
KPI A1.1 The types of emissions and respective emission data.	*Emissions*	
KPI A1.2 Greenhouse gas emission in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	*GHG Emissions*	
KPI A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	*Waste Management*	
KPI A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	*Waste Management*	
KPI A1.5 Description of measures to mitigate emissions and results achieved.	*GHG Emissions*	
KPI A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	*Waste Management*	

ESG Aspects	Related Section(s)	Remarks
A2. Use of Resources		
Policies on the efficient use of resources, including energy, water and other raw materials.	*Energy Efficiency, Water Management, Supply Chain Management*	
KPI A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	*GHG Emissions*	
KPI A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	*Water Management*	
KPI A2.3 Description of energy use efficiency initiatives and results achieved.	*Energy Efficiency*	
KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	*Water Management*	
KPI A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	*Packaging Materials*	
A3. The Environmental and Natural Resources		
Policies on minimising the issuer's significant impact on the environment and natural resources.	*Energy Efficiency, Water Management*	
KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	*The Environment and Natural Resources*	
A4. Climate Change		
Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	*Climate Change*	
KPI A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	*Climate Change*	

Part B. Social

ESG Aspects	Related Section(s)	Remarks
B1. Employment		
Information on the policies and compliance with laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	*Employment*	
KPI B1.1 Total workforce by gender, employment type, age group and geographical region.	*The Team*	
KPI B1.2 Employment turnover rate by gender, age group and geographical region.	*The Team*	
B2. Health and Safety		
Information on the policies and compliance with laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	*Occupational Health and Safety*	
KPI B2.1 Number and rate of work-related fatalities.	*Occupational Health and Safety*	
KPI B2.2 Lost days due to work injury.	*Occupational Health and Safety*	
KPI B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.	*Occupational Health and Safety*	
B3. Development and Training		
Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	*Development and Training*	
KPI B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	*Development and Training*	
KPI B3.2 The average training hours completed per employee by gender and employee category.	*Development and Training*	

ESG Aspects	Related Section(s)	Remarks
B4. Labour Standards		
Information on the policies and compliance with laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	*Labour Standards*	
KPI B4.1 Description of measures to review employment practices to avoid child and forced labour.	*Labour Standards*	
KPI B4.2 Description of steps taken to eliminate such practices when discovered.	*Labour Standards*	
B5. Supply Chain Management		
Policies on managing environmental and social risks of the supply chain.	*Supply Chain Management*	
KPI B5.1 Number of suppliers by geographical region.	*Supply Chain Management*	
KPI B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	*Supply Chain Management*	
KPI B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	*Supply Chain Management*	
KPI B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	*Supply Chain Management*	
B6. Product Responsibility		
Information on the policies and compliance with laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and method of redress.	*Product Quality Assurance, Our Products and Service*	
KPI B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	*Product Quality Assurance*	
KPI B6.2 Number of products and service-related complaints received and how they are dealt with.	*Our Products and Service*	
KPI B6.3 Description of practices relating to observing and protecting intellectual property rights.	*Intellectual Property Rights*	
KPI B6.4 Description of quality assurance process and recall procedures.	*Product Quality Assurance*	

ESG Aspects	Related Section(s)	Remarks
KPI B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored.	*Data Privacy*	
B7. Anti-corruption		
Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	*Anti-corruption*	
KPI B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	*Anti-corruption*	
KPI B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	*Anti-corruption*	
KPI B7.3 Description of anti-corruption training provided to directors and staff.	*Anti-corruption*	
B8. Community investment		
Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure that its activities take into consideration the communities' interests.	*Community Investment*	
KPI B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	*Community Investment*	
KPI B8.2 Resources contributed (e.g. money or time) to the focus area.	*Community Investment*	

The Board is pleased to present this corporate governance report for FY2023 which highlights the key corporate governance practices of the Company.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance to enhance its corporate value and safeguard the interests of the shareholders of the Company (the "**Shareholders**"). The Company has adopted the Corporate Governance Code in Appendix C1 to the Listing Rules (the "**CG Code**") as its own code of corporate governance. During FY2023, the Company has applied the principles of good corporate governance, and has complied with the code provisions and, where applicable, the recommended best practices as set out in the CG Code, except the following deviations:

Code Provision C.2.1 of the CG Code provides that the roles of chairman and chief executive officer should not be performed by the same individual. Mr. NG Ho Lun ("**Mr. Ng**") is currently performing the roles of chairman and chief executive officer of the Company. Despite of the deviation from the code provision C.2.1, the Board believes that with the support of the management, vesting the roles of both chairman of the Board and chief executive officer on Mr. Ng can facilitate the execution of the Group's business strategies and provide a strong and consistent leadership to improve the Company's efficiency in decision-making following the review of the aforementioned items. Moreover, under the supervision of other existing members of the Board including the independent non-executive Directors, the Board is appropriately structured with balance of power to provide sufficient checks to protect the interest of the Company and its shareholders. In order to maintain good corporate governance and fully comply with such code provision, the Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately.

The Board will continue to monitor and renew the Company's corporate governance practices to ensure compliance with the CG Code.

The Board conducted reviews of the system of risk management and internal controls of the Group to ensure an effective and adequate risk management and internal control system is in place. The Board also conducted meetings to discuss financial, operational and compliance control.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules. Specific enquiries have been made of all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out the Model Code during FY2023.

BOARD OF DIRECTORS

Board responsibilities and Delegation

The Company is governed by the Board, which is responsible for overseeing the overall strategy and development of the Company, as well as continuously monitoring and improving the internal control policies of the Group and evaluating the financial performance of the Group. The Board sets the overall strategies and directions for the Group with a view to developing its business and enhancing the Shareholders' value. The independent non-executive Directors serve the relevant function of bringing independent judgement on the development, performance and risk management of the Group through their contributions in board meetings. They are also serving on the Audit Committee, Remuneration Committee and Nomination Committee.

The Board has adopted a set of guidelines on matters that require its approval to achieve a clear division of the responsibilities of the Board and the management. Matters requiring the Board's approval include, among others, review of overall policies and objectives for corporate contributions and approval of corporate plan of the Company and any significant changes thereto, investment plans which would involve significant commitments of financial, technological or human resources, or would involve significant risks for the Company, significant sales, transfers, or other dispositions of property or assets, significant changes in policies of broad application, major organisational changes, approval of annual reports, and review of semi-annual and quarterly financial and operating results, other matters relating to the Company's business which in the judgment of the management are of such significance as to merit the Board's consideration, and adoption of such policies and the taking of such other actions as the Board deems to be in the best interests of the Company.

Minutes of Board meetings and Board committees meetings are kept by duly appointed secretaries of the respective meetings. All Directors have unrestricted access to Board papers and related materials and are provided with adequate information on a timely manner, which enable the Board to make an informed decision on matters placed before it.

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

Responsibilities and Delegation

The Board is accountable to the Shareholders for the development of the Group with the goal of maximising Shareholders' value in the long run. The Board also takes the responsibility for the overall strategies and policies of the Group, approves and monitors the strategic plans, investment and funding decisions, and reviews the Group's financial and operational performance and internal controls. The Group's day-to-day operations and administration are overseen by the executive Directors and the management.

The Board is responsible for setting the strategic direction and policies of the Group and supervising the management of the Company. Some functions including the monitoring and approval of material transactions, matters involving a conflict of interest for a substantial Shareholder or Director, the approval of interim and annual results, declaration of interim dividends and proposal of final dividends and other disclosures to the public or regulators are reserved by the Board for consideration and approval. Matters not specifically reserved to the Board and necessary for the daily management and operation of the Company are delegated to the executive Directors and the management of the Company.

DIRECTORS' TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company would provide a comprehensive induction package covering the summary of the operations and business, constitutional documents, the latest published financial reports of the Company, "A Guide on Directors' Duties" issued by the Companies Registry of Hong Kong and the Guidelines for Directors and the Guide for independent non-executive Directors published by the Hong Kong Institute of Directors to each newly appointed Director to ensure that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules and other regulatory requirements.

The Company Secretary reports from time to time the latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime to the Directors with written materials, as well as organising seminars on the professional knowledge and latest development of regulatory requirements related to directors' duties and responsibilities.

Pursuant to the requirements of the CG Code, all Directors should provide their records of continuous professional development to the Company. According to the records provided by the Directors, the training received by each of them during FY2023 is summarised as follows:

	Training received *Notes*
Executive Directors	
Mr. Ng Ho Lun *(Chairman and Chief Executive Officer) (Appointed on 7 July 2023)*	(1)(2)
Mr. Chu Lok Fung Barry *(Appointed on 7 July 2023)*	(1)(2)
Mr. Chen Kun *(Appointed on 7 July 2023)*	(1)(2)
Mr. Lam Tak Ling Derek	(1)(2)
Mr. Chan Yee Yeung *(Resigned on 7 July 2023)*	(1)(2)
Ms. Tse Yuen Shan Ivy *(Resigned on 7 July 2023)*	(1)(2)
Independent Non-executive Directors	
Dr. Wu Ka Chee Davy *(Appointed on 7 July 2023)*	(1)(2)
Mr. Yiu Ho Chi Stephen *(Appointed on 7 July 2023)*	(1)(2)
Ms. Law Ying Wai Denise *(Appointed on 7 July 2023)*	(1)(2)
Mr. Li Chun Hung *(Resigned on 7 July 2023)*	(1)(2)
Mr. Ong Chor Wei *(Resigned on 7 July 2023)*	(1)(2)
Mr. Yam Kam Kwong *(Resigned on 7 July 2023)*	(1)(2)

Notes:

(1) Reading articles/other materials in relation to legal and regulatory changes which are relevant for the Directors in discharging their duties.

(2) Participation in seminars/conferences/courses/workshops on subjects relating to directors' duties, and financial, legal and corporate governance matters.

All Directors as disclosed above confirmed that they have complied with Code Provision C.1.4 of the CG Code on directors' continuous professional development during FY2023.

The Group acknowledges the importance of adequate and ample continuing professional development for the Directors for a sound and effective internal control system and corporate governance. In this regard, the Group has always encouraged our Directors to attend relevant training courses to receive the latest news and knowledge regarding corporate governance.

During FY2023, the Company has encouraged all Directors to attend at least one training course on the updates of the Listing Rules concerning good corporate governance practices. The Company will, if necessary, provide timely and regular trainings to the Directors to ensure that they are kept abreast with the latest requirements under the Listing Rules. The Group has also adopted a policy to reimburse the Directors for any relevant training costs and expenses incurred concerning corporate governance and internal control.

BOARD COMPOSITION

The Board currently comprises four executive Directors and three independent non-executive Directors. The individual attendance records of each Director at the Board and Committees' meetings during FY2023 are set out as follows:

	Meeting attended/Meetings held:					
Name of Director	**Board meeting**	**Audit Committee meeting**	**Nomination Committee meeting**	**Remuneration Committee meeting**	**Annual general meeting**	**Extraordinary general meeting**
Executive Directors						
Mr. Ng Ho Lun *(Chairman and Chief Executive Officer) (Appointed on 7 July 2023)*	1/1	—	—	—	—	—
Mr. Chu Lok Fung Barry *(Appointed on 7 July 2023)*	1/1	—	—	—	—	—
Mr. Chen Kun *(Appointed on 7 July 2023)*	1/1	—	—	—	—	—
Mr. Lam Tak Ling Derek	4/4	—	—	—	1/1	—
Mr. Chan Yee Yeung *(Resigned on 7 July 2023)*	3/3	—	—	—	1/1	—
Ms. Tse Yuen Shan Ivy *(Resigned on 7 July 2023)*	3/3	—	2/2	2/2	1/1	—
Independent Non-executive Directors						
Dr. Wu Ka Chee Davy *(Appointed on 7 July 2023)*	1/1	1/1	—	—	—	—
Mr. Yiu Ho Chi Stephen *(Appointed on 7 July 2023)*	1/1	1/1	—	—	—	—
Ms. Law Ying Wai Denise *(Appointed on 7 July 2023)*	1/1	1/1	—	—	—	—
Mr. Li Chun Hung *(Resigned on 7 July 2023)*	3/3	1/1	2/2	2/2	1/1	—
Mr. Ong Chor Wei *(Resigned on 7 July 2023)*	3/3	1/1	2/2	2/2	1/1	—
Mr. Yam Kam Kwong *(Resigned on 7 July 2023)*	3/3	1/1	2/2	2/2	1/1	—

In compliance with the Listing Rules, the Company has appointed a sufficient number of independent non-executive Directors with at least one of them having appropriate professional qualifications or accounting or related financial management expertise. The Company has received an annual confirmation from each independent non-executive Director confirming his independence pursuant to the Listing Rules. The Company considers all of the independent non-executive Directors to be independent. The independent non-executive Directors and executive Directors ensure that the Board prepares its financial and other mandatory reports in strict compliance with the relevant standards, rules and regulations, and that appropriate systems are in place to protect the interests of the Company and its Shareholders.

Each independent non-executive Director is not appointed for a specific term but is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of associations of the Company (the "**Articles of Association**"). All independent non-executive Directors had attended the annual general meeting held on 29 May 2023.

Each of Directors appointed during FY2023 has confirmed that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules on 7 July 2023.

The biographical details of the Directors are set out in the paragraph headed "Biographies Of Directors And Senior Management" in the section headed "Management Discussion And Analysis" of this report. To the best knowledge of the Company, there are no financial, business, family or other material/relevant relationships between the Board members.

The Board has maintained a balance of skills and experiences appropriate for the requirements of the businesses of the Group. Its composition represents a mixture of management, accounts and finance, marketing, manufacturing and procurement with comprehensive experience in and exposure to diversified businesses. It is the opinion of the Directors that the Board has the necessary skills and experience appropriate for discharging their duties as Directors in the best interest of the Company.

DIVERSITY POLICY

The Company has adopted the board diversity policy. The policy sets out the approach to achieve diversity in the Board that should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Group's business and compliance with policies. The composition and diversity policies of the Board is reviewed annually and regularly. The Board should ensure that its changes in composition will not result in any undue interference. The Board members should possess appropriate professionalism, experience and trustworthiness in performing duties and functions. The Board would diversify its members according to the Company's situations and need. While participating in nomination and recommendation of director candidates during the year, each member of the Board may consider a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, or professional experience in achieving diversity for the benefit of the Company's various business development and management. The Board is to review the policy concerning diversity of Board members, and to disclose the policy or a summary of the policy, including any quantitative targets and standards and its progress with policy implementation.

The Nomination Committee is responsible for reviewing and monitoring the implementation of the Board Diversity Policy to ensure the effectiveness of the Board Diversity Policy.

As at the date of this report, the Board comprises seven Directors. Three of the Directors are independent non-executive Directors and four are executive Directors. The Board believes that gender diversity is a representing manifestation of Board diversity, among all other measurable objectives. While the Board has a domination of male composition, the Company has one female Director achieving a female representation in the Board. The Board is of the view that the existing gender diversity in respect of the Board is sufficient, and that the nomination policy of the Company can ensure that there will be a pipeline of potential successors to the Board which continues the existing gender diversity in the Board, and the Board targets to maintain at least the current level of female representation in the future. The Board is also characterised by significant diversity, whether considered in terms of professional background and skills.

As at 31 December 2023, the gender ratio of the Group's workforce was approximately 47% male to 53% female due to printing industry traditionally has less female participants. The Company's hiring is merit-based and nondiscriminatory. The Board is satisfied that the Company has achieved gender diversity in its workforce.

CHAIRMAN AND CHIEF EXECUTIVES

Code Provision C.2.1 of the CG Code provides that the roles of Chairman and chief executive officer of the Company should be separate and should not be performed by the same individual. Mr. Ng is currently performing the roles of chairman and chief executive officer of the Company. Despite of the deviation from the code provision C.2.1, the Board would meet regularly to consider major matters affecting the operations of the Company. Therefore, it is considered that this structure would not impair the balance of power and authority between the Directors and the management of the Company and believe that the current structure would enable the Group to make and implement decisions promptly and efficiently. However, going forward, the Board will review from time to time the need to separate the roles of the chairman and the chief executive officer if the situation warrants it.

EXECUTIVE DIRECTORS

The executive Directors namely Mr. Ng Ho Lun, Mr. Chu Lok Fung Barry, Mr. Chen Kun and Mr. Lam Tak Ling Derek, are responsible for evaluating new potential business opportunities and investment opportunities and formulating and implementing business strategies to enhance the revenue growth of the Company. The management is responsible for implementing the business strategies formulated by the executive directors. There is no material relationship between the Board members.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Wu Ka Chee Davy is an independent non-executive Director of the Company. He has entered into a letter of appointment with the Company with no specific term of appointment but is subject to rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association.

Mr. Yiu Ho Chi Stephen is an independent non-executive Director of the Company. He has entered into a letter of appointment with the Company with no specific term of appointment but is subject to rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association.

Ms. Law Ying Wai Denise is an independent non-executive Director of the Company. She has entered into a letter of appointment with the Company with no specific term of appointment but is subject to rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his or her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

The Company has established following mechanisms to ensure independent views and input are available to the Board and these mechanisms will be reviewed annually.

A. Number of Independent Non-executive Directors and their contribution

(i) Three out of seven Directors are Independent Non-executive Directors, which exceeds the requirement of the Listing Rules that at least one-third of the Board are independent non-executive directors.

(ii) The composition of the Board should provide a sufficient balance of skill, experience and diversity of perspectives in leading the Company to achieve its goal.

(iii) Executive Director will meet with the Independent Non-executive Directors at least annually.

(iv) The Chairman should at least annually hold meetings with the Independent Non-executive Directors without the presence of other Directors.

(v) If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter should be dealt with by a physical Board meeting rather than a written resolution. Independent Non-executive Directors who, and whose close associates, have no material interest in the transaction should be present at that Board meeting.

B. Appointment and Independence of Non-executive Directors

(i) Nomination Committee will assess the independence of a candidate who is nominated to be a new Independent Non-executive Director before appointment and the continued independence of the current long-serving Independent Non-executive Director, if any, on an annual basis. All Independent Nonexecutive Directors are required to submit a written confirmation to the Company annually to confirm the independence of each of them and their immediate family members, and their compliance with the requirements as set out in the Rule 3.13 of the Listing Rules.

(ii) A Director (including Independent Non-executive Director) who has material interest in any contract, transaction or arrangement shall abstain from voting and not be counted in the quorum on any Board resolution approving the same.

(iii) No equity-based remuneration with performance-related elements will be granted to Independent Nonexecutive Directors.

C. Channels where independent views are available

All Directors are entitled to retain independent professional advisors as and when it is required and at the Company's expense in appropriate circumstances.

D. Board meetings where independent views are expressed

(i) The Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals. At least 14 days' notice of a regular Board meeting is given to all Directors to provide them with an opportunity to attend and all Directors are given an opportunity to include matters in the agenda for a regular meeting. For all other Board meetings, reasonable notice should be given.

(ii) Board papers are usually dispatched to the directors at least three days before the meeting to ensure that Directors have sufficient time to review the papers and be adequately prepared for the meeting.

(iii) Directors unable to attend a meeting are advised of the matters to be discussed and are given an opportunity to make their views known to the Chairman prior to the meeting.

(iv) All Directors are encouraged to express their views in an open and candid manner during the Board/Board Committees meetings.

(v) Independent Non-executive Directors and other non-executive Directors should make a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments.

DIRECTORS' APPOINTMENT AND RE-ELECTION

The appointment of a new Director is made on the recommendation of the nomination committee ("**Nomination Committee**") of the Company or by the Shareholders in general meetings. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Pursuant to article 108(a) of the Articles of Association, at each annual general meeting of the Company, one-third of the Directors for the time being shall retire from office by rotation and all such retiring Directors being eligible, will offer themselves for re-election. Details of the Directors to be retired by rotation and, where applicable, subject to re-election at the forthcoming annual general meeting of the Company will be contained in the circular to be despatched to the Shareholders in due course. None of the Directors who are being proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with the Company which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standards of dealings set out in the Listing Rules as the code of conduct for securities transactions by the Directors in respect of the shares of the Company (the "**Code of Conduct**"). Having made specific enquiries with the Directors, all Directors have confirmed that they have complied with the required standards set out in the Code of Conduct during the year ended 31 December 2023.

COMMITTEES

As part of the corporate governance practices, the Board has established the Remuneration Committee, Nomination Committee and Audit Committee. The compositions of all the committees are set out below. The terms of reference of all committees are established in accordance with the principles set out in the CG Code.

REMUNERATION COMMITTEE

The Company established a Remuneration committee on 4 December 2017 with written terms of reference. The Remuneration Committee currently comprises one executive Director, namely Mr. Chu Lok Fung Barry and two independent non-executive Directors, namely Dr. Wu Ka Chee Davy (Chairperson) and Mr. Yiu Ho Chi Stephen.

The primary duties of the Remuneration Committee are formulating remuneration policies, making recommendations to the Board on the remuneration packages of all Directors and senior management, and to review and approve the management's remuneration with reference to the Board's corporate goals and objective. The Company has adopted the model whereby the Remuneration Committee makes recommendations to the Board on the remuneration packages of individual executive Directors and senior management, which should include benefits in kind, pension rights and compensation payments, and any compensation payable for loss or termination of their office(s) or appointment(s), and to make recommendations to the Board on the remuneration of non-executive Directors.

NOMINATION COMMITTEE

The Company established a Nomination Committee on 4 December 2017 with written terms of reference. The Nomination Committee currently comprises one executive Director, namely Mr. Ng Ho Lun (Chairperson) and two independent non-executive Directors, namely Mr. Yiu Ho Chi Stephen and Ms. Law Ying Wai Denise.

The primary duties of the Nomination Committee are reviewing the structure, size and composition of the Board, formulating relevant procedures for nomination of Directors, identifying qualified individuals to become members of the Board, assessing the independence of the independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of Directors.

The Nomination Committee has in place a nomination policy setting out the selection criteria and nomination procedures of Directors.

Selection Criteria

In assessing the suitability of a proposed candidate, the Nomination Committee would consider the certain factors such as the proposed candidate's reputation for integrity, accomplishment and experience in the industry which the Group operates, commitment in respect of available time and relevant interest and diversity in all its aspects as set out in the Board Diversity Policy adopted by the Company from time to time. These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

Nomination Procedure

Proposed candidates will be asked to submit the necessary personal information, together with their written consent to be appointed as a director and to the public disclosure of their personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election as a director. The Nomination Committee may request candidates to provide additional information and documents, if considered necessary.

The Committee Secretary of the Nomination Committee shall call a meeting of the Nomination Committee, and invite nominations of candidates from Board members if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by Board members. For filling a casual vacancy and/or as an addition to the Board, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

AUDIT COMMITTEE

The Company established an Audit Committee on 4 December 2017 with written terms of reference in compliance with the Listing Rules. The Audit Committee currently comprises all three independent non-executive Directors, namely Ms. Law Ying Wai Denise (Chairperson), Dr. Wu Ka Chee Davy and Mr. Yiu Ho Chi Stephen.

The Audit Committee has reviewed the terms of engagement and scope of audit work of the Company's external auditors, and the annual and half-year results of the Group for FY2023. The Audit Committee considered that the relevant consolidated financial statements have been prepared in compliance with the applicable accounting principles and requirements of the Stock Exchange and disclosures have been properly made. The Audit Committee has also reviewed and discussed with the management of the Company regarding matters on risk management and internal control system and financial reporting and the effectiveness of such systems thereof.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of accounts for each financial period which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing these accounts for FY2023, the Directors have selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent and reasonable. As at 31 December 2023, the Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern, and accordingly prepared the accounts on the going concern basis. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

EXTERNAL AUDITORS AND THEIR REMUNERATION

Baker Tilly Hong Kong Limited ("**BT**") was appointed as the auditor of the Company and to hold office until the conclusion of the next annual general meeting of the Company.

BT has conducted audit of the financial results of the Group for FY2023. The statement of BT in respect of their reporting responsibilities on the consolidated financial statements for the Financial Year is set out in the Independent Auditor's Report included in this report.

Details of the fee paid or payable to BT for FY2023 are as follows:

	HK$'000
2023 annual audit	650
Non-audit related services *(Note)*	340
	990

Note: The non-audit related services included advisory and interim review services.

A resolution will be proposed at the forthcoming annual general meeting for the re-appointment of BT as the independent auditor of the Company.

RISK MANAGEMENT AND INTERNAL CONTROLS

Risk Management and Internal Control Systems

The Company does not have an internal audit department. The Audit Committee reviewed the overall effectiveness of the risk management and internal control systems and reported its findings and made recommendations to the Board. During the year, the Company appointed BT Corporate Governance Limited ("**BTCG**"), an external firm of qualified accountants to:

1. assist in identifying and assessing the risks of the Group through a series of workshops, field audit, and interviews; and

2. independently perform internal control review and assess effectiveness of the Group's risk management and internal control systems.

The Board would continue to assess the effectiveness of internal controls by considering the reviews performed by the Audit Committee and executive management.

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness. The Company's risk management and internal control systems are designed to manage and mitigate risks, rather than eliminate risks, of failure to achieve the business objectives of the Company and can only provide reasonable and not absolute assurance against material misstatement or loss. We have employed a bottom-up approach for identification, assessment and mitigation of risk at all business unit levels and across functional areas.

Main Features of Risk Management and Internal Control Systems

The key elements of the Company's risk management and internal control systems include keeping track of and documentation of identified risks, the assessment and evaluation of risks, the development and continuous updating of responsive procedures, and the ongoing testing of internal control procedures to ensure their effectiveness.

An ongoing risk management approach is adopted by the Company for identifying and assessing the key inherent risks that affect the achievements of its objectives.

Process used to identify, evaluate and manage significant risks

During the process of risk assessment, the Board captures and identifies the key inherent risks that affect the achievements of its objectives by performing the followings:

- understanding organisational objectives and business processes;
- determining the risk appetite and establishing the risk assessment criteria;
- identifying the risks associated with achieving or not achieving the objectives and assessing the likelihood and potential impact of particular risks; and
- monitoring and evaluating the risks and the arrangements in place to address them.

The Board reviews the effectiveness of the risk management and internal control systems on a yearly basis by considering factors including but not limited to the followings:

- the changes since the last annual review in the nature and extent of significant risks, and the Group's ability to respond to changes in its business and the external environment;
- the scope and quality of managements' monitoring of risk and of the internal control system, and where applicable, the work of its internal audit function and other third party consultants;
- the extent and frequency of the communication of the results of the monitoring to the Board or the audit committee;
- the incidence of significant control failings or weakness that has been identified at any time during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have a material impact on the Group's financial performance or condition; and
- the effectiveness of the Group's processes relating to financial reporting and Listing Rules compliance given the Group's business and scale of operations and in order to adapt the most cost-effective method of conducting periodic revenues of the Group's internal controls, the Board has engaged an independent consultant, BTCG to execute the internal control function. BTCG has conducted an internal control review of the effectiveness of the Group's financial reporting procedures, systems and control for the period from 1 January 2023 to 31 December 2023 in accordance with the requirements under Code Provision D.2 of the Corporate Governance Code, according to the scope of review agreed and approved by the Audit Committee.

BTCG responded to the Audit Committee and the Audit Committee was satisfied that there had been no major deficiency noted in the areas of the Group's risk management and internal control systems being reviewed after implementation of the recommendations on the internal control defects reported by BTCG. The Audit Committee reviews annually the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures and has access to information necessary to fulfil its duties and responsibilities with respect to risk assessment and risk management. The Board has conducted a review of the risk management and internal control during the year under review. Accordingly, the Audit Committee and the Board considered the risk management and internal control systems to be effective and adequate.

In the coming year, the Audit Committee continues to monitor the implementation and follow-up action on those suggestions and recommendations made by BTCG as part of its follow-up review on the internal control and risk prevention measures.

Procedures and internal controls for the handling and dissemination of inside Information

The Board has already established a policy on the procedures and internal controls for the handling and dissemination of inside information. The policy stipulated the duty and responsibility of inside information announcement, restriction on sharing non-public information, handling of rumours, unintentional selective disclosure, exemption and waiver to the disclosure of inside information, and also compliance and reporting procedures. Every member of the senior management of the Company must take all reasonable measures to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Company from time to time. They must promptly bring any possible leakage or divulgence of inside information to the attention of the financial controller, who will notify the Board accordingly for taking the appropriate action promptly. For any material violation of this policy, the Board will decide, or designate appropriate persons to decide, the course of actions for rectifying the problem and avoiding recurrence.

COMPANY SECRETARIES

Joint Company Secretary — Mr. Chu Lok Fung Barry ("**Mr. Chu**") (appointed on 7 July 2023)

Mr. Chu, aged 53, was appointed as an executive Director, joint company secretary, financial controller, authorised representative and process agent of the Company on 7 July 2023. For further details, please see the paragraphs headed "Biographies of Directors and Senior Management" in this report.

Joint Company Secretary — Mr. Chen Kun ("**Mr. Chen**") (appointed on 7 July 2023)

Mr. Chen, aged 38, was appointed as an executive Director, joint company secretary, authorised representative and process agent of the Company on 7 July 2023. For further details, please see the paragraphs headed "Biographies of Directors and Senior Management" in this report.

Both Mr. Chu and Mr. Chen have complied with the relevant professional requirement under Rule 3.29 of the Listing Rules during FY2023.

CORPORATE GOVERNANCE FUNCTIONS

The Board as a whole is responsible for performing the corporate governance duties including:

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

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

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

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

(e) to review the Company's compliance with the code and disclosure requirement.

CONVENING AN EXTRAORDINARY GENERAL MEETING BY SHAREHOLDERS

Pursuant to article 64 of the Articles of Association, any one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings of the Company shall at all times have the right, by requisition in writing to the Board or the Company Secretary, to require an extraordinary general meetings to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself/themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

THE PROCEDURES BY WHICH ENQUIRES MAY BE PUT TO THE BOARD AND SUFFICIENT CONTACT DETAILS TO ENABLE THESE ENQUIRIES TO BE PROPERLY TREATED

Shareholders may send their enquiries and concerns to the principal place of business of the Company in Hong Kong at Suite 5705–08, 57/F, One Island East, Taikoo Place, 18 Westlands Road, Quarry Bay, Hong Kong, by post or by fax to (852) 3996 8634, for the attention of the Company Secretary and the Company Secretary will direct all enquiries and concerns to the Board.

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

There are no provisions allowing Shareholders to move new resolutions at the general meetings under the Company Law (Revised) of Cayman Islands. However, Shareholders are welcome to suggest proposals relating to the operations, strategy and/or management of the group to be discussed at shareholders' meeting. Proposal shall be sent to the Board by written requisition.

INVESTOR RELATIONS

The Company establishes different communication channels with investors to update them with the latest business development and financial performance including the publication of interim and annual reports, the publish and posting of notices, announcements and circulars on the Stock Exchange website and the Company's website in order to maintain a high level of transparency.

Upon reviewing the implementation and effectiveness of the Shareholders' communication policy of the Company, the Board considers the policy and its implementation are effective as the policy provides effective channels for the Shareholders to communicate their views with the Company and the Company complied with the principles and required practices as set out in the policy during FY2023.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

Shareholders are one of our key stakeholders. The Board and senior management recognise their responsibilities to represent the interests and create long-term sustainable value for the shareholders.

The Company communicates to its shareholders through announcements and annual and interim reports published in its website http://www.smartglobehk.com. Shareholders may put enquiries to the Board in writing sent to the principal office of the Company at Suite 5705–08, 57/F, One Island East, Taikoo Place, 18 Westlands Road, Quarry Bay, Hong Kong. The Directors, the Company Secretary or other appropriate members of senior management respond to enquiries from shareholders promptly. All shareholders are also encouraged to attend general meetings of the Company to discuss matters relating to the Group. At general meetings of the Company, the Directors answer questions from the shareholders.

Investor relations has always formed an important part of the Company's corporate governance. It provides two-way communication between management and the investment community and continually updates investors on the Company's latest business developments in a timely manner. The designated team also regularly provides management with market feedback and opinions from the investment community to improve the governance and operations of the Company.

Pursuant to new Rule 2.07A(1) of the Listing Rules, the Company will disseminate the future corporate communications of the Company (the "**Corporate Communications**") to its Shareholders electronically and only send Corporate Communications in printed form to the Shareholders upon request with effective from 31 December 2023. For further details, please refer to the circulars of the Company dated 2 February 2024.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

The Board of the Company proposed to amend (the"**Proposed Amendments**") the memorandum and articles of association of the Company (the "**M&A**") to reflect and align with the new requirements under the amended Appendix 3 to the Listing Rules which have come into effect on 1 January 2022 and to make some other housekeeping. The Proposed Amendments to M&A was approved by the Shareholders on 29 May 2023.

Apart from above, there had been no significant changes in the constitutional documents of the Company during FY2023.

DIRECTORS' REPORT

The directors have pleasure in presenting to the Shareholders their annual report and the audited consolidated financial statements of the Group for FY2023.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Its subsidiaries are principally engaged in production, distribution and printing of books, novelty and packaging products. Details of the principal activities of the subsidiaries are set out in note 28 to the consolidated financial statements. There were no significant changes to the Group's principal activities during the current year.

BUSINESS REVIEW

A review of the Company's business, a discussion and analysis of the Group's performance during the year under review, the material factors underlying its results and financial position, and the future development of the Company's business have been set out in the Chairman's Statement and the Management Discussion and Analysis of this annual report. These discussions form part of this "Directors' Report".

The financial risk management objectives and policies of the Group are shown in note 24 to the consolidated financial statements.

An analysis of the Group's performance during FY2023 using key financial performance indicators is set out in the Five-Year Financial Summary on page 130 of this annual report.

(A) Environmental policies and performance

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

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

(B) Compliance with laws and regulations

To the best knowledge and belief of the Directors, the Group's operation in Hong Kong has complied with the applicable laws and regulations in all material respects during FY2023, and up to the date of this report.

(C) Key relationships with employees, customers and suppliers

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

RESULTS AND APPROPRIATIONS

The results of the Group for FY2023 are set out in the consolidated statement of profit and loss and other comprehensive income on page 73.

The Directors do not recommend the payment of dividend for FY2023.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining entitlement to attend and vote at the forthcoming annual general meeting of the Company to be held on Monday, 27 May 2024 (the "**AGM**"), the register of members of the Company will be closed from Wednesday, 22 May 2024 to Monday, 27 May 2024, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the AGM, all transfer of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 pm. on Tuesday, 21 May 2024.

ANNUAL GENERAL MEETING

The AGM will be held on Monday, 27 May 2024. A notice convening the meeting will be issued and sent to the Shareholders in due course.

RESERVES

Movements in the reserves of the Group and of the Company during FY2023 are set out in the consolidated statement of changes in equity on page 76 and note 27 to the consolidated financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in plant and equipment during the year under review are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 20 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2023 amounted to approximately HK$25,690,000, as calculated in accordance with the Companies Law of the Cayman Islands.

DIVIDEND POLICY

The Company strives for generating steady returns to the Shareholders. It is the policy of the Company, in considering the payment of dividends, to allow the Shareholders to participate in the Company's profits whilst retaining adequate reserves for the Group's future growth. The dividend payout ratio shall be determined by the Board at its absolute discretion after taking into account of, among others, the following factors: (i) the Group's financial performance; (ii) retained earnings and distributable reserves of the Company and each of the subsidiaries of the Group; (iii) the Group's working capital requirements, capital expenditure requirements and future expansion plans; and (iv) the Group's liquidity position; and other factors that the Board deems relevant. There is no assurance that dividends will be paid in any particular amount for any given period.

SHARE OPTION SCHEME

The Company has a share option scheme (the "**Scheme**") which was adopted pursuant to a resolution of the Shareholders passed on 4 December 2017. The purpose of the Scheme is to attract, retain and motivate talented eligible participants (as defined below), to strive for future developments and expansion of the Group. The Scheme shall be an incentive to encourage the participants to perform their best in achieving the goals of the Group and allow the participants to enjoy the results of the Group attained through their efforts and contributions.

The Scheme became effective on 4 December 2017 and, unless otherwise cancelled or amended, will remain in force for 10 years from the adoption of the Scheme.

Under the Scheme, the Directors may at their absolute discretion and subject to the terms of the Scheme, grant options to any eligible participants. Eligible participants refer to (i) any executive director or manager of or other employee holding an executive, managerial, supervisory or similar position in any member of the Group (an "**Employee**"), any proposed Employee, any full-time or part-time Employee, or a person for the time being seconded to work full-time or part-time for any member of the Group (an "**Executive**"); (ii) any director or proposed director (including an independent non-executive director) of any member of the Group; (iii) a consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (iv) a person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group; or a close associate (as defined under the Listing Rules) of any of the foregoing persons.

Under the Scheme, the maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the shares in issue upon the date of which the shares are listed and permitted to be dealt in the Stock Exchange (i.e. 100,000,000 Shares, representing approximately 9.80% of the Company's shares in issue as at 31 December 2023). The 10% limit may be refreshed at any time by approval of the Company's shareholders provided that the total number of Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other share options schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit. The aggregate number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the Company's shares in issue from time to time. No options may be granted under the Scheme or any other share options schemes of the Company if this will result in the limit being exceeded.

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

A nominal consideration of HK$1 is payable on acceptance of the grant of an option with a remittance in favour of the Company within such time as may be specified in the offer of grant of the option.

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

No share options under the share option scheme were granted, exercised or cancelled during the year under review nor remained outstanding as at 1 January 2023 and 31 December 2023. As at 1 January 2023 and 31 December 2023, the number of Shares available for grant under the Scheme remained at 100,000,000 Shares.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the securities of the Company during FY2023.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2023 are set out in note 28 to the consolidated financial statements.

DIRECTORS

The directors who have held office during the year under review and up to the date of this report are as follows:

Executive Directors

Mr. Ng Ho Lun *(Chairman and Chief Executive Officer) (Appointed on 7 July 2023)*
Mr. Chu Lok Fung Barry *(Appointed on 7 July 2023)*
Mr. Chen Kun *(Appointed on 7 July 2023)*
Mr. Lam Tak Ling Derek
Mr. Chan Yee Yeung *(Resigned on 7 July 2023)*
Ms. Tse Yuen Shan Ivy *(Resigned on 7 July 2023)*

Independent non-executive Directors

Dr. Wu Ka Chee Davy *(Appointed on 7 July 2023)*
Mr. Yiu Ho Chi Stephen *(Appointed on 7 July 2023)*
Ms. Law Ying Wai Denise *(Appointed on 7 July 2023)*
Mr. Li Chun Hung *(Resigned on 7 July 2023)*
Mr. Ong Chor Wei *(Resigned on 7 July 2023)*
Mr. Yam Kam Kwong *(Resigned on 7 July 2023)*

DIRECTORS' SERVICE CONTRACTS

The Company has entered into a service contract with each of our executive Directors, and a letter of appointment with each of our independent non-executive Directors. Each service contract of the executive Directors is for an initial fixed term of three years commencing from 7 July 2023, and shall thereafter continue on a month to month basis unless terminated by either party by giving the other party a three month's prior written notice. Pursuant to the letters of appointment of our independent non-executive Directors, each of them is not appointed for a specific term but is subject to retirement by rotation and re-election in accordance with the Articles of Association and the CG Code. Each of the independent non-executive director's appointment can also be terminated by either party giving the other party at least one month's notice in writing.

Save as disclosed in note 10 to the financial statements, there were no other emoluments, pensions or any compensation arrangements for the Directors and past Directors which are required to be disclosed under the Listing Rules, or section 383 of the Companies Ordinance (Chapter 622, Laws of Hong Kong) or the Companies (Disclosure of Information about Benefits of Directors) Regulation (Chapter 622G, Laws of Hong Kong). Save as disclosed above, none of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory obligations.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2023, the interests of the Directors, chief executives and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Listing Rules, were as follows:

Long positions

Ordinary shares of HK$0.01 each (the "Shares") of the Company

Name of Director	Capacity	Number of Shares held	Percentage of the issued Shares of the Company as at 31 December 2023
NG Ho Lun ("**Mr. Ng**")	Held by controlled corporation *(note 1)*	750,000,000	73.53%

Note:

(1) The Company is directly owned as to 73.53% by TeraMetal Holdings Limited ("**TeraMetal**"), a company wholly-owned by Mr. Ng, By virtue of the SFO, Mr. Ng is deemed to be interested in the Shares held by TeraMetal.

On 26 April 2023, TeraMetal (as the purchaser), Master Sage Limited and Fortune Corner Holdings Limited (both as the sellers) entered into a sale and purchase agreement, pursuant to which TeraMetal conditionally agreed to purchase, and the Sellers conditionally agreed to sell, in aggregate, 750,000,000 Shares, representing 73.53% of the then issued Shares.

Upon completion, TeraMetal owned an aggregate of 750,000,000 Shares, representing 73.53% of the then entire issued Shares. In accordance with Rule 26.1 of the Hong Kong Code on Takeovers and Mergers, TeraMetal was required to make a mandatory general offer at HK$0.2614 per Share (the "**Offer Price**") for all issued Shares (other than those already owned and/or agreed to be acquired by TeraMetal and the parties acting in concert with it) (the "**Offer**"). On 20 June 2023, being the closing date of the Offer, TeraMetal received valid acceptances of an aggregate of 154,260,000 Shares, representing 15.12% of the then issued Shares.

On 25 July 2023, TeraMetal and a manager entered into a secondary block trade agreement, pursuant to which TeraMetal agreed to place down up to 154,260,000 Shares to parties independent to TeraMetal and the Company (the "**Placing**"). Completion of the Placing took place on 1 August 2023. Accordingly, TeraMetal is interested in 750,000,000 Shares, representing 73.53% of the issued Shares since then.

Save as disclosed above, as at 31 December 2023, none of the Directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer as set out in Appendix C3 of the Listing Rules (the "**Model Code**").

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2023, the following shareholders and persons (not being a Director or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Director	Capacity	Number of Shares held	Percentage of the issued share capital of the Company as at 31 December 2023
TeraMetal	Beneficial owner	750,000,000	73.53%
Liu Chujia ("**Mrs. Ng**")	Interest of spouse *(note 1)*	750,000,000	73.53%

Note:

(1) Mrs. Ng, being the spouse of Mr. Ng, is deemed to be interested in 750,000,000 Shares of the Company in which Mr. Ng is interested through TeraMetal under the SFO.

Save as disclosed above, as at 31 December 2023, the Directors are not aware of any other persons who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and recorded in the register required to be kept by the Company under section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year under review was the Company, or any of its holding companies or subsidiary, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Please refer to note 10 to the consolidated financial statements on for details of the emoluments of the Directors and the five highest paid individuals of the Company.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company, which were not a contract of service with any Director or any person engaged in the full-time employment of the Company, were entered into or existed during FY2023.

CHARITABLE DONATION

Charitable donations made by the Group for FY2023 was HK$60,000 (FY2022: HK$50,000).

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 62.6% of the total sales for the year under review and sales to the largest customer included therein amounted to 36.1%. Purchases from the Group's five largest suppliers accounted for 30.6% of the total purchases for the year and purchases from the largest supplier included therein amounted to 7.0%.

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

TAX RELIEF

The Group is not aware of any relief on taxation available to Shareholders by reason of their holding of shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the shares, they are advised to consult their professional advisers.

CONNECTED TRANSACTIONS

The Group had not entered into any connected transaction during FY2023. Related party transactions entered into by the Group during the year under review are disclosed in note 26 to the consolidated financial statements.

CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

As for as the Directors are aware, at no time during FY2023 had the Company or any of its subsidiaries and the controlling Shareholder or any of its subsidiaries entered into any contract of significant or any contracts of significance for the provision of services by the controlling Shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

EQUITY-LINKED AGREEMENTS

Save for the Scheme as set out above, no equity-linked agreements were entered into by the Group during FY2023 or subsisting at the end of FY2023.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 10 to the consolidated financial statements, no contracts of significance to which the Company, or any of its holding companies or subsidiary, was a party and in which a Director or an entity connected with a Director (as defined under section 486 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong)) had a material interest, either directly or indirectly, subsisted at the end of the year under review or at any time during the year under review.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

During FY2023, trading in Shares was suspended from 21 June 2023 to 1 August 2023 pending restoration of the minimum public float as required under the Listing Rules. The Company restored public float and resumed trading of Shares on 2 August 2023.

To the best knowledge of the Directors and based on the information that is publicly available to the Company, at least 25% of the Company's issued share capital were held by the public as at the date of this Report.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 130 of the annual report.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN A COMPETING BUSINESS

None of the Directors and the controlling shareholders of the Company (as defined in the Listing Rules) or their respective close associates (as defined in the Listing Rules) is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during FY2023.

Each of Mr. Lam Tak Ling Derek, Mr. Chan Yee Yeung and Master Sage Limited (together, the "**Covenantors**") entered into a deed of non-competition in favour of the Group (the "**Deed of Non-competition**") on 4 December 2017, details of which are set out in the section headed "Relationship with Our Controlling Shareholders — Deed of Non-competition" in the Prospectus.

The Company received from each of the Covenantors confirmation on their respective compliance of the non-competition undertaking under the Deed of Non-competition for FY2023. The independent non-executive Directors have reviewed the compliance of such undertaking and evaluated the effective implementation of the Deed of Non-competition, and they were satisfied with the Covenantors' compliance with their undertaking.

Pursuant to the Deed of Non-competition, if the relevant controlling shareholder and/or his/its close associates come to hold less than 30% of the Shares then issued, the Deed of Non-competition will cease to apply to that relevant controlling shareholder. Since 2 May 2023, the Covenantors ceased to be the controlling shareholder of the Company. For further details, please refer to the announcements of the Company dated 26 April 2023 and 2 May 2023.

EMOLUMENTS POLICY

The emolument policy for the employee of the Group is set up by the management on the basis of their merit, qualifications and competence. Under the emolument policy, the basis of determining the emolument payable to Directors is subject to the decision of the Remuneration Committee of the Company.

The emoluments of the Directors for FY2023 are decided by the Board, having regard to the Group's operating results, their duties and responsibilities of the Group, individual performance and comparable market statistics, and have been reviewed by the Remuneration Committee of the Company during FY2023.

PERMITTED INDEMNITY PROVISIONS

At no time during FY2023 and up to the date of this report, there was or is, any permitted indemnity provisions being in force for the benefit of any of the directors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

MATERIAL LEGAL PROCEEDINGS

As at 31 December 2023, the Company was not involved in any material litigation or arbitration and no material litigation or arbitration were pending or threatened or made against the Company so far as the Company is aware.

EVENTS AFTER THE REPORTING PERIOD

There were no important events affecting the Group that have occurred since the end of the year under review.

AUDITORS

As disclosed in the announcement of the Company dated 14 July 2021, Baker Tilly Hong Kong Limited has been appointed as the auditors of the Company with effect from 14 July 2021 to fill the casual vacancy following the resignation of Deloitte Touche Tohmatsu on 13 July 2021. Saved as disclosed above, there were no other changes in the Company's auditors in the preceding three years.

The consolidated financial statements of the Company for FY2023 have been audited by Baker Tilly Hong Kong Limited. A resolution will be submitted to the AGM to re-appoint Baker Tilly Hong Kong Limited as auditor of the Company.

APPRECIATION

On behalf of the Board, I would like to extend my sincere gratitude to our business partners, shareholders, staff and management for their continuous dedication, commitment and support.

On behalf of the Board
NG HO LUN
CHAIRMAN

27 March 2024

INDEPENDENT AUDITOR'S REPORT

bakertilly
天職國際

Independent auditor's report to the shareholders of
Smart Globe Holdings Limited
竣球控股有限公司
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Smart Globe Holdings Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 73 to 129, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

BASIS FOR OPINION

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

Independent auditor's report to the shareholders of
Smart Globe Holdings Limited (continued)
竣球控股有限公司
(Incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Key Audit Matter	How the matter was addressed in our audit
Expected credit loss (ECL) assessment of trade receivables	
We identified the ECL assessment of trade receivables as a key audit matter due to the involvement of subjective judgement and estimation in management's ECL assessment process. The Group assessed its trade receivables individually, for significant balances and credit-impaired balances, and/or collectively based on the aging grouping of trade receivables. Significant and/or credit-impaired trade receivables balances are assessed individually by considering the aging, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical default rates over the expected life of the debtors and reasonable and supportable forward-looking information that is available without undue costs or effort. For trade receivables assessed collectively, the grouping is based on the debtor's credit risk characteristic, taking into consideration the Group's historical default rates and reasonable and supportable forward-looking information that is available without undue cost or effort. At each reporting date, historical default rates are reassessed and changes in forward-looking information are considered. As disclosed in notes 4 and 16 to the consolidated financial statements, as at 31 December 2023, the carrying amount of trade receivables is HK$26,974,000, net of allowance for ECL of HK$1,645,000.	Our procedures in relation to evaluating the ECL assessment of trade receivables included: • Obtaining an understanding on the key controls over ECL assessment and evaluating management's process in determining the estimated loss rates, aging grouping of trade receivables, and significant balances and credit-impaired balances which are assessed individually; • Assessing the reasonableness of the estimated loss rates with reference to historical default rates over the expected life of the debtors based on the aging analysis of trade receivable and the forward-looking information considered by the management of the Group; and • Testing, on a sample basis, the accuracy and completeness of the aging analysis of trade receivables to source documents including evidence of delivery and sales invoices.

Independent auditor's report to the shareholders of
Smart Globe Holdings Limited (continued)
竣球控股有限公司
(Incorporated in the Cayman Islands with limited liability)

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Independent auditor’s report to the shareholders of
Smart Globe Holdings Limited (continued)
竣球控股有限公司
(Incorporated in the Cayman Islands with limited liability)

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

Independent auditor's report to the shareholders of
Smart Globe Holdings Limited (continued)
竣球控股有限公司
(Incorporated in the Cayman Islands with limited liability)

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

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

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

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

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

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

The engagement director on the audit resulting in this independent auditor's report is Li Man Chun Jesse.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 27 March 2024
Li Man Chun Jesse
Practising certificate number P08302

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 HK$'000	2022 HK$'000
Revenue	5	**97,241**	131,647
Cost of sales		**(75,690)**	(123,978)
Gross profit		**21,551**	7,669
Other income	6	**898**	593
Reversal of allowance (allowance) for expected credit losses on trade receivables, net	24	**148**	(838)
Other gains and losses	7	**294**	1,865
Selling and distribution costs		**(5,800)**	(7,552)
Administrative expenses		**(20,641)**	(18,057)
Finance costs	8	**(116)**	(180)
Loss before taxation	9	**(3,666)**	(16,500)
Taxation	11	**(24)**	—
Loss for the year		**(3,690)**	(16,500)
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
— Exchange differences arising from translation of a foreign operation		**(1,314)**	(6,459)
Total comprehensive expense for the year		**(5,004)**	(22,959)
		HK cents	HK cents
Loss per share			
— Basic	13	**(0.36)**	(1.64)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Note	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment	14	**35,730**	36,318
Deposit paid for potential investment	16	**—**	7,000
		35,730	43,318
Current assets			
Inventories	15	**19,123**	14,844
Trade and other receivables	16	**29,239**	34,432
Taxation recoverable		**590**	608
Bank balances and cash	17	**65,647**	57,085
		114,599	106,969
Current liabilities			
Trade and other payables	18	**16,632**	15,587
Contract liabilities	18	**498**	1,068
Taxation payable		**—**	222
Lease liabilities	19	**2,511**	1,803
		19,641	18,680
Net current assets		**94,958**	88,289
Total assets less current liabilities		**130,688**	131,607
Non-current liabilities			
Lease liabilities	19	**4,085**	—
NET ASSETS		**126,603**	131,607

AS AT 31 DECEMBER 2023

	Note	2023 HK$'000	2022 HK$'000
Capital and reserves			
Share capital	20	**10,200**	10,200
Reserves		**116,403**	121,407
TOTAL EQUITY		**126,603**	131,607

The consolidated financial statements on pages 73 to 129 were approved and authorised for issue by the Board of Directors on 27 March 2024 and are signed on its behalf by:

Ng Ho Lun
Director

Chu Lok Fung Barry
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

	Share capital *HK$'000*	Share premium *HK$'000*	PRC statutory reserve *HK$'000* *(note (a))*	Special reserve *HK$'000* *(note (b))*	Translation reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 January 2022	10,000	34,645	287	12,290	2,253	74,406	133,881
Loss for the year	—	—	—	—	—	(16,500)	(16,500)
Other comprehensive expense for the year: — Exchange differences arising on translation of a foreign operation	—	—	—	—	(6,459)	—	(6,459)
Total comprehensive expense for the year	—	—	—	—	(6,459)	(16,500)	(22,959)
Issue of shares (Note 20)	200	20,485	—	—	—	—	20,685
At 31 December 2022 and 1 January 2023	10,200	55,130	287	12,290	(4,206)	57,906	131,607
Loss for the year	—	—	—	—	—	(3,690)	(3,690)
Other comprehensive expense for the year: — Exchange differences arising on translation of a foreign operation	—	—	—	—	(1,314)	—	(1,314)
Total comprehensive expense for the year	—	—	—	—	(1,314)	(3,690)	(5,004)
Transfer	—	—	92	—	—	(92)	—
At 31 December 2023	10,200	55,130	379	12,290	(5,520)	54,124	126,603

Notes:

(a) The People's Republic of China ("**PRC**") statutory reserve is non-distributable and transfer to this reserve is determined according to the relevant laws in the PRC and by the board of directors of the PRC subsidiary in accordance with the Articles of Association of the subsidiary.

(b) The special reserve of the Group represented the difference between the nominal value of the share capital of the Company and the nominal value of the share capital of CP Printing Limited ("**CP Printing**"), a wholly-owned subsidiary of the Company, pursuant to a group reorganisation in preparation for listing of the Company's shares.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 HK$'000	2022 HK$'000
Operating activities			
Loss before taxation		**(3,666)**	(16,500)
Adjustments for:			
— Interest expenses	8	**116**	180
— Interest income	6	**(792)**	(41)
— (Reversal of allowance) allowance for expected credit losses on trade receivables	24	**(148)**	838
— Depreciation of property, plant and equipment	9	**7,520**	7,985
— Loss (gain) on disposal of property, plant and equipment, net	7	**25**	(11)
Operating cash flows before movements in working capital		**3,055**	(7,549)
(Increase) decrease in inventories		**(4,664)**	19,319
Decrease in trade receivables, prepayments and deposits		**5,231**	6,708
Increase (decrease) in trade and other payables		**1,348**	(4,055)
(Decrease) increase in contract liabilities		**(570)**	947
Cash generated from operations		**4,400**	15,370
PRC Enterprise Income Tax paid		**(224)**	(229)
Hong Kong Profits Tax refunded, net		**—**	1,701
Net cash from operating activities		**4,176**	16,842
Investing activities			
Deposit refunded (paid) for potential investment		**7,000**	(7,000)
Interest received		**792**	41
Proceeds from disposal of property, plant and equipment		**7**	16
Purchase of property, plant and equipment		**(524)**	(1,112)
Net cash from (used in) investing activities		**7,275**	(8,055)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 HK$'000	2022 HK$'000
Financing activities			
Repayment of lease liabilities		**(2,464)**	(2,504)
Interest paid		**(116)**	(180)
Proceeds from issue of shares	20	**—**	20,685
Net cash (used in) from financing activities		**(2,580)**	18,001
Net increase in cash and cash equivalents		**8,871**	26,788
Cash and cash equivalents at beginning of the year		**57,085**	32,466
Effect of foreign exchange rate changes		**(309)**	(2,169)
Cash and cash equivalents at the end of the year, represented by bank balances and cash		**65,647**	57,085

1 GENERAL INFORMATION

Smart Globe Holdings Limited (the "**Company**") is a public limited liability company incorporated in the Cayman Islands and the ordinary shares of the Company were listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in 2017. On 11 December 2020, the ordinary shares of the Company transferred and listed on the Main Board of the Stock Exchange. The immediate holding company and ultimate holding company is TeraMetal Holdings Limited ("**TeraMetal**"), a company incorporated in the British Virgin Islands (the "**BVI**"), which is ultimately controlled by Mr. NG Ho Lun ("**Mr. NG**").

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section in the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company.

The Company acts as an investment holding company. The activities of its subsidiaries are set out in note 28. The Company and its subsidiaries are collectively referred to as the "Group".

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

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

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

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

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

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

(a) New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

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

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

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

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

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

The application of the amendments has had no material impact on the Group's consolidated financial position and performance.

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

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

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

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

(a) New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

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

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

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

(b) Amendments to HKFRSs in issue but not yet effective

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

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

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of the amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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

3.1 Basic of preparation of consolidated financial statements

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

The consolidated financial statements have been prepared on the historical cost basis except for the deposit paid for potential investment that is measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange of goods and services.

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

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

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

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information

Basis of consolidation

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

(i) has power over the investee;

(ii) is exposed, or has rights, to variable returns from its involvement with the investee; and

(iii) has the ability to use its power to affect its returns.

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

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

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

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

Revenue from contracts with customers

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

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

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Revenue from contracts with customers (continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

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

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

The revenue of the Group arising from production, distribution and printing of books, novelty and packaging products is recognised at a point in time. Under the transfer-of-control approach in HKFRS 15 "Revenue from Contracts with Customers", revenue from these sales is recognised when control of the goods has transferred, being when the goods have been shipped to customer's specified location, which is the point of time when the customer has the ability to direct the use of these products and obtain substantially all of the remaining benefits of these products.

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

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes.

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Property, plant and equipment (continued)

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is recognised as "right-of-use assets" included in property, plant and equipment presented in the consolidated statement of financial position and is amortised over the lease term on straight-line basis. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

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

Leases

Definition of a lease

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

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

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Leases (continued)

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

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

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability; and
- any initial direct costs incurred by the Group.

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

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

Refundable rental deposits

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

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities

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

The lease payments represent fixed payments.

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

Lease modifications

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

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

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

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Leases (continued)

The Group as a lessee (continued)

Lease modifications (continued)

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

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

When the modified contract contains one or more additional lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component. The associated non-lease components are included in the respective lease components.

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

- The modification is necessary as a direct consequence of interest rate benchmark reform; and
- The new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Cost necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which was initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Amortised cost and interest income

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

Impairment of financial assets

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

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

The Group always recognises lifetime ECL for trade receivables without significant financing component.

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

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk

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

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

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

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

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

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

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

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability — weighted amount that is determined with respective risk of default occurring as the weights.

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

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

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

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

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL (continued)

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

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

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

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other gains and losses' line item (note 7) as part of the net exchange gains.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities including trade and other payables are subsequently measured at amortised cost, using the effective interest method.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'Other gains and losses' line item in profit or loss (note 7) as part of net exchange gains for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

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

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Cash and cash equivalents (continued)

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

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

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

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

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

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

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Impairment losses on property, plant and equipment including right-of-use assets (continued)

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

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

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the foreign operation are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Foreign currencies (continued)

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income".

Short-term employee benefits

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

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

Retirement benefit costs

Payments to government-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

For share awards that vest immediately at the date of grant, the difference between the fair value of the shares to which the counterparty has received and the price the counterparty is required to pay for those shares is expensed immediately to profit or loss.

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Borrowing costs

All borrowing costs which are not eligible for capitalisation to qualifying assets are recognised in profit or loss in the period in which they are incurred.

Taxation

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

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

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

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

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

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Taxation (continued)

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

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

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

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

Revenue recognition from sales of products with no alternative use at a point in time

Under HKFRS 15, control of the asset is transferred over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Significant judgement is required in determining whether the terms of the Group's contracts with customers in relation to products with no alternative use create an enforceable right to payment for the Group. The Group has considered the contractual terms and the relevant legal and regulatory environment that apply to those relevant contracts. Based on the assessment of the Group's management, the contracts do not create an enforceable right to payment for the Group after taking into consideration indicators such as whether the right to payment for the Group for the performance completed to date include a reasonable profit margin. Accordingly, the sales of products with no alternative use is considered to be performance obligation satisfied at a point in time.

During the year ended 31 December 2023, the Group recognised revenue from sales of books products and novelty and packaging products with no alternative use at a point in time amounted to HK$97,241,000 (2022: HK$131,647,000).

Key sources of estimation uncertainty

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

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

ECL assessment of trade receivables

The ECL on trade receivables are assessed individually, for significant balances and credit-impaired balances, and/or collectively based on the aging grouping of trade receivables. Significant and/or credit-impaired trade receivables balances are assessed individually by considering the aging, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical default rates over the expected life of the debtors and reasonable and supportable forward-looking information that is available without undue costs or effort. For trade receivables assessed collectively, the grouping is based on the debtor's credit risk characteristic, taking into consideration the Group's historical default rates and reasonable and supportable forward-looking information that is available without undue cost or effort. At each reporting date, historical default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the Group's trade receivables and the ECL are disclosed in notes 16 and 24 respectively.

As at 31 December 2023, the carrying amount of trade receivables is HK$26,974,000 (2022: HK$32,326,000), net of allowance for ECL of HK$1,645,000 (2022: HK$1,793,000).

5 REVENUE AND SEGMENT INFORMATION

Revenue represents amounts received or receivable from production and printing of books, novelty and packaging products. The Group's contracts with customers for books products and novelty and packaging products are based on customer's specification with no alternative use to the Group. Taking into consideration for contract terms and the relevant legal and regulatory environment that apply to those relevant contracts, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specified location. Transporting and handling activities that occur before customer obtain control are considered as fulfilment activities. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 to 90 days upon delivery.

For certain of the Group's new customers, the Group receives deposits before production commences, which gives rise to contract liabilities until the goods have been delivered to the customer.

All sales contracts are for periods of one year or less. As permitted under HKFRS 15 "Revenue from contracts with customers", the transaction price allocated to unsatisfied performance obligations is not disclosed.

5 REVENUE AND SEGMENT INFORMATION (continued)

Information reported to the board of directors of the Company, being the chief operating decision maker, for the purpose of resources allocation and assessment of performance, focuses specifically on the revenue analysis the Group's core business of printing books products and novelty and packaging products. No further discrete financial information is provided. Accordingly, no segment information is presented other than entity wide disclosures. The Group's operations are located in Hong Kong and the PRC.

The disaggregated information of revenue is as follows:

Revenue from major products

The followings is an analysis of the Group's revenue from its major products which is recognised at a point in time under HKFRS 15:

	2023	2022
	HK$'000	*HK$'000*
Books products	**89,659**	125,006
Novelty and packaging products	**7,582**	6,641
	97,241	131,647

Geographical information

Information about the Group's revenue from external customers presented based on the geographical location of the customers and the Group's non-current assets, excluding financial instruments, presented based on the geographical location of the assets is as follows:

	2023	2022
	HK$'000	*HK$'000*
Hong Kong	**48,908**	57,913
United States	**17,121**	26,773
United Kingdom	**5,975**	10,746
Netherlands	**6,324**	6,665
Australia	**7,849**	8,280
The PRC	**6,320**	6,139
France	**4,024**	7,410
Others	**720**	7,721
	97,241	131,647

5 REVENUE AND SEGMENT INFORMATION (continued)

Geographical information (continued)

	Non-current assets	
	2023	2022
	HK$'000	*HK$'000*
The PRC	**34,874**	35,701
Hong Kong	**856**	617
	35,730	36,318

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

	2023	2022
	HK$'000	*HK$'000*
Customer I	**35,121**	39,767
Customer II	**N/A[1]**	13,224

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

6 OTHER INCOME

	2023	2022
	HK$'000	*HK$'000*
Government grants *(note)*	**101**	470
Bank interest income	**792**	41
Sundry income	**5**	82
	898	593

Note: Government grants represent export incentive and other incentive payments received by the Group from the relevant government department. There are no unfulfilled conditions attached to those grants.

7 OTHER GAINS AND LOSSES

	2023	2022
	HK$'000	*HK$'000*
Net exchange gain	**319**	1,854
(Loss) gain on disposal of property, plant and equipment, net	**(25)**	11
	294	1,865

8 FINANCE COSTS

	2023	2022
	HK$'000	*HK$'000*
Interest on lease liabilities	**116**	180

9 LOSS BEFORE TAXATION

	2023	2022
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging:		
Directors' remuneration *(note 10)*	**1,999**	1,854
Other staff costs		
— Salaries and allowances	**28,120**	36,111
— Retirement benefit schemes contributions	**4,616**	4,468
Total staff costs	**34,735**	42,433
Capitalised in inventories	**(26,964)**	(36,320)
	7,771	6,113
Depreciation of property, plant and equipment	**7,520**	7,985
Capitalised in inventories	**(6,238)**	(6,627)
	1,282	1,358
Auditor's remuneration	**650**	630
Cost of inventories recognised as an expense	**75,690**	123,978

10 DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and the chief executive's emoluments

Directors' and chief executive's remuneration for the year is as follows:

	Fees *HK$'000*	Salaries and allowances *HK$'000*	Discretionary bonus *HK$'000*	Retirement benefit schemes contributions *HK$'000*	Total *HK$'000*
For the year ended 31 December 2023					
Executive directors					
Mr. Ng Ho Lun *(note (i))*	—	60	—	3	63
Mr. Chu Lok Fung Barry *(note (ii))*	—	60	—	3	63
Mr. Chen Kun *(note (ii))*	—	210	—	9	219
Mr. Lam Tak Ling Derek	60	458	38	21	577
Mr. Chan Yee Yeung *(note (iii))*	60	170	38	9	277
Ms. Tse Yuen Shan Ivy ("**Ms. Tse**") *(note (iii))*	60	213	38	9	320
Independent non-executive directors					
Dr. Wu Ka Chee Davy *(note (iv))*	100	—	—	—	100
Mr. Yiu Ho Chi Stephen *(note (iv))*	100	—	—	—	100
Ms. Law Ying Wai Denise *(note (iv))*	100	—	—	—	100
Mr. Li Chun Hung *(note (v))*	60	—	—	—	60
Mr. Ong Chor Wei *(note (v))*	60	—	—	—	60
Mr. Yam Kam Kwong, JP *(note (v))*	60	—	—	—	60
	660	1,171	114	54	1,999

10 DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' and the chief executive's emoluments (continued)

	Fees *HK$'000*	Salaries and allowances *HK$'000*	Discretionary bonus *HK$'000*	Retirement benefit schemes contributions *HK$'000*	Total *HK$'000*
For the year ended 31 December 2022					
Executive directors					
Mr. Lam Tak Ling Derek	120	322	38	18	498
Mr. Chan Yee Yeung	120	322	38	18	498
Ms. Tse	120	322	38	18	498
Mr. Chen Di *(note (vi))*	—	—	—	—	—
Independent non-executive directors					
Mr. Li Chun Hung	120	—	—	—	120
Mr. Ong Chor Wei	120	—	—	—	120
Mr. Yam Kam Kwong, *JP*	120	—	—	—	120
	720	966	114	54	1,854

(i) On 7 July 2023, Mr. Ng Ho Lun was appointed as an executive director, chairman of the board of director and chief executive officer.

(ii) On 7 July 2023, Mr. Chu Lok Fung Barry and Mr. Chen Kun were appointed as executive directors.

(iii) On 7 July 2023, Mr. Chan Yee Yeung and Ms. Tse resigned as executive directors.

(iv) On 7 July 2023, Dr. Wu Ka Chee Davy, Mr. Yiu Ho Chi Stephen and Ms. Law Ying Wai Denise were appointed as independent non-executive directors.

(v) On 7 July 2023, Mr. Li Chun Hung, Mr. Ong Chor Wei and Mr. Yam Kam Kwong, *JP* resigned as independent non-executive directors.

(vi) On 21 January 2022, Mr. Chen Di resigned as an executive director.

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

The discretionary bonus is determined with reference to the operating results, individual performance and market condition during the relevant year.

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

10 DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

During the year ended 31 December 2023, the five individuals with the highest emoluments in the Group included 1 (2022: 3) director of the Company, and whose emoluments are included in the disclosures above. The emoluments of the remaining 4 (2022: 2) individuals with each of them having emoluments less than HK$1,000,000 are as follows:

	2023	2022
	HK$'000	*HK$'000*
Employees		
— salaries and allowances	**2,644**	1,334
— discretionary bonus	**144**	111
— retirement benefit schemes contributions	**72**	35
	2,860	1,480

During the years ended 31 December 2023 and 2022, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company waived any emoluments during the reporting period.

11 TAXATION

	2023	2022
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax		
Under-provision in prior year	**18**	—
PRC Enterprise Income Tax		
Under-provision in prior year	**6**	—
	24	—

11 TAXATION (continued)

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2023 and 2022 as the relevant group entities did not have assessable profits subject to Hong Kong Profits Tax for the year.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for the year ended 31 December 2023. The assessable income for the year was absorbed by the tax losses brought forward from prior year. No provision for the PRC Enterprise Income Tax has been made for the year ended 31 December 2022 as the PRC subsidiary did not have assessable income subject to the PRC Enterprise Income Tax for the year.

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

	2023 ***HK$'000***	2022 *HK$'000*
Loss before taxation	**(3,666)**	(16,500)
Tax charge at the Hong Kong Profits Tax rate of 16.5% (2022: 16.5%)	**(605)**	(2,723)
Tax effect of expenses not deductible for tax purpose	**881**	791
Tax effect of income not taxable for tax purpose	**(133)**	—
Tax effect of utilisation of unused tax losses previously not recognised	**(283)**	—
Tax effect of tax losses not recognised	**60**	2,457
Under-provision in prior year	**24**	—
Effect of different tax rates of group entity operating in other jurisdictions	**78**	(525)
	24	—

At the end of the reporting period, the Group has unused tax losses of HK$10,574,000 (2022: HK$11,711,000) available for offsetting against future profits. No deferred tax assets has been recognised due to the unpredictability of future profit streams.

Included in unrecognised tax losses is an amount of HK$4,677,000 (2022: HK$6,177,000) which can be carried forward up to five years from the year in which the loss was incurred, and an amount of HK$5,897,000 (2022: HK$5,534,000) which does not expire under the current tax legislation.

12 DIVIDENDS

No dividend was paid or proposed for ordinary shareholder of the Company during both years, nor has been proposed since the end of the reporting period (2022: nil).

13 LOSS PER SHARE

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

	2023	2022
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(3,690)**	(16,500)

	2023	2022
	'000	'000
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,020,000**	1,008,164

No diluted loss per share is presented as there were no potential ordinary shares in issue during both years.

14 PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties *HK$'000*	Machineries *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Total *HK$'000*
Cost				
At 1 January 2022	10,540	64,775	3,105	78,420
Additions	—	968	144	1,112
Disposal	—	(13)	—	(13)
Lease modification	492	—	—	492
Exchange realignments	(678)	(4,914)	(195)	(5,787)
At 31 December 2022	10,354	60,816	3,054	74,224
Additions	—	74	450	524
Disposal	—	—	(102)	(102)
Lease modification	7,318	—	—	7,318
Exchange realignments	(229)	(1,465)	(61)	(1,755)
At 31 December 2023	17,443	59,425	3,341	80,209
Depreciation				
At 1 January 2022	6,631	24,613	1,243	32,487
Provided for the year	2,485	5,108	392	7,985
Disposal	—	(8)	—	(8)
Exchange realignments	(460)	(2,036)	(62)	(2,558)
At 31 December 2022	8,656	27,677	1,573	37,906
Provided for the year	2,391	4,753	376	7,520
Disposal	—	—	(70)	(70)
Exchange realignments	(170)	(682)	(25)	(877)
At 31 December 2023	10,877	31,748	1,854	44,479
Carrying amount				
31 December 2023	6,566	27,677	1,487	35,730
31 December 2022	1,698	33,139	1,481	36,318

14 PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Leased properties	Over the term of the leases
Machineries	5% or 10%
Furniture, fixtures and equipment	10% or 20%

The Group as lessee

Right-of-use assets (included in the property, plant and equipment)

	Leased properties *HK$'000*
At 31 December 2023	
Carrying amount	6,566
At 31 December 2022	
Carrying amount	1,698
For the year ended 31 December 2023	
Depreciation charge	2,391
Total cash outflow for leases	2,580
For the year ended 31 December 2022	
Depreciation charge	2,485
Total cash outflow for leases	2,684

For the years ended 31 December 2023 and 2022, the Group leased same offices and factories for its operations. Lease contracts are entered into for fixed terms of 2 to 3 years (2022: 1 to 3 years). Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. No extension options are included in all lease agreements entered by the Group. As at 31 December 2023, lease liabilities include an amount of HK$6,596,000 (2022: HK$1,803,000) relating to termination option reasonably certain not to be exercised by the Group. There are no other potential termination options and potential future lease payments not included in lease liabilities as at 31 December 2023. The Group assesses at lease commencement date whether it is reasonably certain not to exercise the termination option. In addition, the Group reassesses whether it is reasonably certain not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended 31 December 2023, there is no such triggering event.

14 PROPERTY, PLANT AND EQUIPMENT (continued)

The Group as lessee (continued)

Right-of-use assets (included in the property, plant and equipment) (continued)

During the year ended 31 December 2023, the Group recognised right-of-use assets and lease liabilities of HK$7,318,000 (2022: HK$492,000) and HK$7,318,000 (2022: HK$492,000), respectively, in relation to lease modification during the year.

As at 31 December 2023, the Group's right-of-use assets amounting to HK$562,000 (2022: HK$101,000) were located in Hong Kong and the remaining were located in the PRC.

Restrictions or covenants on leases

In addition, lease liabilities of HK$6,596,000 are recognised with related right-of-use assets of HK$6,566,000 as at 31 December 2023 (2022: lease liabilities of HK$1,803,000 are recognised with related right-of-use assets of HK$1,698,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

15 INVENTORIES

	2023 ***HK$'000***	2022 *HK$'000*
Raw materials	**14,612**	9,122
Working in progress	**1,716**	1,692
Finished goods	**2,795**	4,030
	19,123	14,844

16 TRADE AND OTHER RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Non-current assets		
Deposit paid for potential investment *(note)*	**—**	7,000
Current assets		
Trade receivables	**28,619**	34,119
Less: Allowance for expected credit losses	**(1,645)**	(1,793)
	26,974	32,326
Rental deposits	**139**	142
Prepayments and deposits	**2,126**	1,964
	29,239	34,432
Total trade and other receivables	**29,239**	41,432

Note: The deposit paid for potential investment represented an advancement of HK$7,000,000 to Fuyou Pharmaceutical Technology (Suzhou) Co., Ltd ("**Fuyou Pharmaceutical**"), the shareholder of Hubei Kang Shi Zhen Yi Yao Technology Co., Ltd ("**Hubei Kang Shi Zhen**") during the year ended 31 December 2022 (the "**Advancement**"). The Advancement was denominated in Hong Kong dollars, interest free and secured by the pledge of 10% equity interest in favour of the Company in Hubei Kang Shi Zhen. The Advancement was intended to form part of the subscription amount for the Company to subscribe 30% enlarged registered capital in Hubei Kang Shi Zhen (the "**Acquisition**"). During the year ended 31 December 2023, the Company assigned the Advancement to a third party, Riverton Holdings Limited, and a deed of assignment and novation was entered between the parties. The consideration for the assignment was settled on 18 July 2023.

References should be made to the announcements of the Company dated 15 July 2022, 15 August 2022, 12 October 2022, 30 November 2022, 31 January 2023, 31 March 2023 and 5 July 2023 regarding the details of the Acquisition and the Advancement.

The Group allows credit period ranging from 30 to 90 days. The following is an aging analysis of trade receivables, net of allowance for expected credit losses, presented based on the goods delivery date, which were the respective revenue recognition dates, at the end of reporting period:

	2023	2022
	HK$'000	*HK$'000*
Within 30 days	**7,964**	11,708
31 to 60 days	**8,750**	4,510
61 to 90 days	**4,633**	4,506
Over 90 days	**5,627**	11,602
	26,974	32,326

16 TRADE AND OTHER RECEIVABLES (continued)

Included in trade and other receivables are the following amounts denominated in currencies other than functional currencies of the respective group entities:

	2023 *HK$'000*	2022 *HK$'000*
United States Dollars ("**US$**")	**12,564**	18,418
Euro ("**EUR**")	**120**	2,299

As at 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$6,120,000 (2022: HK$12,267,000), which are past due at the end of the reporting period. Out of the past due balances, HK$1,103,000 (2022: HK$5,552,000) has been past due over 90 days or more and is not considered as in default, as the Group considered such balances could be recovered based on long term/on-going relationship and good repayment record from these customers. The Group does not hold any collateral over these balances.

As at 31 December 2022, included in the Group's trade receivables are balances of HK$253,000 due from a related party, which is a company wholly-owned by Ms. Tse (a former director of the Company and key management personnel of the Group) and her family. Ms. Tse resigned as a director of the Company and key management personnel of the Group on 7 July 2023. The amounts are repayable within three months from the goods delivery dates.

Details of impairment assessment of trade and other receivables are set out in note 24.

17 BANK BALANCES AND CASH

Bank balances carry interest at prevailing market rates of 0.125% to 5.4% per annum as at 31 December 2023 (2022: 0.001% to 0.75% per annum). Details of impairment assessment are set out in note 24.

Also, included in bank balances are the following amounts denominated in currencies other than the functional currencies of the respective group entities:

	2023 *HK$'000*	2022 *HK$'000*
US$	**18,070**	3,446
EUR	**845**	1,168
Australian dollars ("**AUD**")	**299**	86

18 TRADE AND OTHER PAYABLES/CONTRACT LIABILITIES

Trade and other payables

	2023	2022
	HK$'000	*HK$'000*
Trade payables	**9,731**	8,425
Accrued expense	**5,628**	5,530
Other payables	**1,273**	1,632
Total trade and other payables	**16,632**	15,587

The credit period of trade payables is 30 to 90 days.

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

	2023	2022
	HK$'000	*HK$'000*
Within 30 days	**7,109**	5,891
31 to 60 days	**2,406**	2,173
61 to 90 days	**194**	272
Over 90 days	**22**	89
	9,731	8,425

Included in trade and other payables are the following amounts denominated in currencies other than functional currencies of the respective group entities:

	2023	2022
	HK$'000	*HK$'000*
Renminbi ("**RMB**")	**—**	29
US$	**1,503**	269

18 TRADE AND OTHER PAYABLES/CONTRACT LIABILITIES (continued)

Contract liabilities

	2023 HK$'000	2022 HK$'000
Contract liabilities on sales of books, novelty and packaging products	**498**	1,068

During the year ended 31 December 2023, an amount of HK$1,068,000 related to brought-forward contract liabilities (2022: HK$121,000) is recognised as revenue.

Contract liabilities represent deposits received in advance for the sales of books, novelty and packaging products. For certain of the Group's new customers, the Group receives a deposit before production commences, giving rise to contract liabilities until revenue is recognised.

19 LEASE LIABILITIES

	2023 HK$'000	2022 HK$'000
Lease liabilities payable:		
Within one year	**2,511**	1,803
Within a period of more than one year but not exceeding two years	**4,085**	—
	6,596	1,803
Less: Amount due for settlement with 12 months shown under current liabilities	**(2,511)**	(1,803)
Amount due for settlement after 12 months shown under non-current liabilities	**4,085**	—

The lease agreements do not contain any contingent rent for leasee. The weighted average incremental borrowings rates applied to lease liabilities range from 3.42% to 4.5% (2022: from 1.38% to 6.0%)

20 SHARE CAPITAL

The share capital as at 31 December 2023 and 31 December 2022 represents the issued share capital of the Company with details as follows:

	Number of *'000*	**Share shares capital** *HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each		
As at 1 January 2022, 31 December 2022 and 31 December 2023	2,000,000	20,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
As at 1 January 2022	1,000,000	10,000
Issue of new shares *(note)*	20,000	200
At 31 December 2022 and 31 December 2023	1,020,000	10,200

Note: On 5 August 2022, the Company placed an aggregate of 20,000,000 new shares, representing approximately 1.96% of the issued share capital of the Company immediately following the completion of the placing at the placing price of HK$1.05 per placing share. The gross proceeds of the placing are approximately HK$21,000,000. The net proceeds of the placing are approximately HK$20,685,000 after deducting the relevant expenses for the placing. Details of this share placing are set out in the Company's announcements dated 29 June 2022, 14 July 2022 and 5 August 2022.

21 RETIREMENT BENEFITS SCHEME

The Group participates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees but subject to a maximum amount of HK$1,500 per month for each employee. There is no forfeited contributions utilised by the Group during the year.

The employees employed by the PRC subsidiary are members of the state-managed retirement benefits scheme operated by the PRC government. The PRC subsidiary is required to contribute a certain percentage of the payroll cost to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

During the year ended 31 December 2023, the amounts of contributions recognised by the Group are HK$4,670,000 (2022: HK$4,522,000).

22 SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed on 4 December 2017, a share option scheme (the "**Scheme**") was adopted for the primary purpose of providing incentives to directors, employees and eligible participants. The Scheme shall be valid and effective for a period of 10 years commencing on 28 December 2017.

Under the Scheme, the Board of Directors of the Company may grant options to directors, employees, consultants, advisers, agents, vendors, suppliers of goods or services and customers of the Company and its subsidiaries and entities in which the Group holds equity interest at the discretion of the Board of Directors pursuant to the terms of the scheme, to subscribe for shares of the Company at a price which shall not be less than the highest of (i) the closing price of a share of the Company listed on Main Board of the Stock Exchange at the date of grant of the option; (ii) the average of the closing price of a share of the Company on Main Board of the Stock Exchange for the five trading days immediately preceding the date of grant of the option; and (iii) the nominal value of a share of the Company.

The maximum number of shares in respect of which options shall be granted under the Scheme and any other share option schemes of the Company is 10% of the total number of shares in issue at the date of approval of adoption of the Scheme. No director, employee or eligible participant may be granted options under the Scheme which will enable him or her if exercise in full to subscribe for more than 1% of the issued share capital of the Company in any 12-month period. The option period for which the options granted can be exercisable, shall be such period as notified by the Board of Directors, save that it shall not be more than 10 years from the date of grant subject to the terms of the Scheme. Nominal consideration of HK$1 is payable on acceptance of each grant and the share options granted shall be accepted within 28 days from the date of grant.

No share option was granted or remained outstanding under the Scheme during both years.

23 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes lease liabilities disclosed in note 19, net cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through new share issues as well as the issue of new debts.

24 FINANCIAL INSTRUMENTS

Categories of financial instruments

	2023 HK$'000	2022 HK$'000
Financial assets		
Financial assets at amortised cost	**92,760**	89,553
Financial assets at fair value through profit or loss	**—**	7,000
Financial liabilities		
Financial liabilities at amortised cost	**17,600**	11,860

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposits, bank balances and cash, trade payables and other payables and lease liabilities. Details of the financial instruments are disclosed in respective notes to the consolidated financial statements. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risks

Currency risk

The subsidiaries of the Company have sales and purchases denominated in currencies other than their functional currencies, which exposes the Group to foreign currency risk.

The carrying amounts of the group entities' foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000
RMB	**—**	—	**—**	29
US$	**30,634**	21,864	**1,503**	269
EUR	**965**	3,467	**—**	—
AUD	**299**	86	**—**	—

24 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risks (continued)

Currency risk (continued)

Sensitivity analysis

The group entities are mainly exposed to the exchange rate risk on HK$ against RMB, US$, AUD and EUR for the foreign currency denominated monetary assets and liabilities. The directors of the Company consider that, as HK$ is pegged to US$, the Group is not subject to significant foreign currency risk from change in foreign exchange rate of HK$ against US$ and vice versa. No sensitivity analysis on currency risk is presented as the directors of the Company consider the exposure to currency risk is insignificant.

Interest rate risk

The Group's bank balances have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate. The management of the Group considers the Group's exposure of the short-term bank balances to interest rate risk is not significant as interest bearing bank balances are within short maturity period.

No sensitivity analysis on interest rate risk is presented as the directors of the Company consider the overall interest rate risk is insignificant as the fluctuation of the interest rates on bank balances is minimal.

Credit risk and impairment assessment

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of these assets as stated in the consolidated statement of financial position.

Trade receivables

As at 31 December 2023, the Group has concentration of credit risk on trade receivables from the Group's largest customer amounting to HK$9,515,000 (2022: HK$5,175,000), representing approximately 35% (2022: 16%) of the total trade receivables. As at 31 December 2023, trade receivables from the five largest customers amounting to HK$19,305,000 (2022: HK$17,040,000), representing approximately 72% (2022: 53%) of the total trade receivables. During the year ended 31 December 2023, with reference to the sluggish recovery of the market from the impact of COVID-19 pandemic, the Group reviews the recoverable amount of each individual trade receivable with significant outstanding balance and credit impaired balances regularly to ensure that adequate credit losses are made for irrecoverable amounts. For the trade receivable with insignificant balance, the Group reviews collectively based on shared credit risk characteristics by reference to the Groups' aging of the outstanding balances.

24 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Trade receivables (continued)

Before accepting any new customer, the Group will internally assess the potential customer's credit quality and defines credit limits by customer. In order to minimise the credit risk of trade receivables arising from contracts with customers, the management of the Group is responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. For certain of the Group's new customers, the Group will receive a deposit before production commences to reduce the credit risk. The Group performs impairment assessment under ECL model on trade receivables individually, for significant balances and credit-impaired balances, and/or collectively based on the aging grouping of trade receivables. Except for items that are subject to individual evaluation, which are assessed for impairment individually, the remaining trade receivables are grouped based on shared credit risk characteristics by reference to the aging of outstanding balances.

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of the lifetime ECL provision for trade receivables.

The following table provides information about the exposure to credit risk for trade receivables which are assessed based on collective basis as at 31 December 2023 and 2022 within lifetime ECL (not credit-impaired). ECL on debtors with significant or credit-impaired balances with gross carrying amounts of HK$19,993,000 (2022: HK$23,147,000) and HK$1,416,000 (2022: HK$1,521,000) were assessed individually, respectively.

24 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Trade receivables (continued)

At 31 December 2023

	Gross carrying amount *HK$'000*	**Average loss rate** *%*	**Loss allowance** *HK$'000*	**Net carrying amount** *HK$'000*
Trade receivables				
Not past due	**4,790**	**0.1**	**—**	**4,790**
1 to 30 days past due	**836**	**0.5**	**4**	**832**
31 to 60 days past due	**1,068**	**1.0**	**11**	**1,057**
61 to 90 days past due	**287**	**1.5**	**4**	**283**
91 to 180 days past due	**229**	**2.5**	**6**	**223**
	7,210		**25**	**7,185**

At 31 December 2022

	Gross carrying amount *HK$'000*	Average loss rate *%*	Loss allowance *HK$'000*	Net carrying amount *HK$'000*
Trade receivables				
Not past due	5,287	0.1	—	5,287
1 to 30 days past due	2,445	1.4	35	2,410
31 to 60 days past due	295	2.8	8	287
61 to 90 days past due	54	4.3	2	52
91 to 180 days past due	223	7.0	16	207
Over 180 days past due	1,147	13.5	155	992
	9,451		216	9,235

24 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Trade receivables (continued)

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date. The grouping of aging is regularly reviewed by the management of the Group to ensure relevant information is updated.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-Impaired) *HK$'000*	**Lifetime ECL (credit-Impaired)** *HK$'000*	**Total** *HK$'000*
At 1 January 2022			
Changes due to financial instruments recognised as at 1 January 2021:	272	683	955
— Impairment losses (reversed) recognised	(272)	838	566
New financial asset originated	272	—	272
At 31 December 2022	**272**	**1,521**	**1,793**
Changes due to financial instruments recognised as at 1 January 2022:			
— Impairment losses reversed	**(272)**	**(148)**	**(420)**
New financial asset originated	**229**	**43**	**272**
As at 31 December 2023	**229**	**1,416**	**1,645**

During the year ended 31 December 2023, the Group recognised a reversal of impairment allowance of HK$43,000 (2022: nil) which included the impairment allowance HK$25,000 (2022: HK$216,000) and reversal of impairment allowance of HK$216,000 (2022: HK$223,000) for trade receivables based on the collective basis, and impairment allowance of HK$204,000 (2022: HK$56,000) and reversal of impairment allowance of HK$56,000 (2022: HK$49,000) for trade receivables with significant balances. Total reversal of impairment allowance of HK$105,000 (2022: impairment allowance of HK$838,000) which included the impairment allowance HK$43,000 (2022: HK$838,000) and reversal of impairment allowance of HK$148,000 (2022: HK$nil) was made on credit-impaired debtors.

24 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Bank balance

The credit risk for bank balances is considered as not material as such amount is placed in reputable banks with high credit ratings, ranging from Aa3 to Baa2, assigned by international credit-rating agencies. The management of the Group assessed 12m ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on bank balances is considered to be insignificant and therefore no loss allowance was recognised.

Deposits

For deposits, the management makes periodic individual assessment on the recoverability of deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the years ended 31 December 2023 and 2022, the Group assessed the ECL for deposits to be insignificant and thus no loss allowance is recognised.

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group also regularly monitors the operating cash flows of the Group to meet its liquidity requirements in short and long term. As at 31 December 2023, the Group has available unutilised banking facilities of HK$16,000,000 (2022: HK$16,000,000) to satisfy its existing liabilities.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

24 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of reporting period.

	Weighted average Interest rate %	On demand or less than 3 month *HK$'000*	3 month to 1 year *HK$'000*	1–5 year *HK$,000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
At 31 December 2023						
Trade and other payables	**—**	**11,004**	**—**	**—**	**11,004**	**11,004**
Lease liabilities	**4.41**	**688**	**2,064**	**4,260**	**7,012**	**6,596**
		11,692	**2,064**	**4,260**	**18,016**	**17,600**
At 31 December 2022						
Trade and other payables	—	10,057	—	—	10,057	10,057
Lease liabilities	5.74	626	1,224	—	1,850	1,803
		10,683	1,224	—	11,907	11,860

Fair value

The fair values of financial assets and financial liabilities are determined based on discounted cash flow analysis.

The management of the Group considers that the carrying amount of financial asset and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

25 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Lease liabilities *HK$'000*
At 1 January 2022	4,043
Financing cash flow	(2,684)
Exchange adjustment	(228)
Increase in lease liabilities from lease modification	492
Finance cost recognised	180
At 31 December 2022 and 1 January 2023	**1,803**
Financing cash flow	**(2,580)**
Exchange adjustment	**(61)**
Increase in lease liabilities from lease modification	**7,318**
Finance cost recognised	**116**
As at 31 December 2023	**6,596**

26 RELATED PARTY DISCLOSURES

During the year, the Group entered into the following transactions with related parties:

(a) The remuneration of key management personnel who are the directors of the Company during the year was disclosed in note 10.

(b) During the year ended 31 December 2023, the Group made sales of novelty and packaging products totalling HK$146,000 (2022: HK$468,000), to Tse Wing Hang Limited (trading as Richmond Company), a company of which Ms. Tse (a former director of the Company and key management personnel of the Group) and her family, hold 100% equity interest.

Details of the balance with a related party at the end of each reporting period are disclosed in the note 16.

27 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The financial information of the Company is as follows:

	2023	2022
	HK$'000	*HK$'000*
Non-current assets		
Investment in a subsidiary	**63,486**	26,350
Amounts due from subsidiaries	**—**	9,436
	63,486	35,786
Current assets		
Amounts due from subsidiaries	**—**	18,144
Prepayments	**548**	278
Cash and cash equivalents	**18,500**	11,371
	19,048	29,793
Current liabilities		
Accruals	**938**	—
Amount due to a subsidiary	**20,706**	—
	21,644	—
Net current (liabilities) assets	**(2,596)**	29,793
NET ASSETS	**60,890**	65,579
Capital and reserves		
Share capital	**10,200**	10,200
Reserves *(note)*	**50,690**	55,379
TOTAL EQUITY	**60,890**	65,579

Note:

	Share premium	**Other reserve**	**Accumulated losses**	**Total reserves**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2022	34,645	25,000	(20,589)	39,056
Loss and total comprehensive expense for the year	—	—	(4,162)	(4,162)
Issue of shares	20,485	—	—	20,485
At 31 December 2022	55,130	25,000	(24,751)	55,379
Loss and total comprehensive expense for the year	—	—	(4,689)	(4,689)
At 31 December 2023	55,130	25,000	(29,440)	50,690

27 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

The other reserve arose as part of the group reorganisation on acquisition of CP Printing by a subsidiary of the Company for a consideration of HK$25,000,000 from Mr. Lam Tak Ling Derek, Mr. Chan Yee Yeung and Ms. Tse.

28 PARTICULARS OF SUBSIDIARIES

The following list contains only the particulars of the major subsidiaries with active operations of the Group for the year:

Name of subsidiary	Place of incorporation/ registration/ operations	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Company 2023	2022	Principal activities
Directly held					
Wealthy Global	BVI	US$200	**100%**	100%	Investment holding
Smart Season Enterprises Limited ("**Smart Season**")	BVI	US$100	— *(note)*	100%	Investment holding
Indirectly held					
CP Printing	Hong Kong	HK$12,290,090	**100%**	100%	Distribution of books, novelty and packaging products
同利紙製品(河源)有限公司 (CP Printing (Heyuan) Limited)	The PRC — wholly-owned foreign enterprise	HK$18,200,000	**100%**	100%	Production and printing of books, novelty and packaging products holding
Cat Mini Cup Group Limited	Hong Kong	HK$100	— *(note)*	100%	Investment holding

None of the subsidiaries had issued any debt securities at the end of the year.

Note: On 17 March 2023, the Company sold the entire equity interest in Smart Season to an independent third party at a consideration of US$100 (equivalent to HK$780). No gain or loss on disposal of interests in subsidiaries is recognised during the year ended 31 December 2023. Cat Mini Cup Group Limited is the wholly-owned subsidiary of Smart Season.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set out below. This summary does not form part of the audited financial statements.

RESULTS

	Year ended 31 December				
	2023	2022	2021	2020	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**97,241**	131,647	167,899	127,213	132,194
(Loss) profit before taxation	**(3,666)**	(16,500)	2,788	20,196	28,311
Taxation	**(24)**	—	(1,139)	(4,195)	(5,169)
(Loss) profit for the year	**(3,690)**	(16,500)	1,649	16,001	23,142
Other comprehensive (expense) income					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising from translation of a foreign operation	**(1,314)**	(6,459)	2,484	3,425	(1,086)
Total comprehensive (expense) income for the year	**(5,004)**	(22,959)	4,133	19,426	22,056
(Loss) profit attributable to:					
Equity shareholders of the Company	**(5,004)**	(16,500)	1,649	16,001	23,142

ASSETS AND LIABILITIES

	Year ended 31 December				
	2023	2022	2021	2020	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets					
Non-current assets	**35,730**	43,318	45,933	44,236	36,824
Current assets	**114,599**	106,969	113,355	117,280	105,933
Total assets	**150,329**	150,287	159,288	161,516	142,757
Equity and liabilities					
Total equity	**126,603**	131,607	133,881	134,748	119,322
Non-current liabilities	**4,085**	—	1,843	3,920	—
Current liabilities	**19,641**	18,680	23,564	22,848	23,435
	23,726	18,680	25,407	26,768	23,435
Total equity and liabilities	**150,329**	150,287	159,288	161,516	142,757