中國安儲能源集團有限公司

China Anchu Energy Storage Group Limited

(incorporated in Cayman Islands with limited liability)

Stock Code: 2399

CHINA ANCHU ENERGY

2023 ANNUAL REPORT

CONTENTS

Corporate Information

Board of Directors and Committees

Executive Directors

Mr. Kwok Kin Sun *(Chairman)*
Mr. Kwok Hon Fung
Mr. Lu Ke
Mr. Duan Huiyuan (appointed on 16 June 2023)
Mr. Peng Zuncheng (resigned on 16 June 2023)

Non-executive Director

Mr. Wang Yan

Independent Non-executive Directors

Mr. Cheung Chiu Tung
Mr. Poon Yick Pang Philip
Mr. Ma Yu-heng

Audit Committee

Mr. Poon Yick Pang Philip *(Chairman)*
Mr. Cheung Chiu Tung
Mr. Ma Yu-heng

Remuneration Committee

Mr. Cheung Chiu Tung *(Chairman)*
Mr. Poon Yick Pang Philip
Mr. Duan Huiyuan (appointed on 16 June 2023)
Mr. Peng Zuncheng (resigned on 16 June 2023)

Nomination Committee

Mr. Kwok Kin Sun *(Chairman)*
Mr. Poon Yick Pang Philip
Mr. Cheung Chiu Tung

Company Secretary

Mr. Ong Kam Chit Vincent (appointed on 29 May 2023)
Mr. Tung Man Chun (resigned on 29 May 2023)

Authorized Representatives

Mr. Kwok Hon Fung
Mr. Ong Kam Chit Vincent (appointed on 29 May 2023)
Mr. Tung Man Chun (resigned on 29 May 2023)

Auditor

Elite Partners CPA Limited, *Certified Public Accountants*

Registered Office

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P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Headquarters and Principal Place of Business in the People's Republic of China

Fordoo Industrial Zone E12
Xunmei Industrial Zone, Fengze District
Quanzhou City, Fujian Province, China

Principal Place of Business in Hong Kong

Suite 708A, 7/F,
Champion Tower,
3 Garden Road, Central,
Hong Kong

Principal Share Registrar and Transfer Office

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

Branch Share Registrar and Transfer Office

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F, 148 Electric Road,
North Point, Hong Kong

Principal Bankers

China CITIC Bank Corporation Limited
China Construction Bank Corporation

IR Contact

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Company Website

www.chinaanchu2399.com

Financial Highlights

- Revenue of the Group increased by 6.8% to RMB645.1 million (2022: RMB603.9 million).
- Gross profit of the Group increased by 3.6% to RMB147.8 million (2022: RMB142.6 million).
- Net loss of the Group was RMB4.5 million (2022: RMB88.6 million).
- Basic and diluted loss per share was RMB2.33 cents (2022: RMB4.67 cents).
- The Board has resolved not to recommend the payment of a final dividend for the year (2022: Nil).

	2023	2022	**Change**
Profitability ratios			
Gross profit margin	**22.9%**	23.6%	−0.7 ppt
Net loss margin	**−0.7%**	−14.7%	+14.0 ppt
Return on equity(1)	**−0.7%**	−20.4%	+19.7 ppt
Liquidity ratios			
Inventory turnover (Days)(2)	**31**	34	−3
Trade receivables turnover (Days)(3)	**291**	174	+117
Trade payables turnover (Days)(4)	**247**	123	+124
Capital ratios			
Net Debt to equity ratio (%)(5)	**56.3%**	100.6%	−44.3 ppt
Gearing ratio (6)	**66.5%**	116.8%	−50.3 ppt

Notes:

(1) Net loss for the Year divided by total equity.

(2) Average of the inventory at the beginning and at the end of the Year divided by cost of sales times number of days during the Year.

(3) Average of the trade receivables at the beginning and at the end of the Year divided by revenue times number of days during the Year.

(4) Average of the trade payables at the beginning and at the end of the Year divided by costs of sales times number of days during the Year.

(5) Net debt divided by total equity as at the end of the Year. Net debt includes bank borrowings, corporate bonds, convertible bonds and loans from a shareholder net of cash and cash equivalents and pledged bank deposit held at bank.

(6) Total debts divided by the total equity as of the end of the Year.

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of China Anchu Energy Storage Group Limited (the "**Company**"), I am pleased to present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2023 (the "**Year**").

Business overview

In the Year, the revenue of the Group increased by approximately 6.8% from approximately RMB603.9 million for the year ended 31 December 2022 (the "**Prior Year**") to RMB645.1 million and the loss of the Year reduced by approximately 94.9% from approximately RMB88.6 million for the Prior Year to RMB4.5 million. The improvement in the financial performance is mainly contributable to the performance of industrial products segment and the menswear apparel segment. The demand of automotive and household hardware materials from customers in Saudi Arabia remained strong resulting from the considerable non-oil revenue level in Saudi Arabia. However, taking into account of the geopolitical shocks, including the recent Red Sea crisis and the resumption of products supply to Saudi Arabia by other suppliers in Southeast Asia, we expect that the competition was getting fierce.

On the other hand, the increased demand for apparel products in post-pandemic era improved the performance of menswear apparel segment of the Group. People resumed normal living and the retail market of People's Republic of China (the "**PRC**") is stably recovering, thus desires for apparel products increased.

The Group have been actively develop our energy storage battery segment. After completion of phase 1 development plan, in February 2023, Jiangsu HengAn Energy Technology Co., Ltd. * (江蘇恒安儲能科技有限公司) ("**Jiangsu HengAn**"), an indirect wholly-owned subsidiary of the Company, has entered into a letter of intent on collaboration with one of the China Economic and Technological Development Zones (國家級經濟技術開發區), to carry out phase 2 development plan to increase the plant production capacity to meet demands from customers. The production trial run is under processing effectively and provides comprehensive data for us to design production plan and further develop our production facilities of zinc-bromine flow battery (鋅溴液流電池). To explore and secure the opportunities of cooperation with potential customers, Jiangsu HengAn was in series of discussions with some PRC state-owned enterprises to enter into sales and purchase agreements for our energy storage products.

Chairman's Statement

Future prospects

In the face of the complex and volatile macro-environment and numerous challenge, the Group will focus on strengthening businesses, stabilising growth and controlling expenses.

Under the current development policy undertaken by Saudi Arabia, we can foresee that the demand of automobiles will keep growing in the coming years and thus automotive parts shall be in high demand. Also, due to the strong economy in Saudi Arabia, people were willing to renovate their apartments and thus raised the demand for the household hardware materials. The business in Saudi Arabia represents a promising prospect on return. We will keep on maintaining good relationships with our existing customers and suppliers and looking for new customers to strengthen this revenue stream. Meanwhile, we will closely focus on the impacts on the shipping arrangement and cost affected by the geopolitical issues and timely response to the increase import supplies to Saudi Arabia.

Due to the uncertainties of business environment and employment in the PRC, we expect that the performance of the menswear apparel segment will still be challenging in 2024 and the Group will continue to monitor the menswear apparel operations and the retail market to retain the market share, control and reduce unnecessary expenses and save costs. Meanwhile, we will also pay attention on the shipment arrangement and shipping cost due to the geopolitical issues.

For the energy storage battery segment, to increase the plant production capacity and efficiency, the Group planned to set up automatic production system and streamline the production lines in phase 2 development plan. The phase 2 development plan is expected to be completed in late 2024.

Appreciation

Last but not least, I would like to take this opportunity to extend my sincere gratitude to all Shareholders, fellow directors, senior management and staff for their dedication and contribution to the Group's development during the Year. I, on behalf of the Board, would like to thank all our customers, suppliers and business partners for their continuous support and trust. Going forward, we shall remain unwavering in exploring further opportunities and overcoming challenges for attaining better results for the Group.

Kwok Kin Sun
Chairman

Hong Kong, 27 March 2024

Management Discussion and Analysis

Overview

The Group is principally engaged in the sales of industrial products to customers located in Saudi Arabia, the sales of menswear apparel, brand licensing and sales of energy storage battery in the PRC.

Industrial Products

The Group sells automotive, motorcycle and other industrial products through its 51% indirect owned subsidiary (the "**Subsidiary**") to customers located in Saudi Arabia. Although the economy of Saudi Arabia was affected by the crude oil production cuts and decreased oil prices comparing with 2022, the non-oil revenue was strong due to the economic policy of Saudi Arabia and thus the demand of such products from customers in Saudi Arabia remained high during the Year. However, in post COVID-19 pandemic era, the suppliers in Southeast Asia engaging in export business to Saudi Arabia resumed normal. The competition faced by the industrial products segment was getting fierce and put pressure on the prices of the Group's industrial products in the Year, thus lowering the overall profit margin of this segment.

Menswear Apparel

The Group is a menswear enterprise in the PRC focusing on the sales of its branded menswear apparel and brand licensing. The Group completed the transformation from labour intensive manufacturing industry to outsourcing its branded menswear apparel by leveraging its own design talent in 2021. The Group currently sources its products on OEM basis only, which is more flexible in meeting the customer demand in the current trend.

Under the current weak retail situation, distributors placed small quantity orders of different product mix, which meant that economies of scale in production could not be achieved. In addition, after experiencing the suspension of social and economic activities in all the years due to the COVID-19 pandemic, outsourcing production process can avoid the sunk cost of production, such as idle labor costs and the fringe benefits.

Energy Storage Battery

The Company further expanded to the business of energy storage battery segment in 2022. Jiangsu HengAn Energy Technology Co., Ltd. ("**Jiangsu HengAn**"), an indirect wholly-owned subsidiary of the Company, acquired the intellectual property rights and fixed assets in respect of the production facilities of zinc-bromine flow battery (鋅溴液流電池). The Group believes that the energy storage battery market will have promising prospects for development under the support of the national policy of "carbon emission reduction". As the battery production was still under trial production stage during the Year, the revenue for the Year is insignificant.

Fund Raising Activities

Issue of new Shares under general mandate

On 12 December 2023, the Group issued a total of 398,856,000 new shares of the Company (the "**Shares**") under general mandate for a total sum of approximately HK$199.4 million (approximately RMB180.7 million). The net proceeds from the subscriptions were approximately HK$199.1 million. The amounts of approximately HK$79.4 million and approximately HK$41.8 million had been utilised for future business development and general working capital, respectively. Please refer to the announcements of the Company dated 22 November 2023 and 12 December 2023 for details.

On 29 July 2022, the Group issued a total of 120,000,000 new Shares under general mandate for a total sum of HK$66 million (approximately RMB56.4 million). The net proceeds from the subscription were approximately HK$65.9 million. The amounts of approximately HK$32.0 million and approximately HK$33.9 million had been fully utilised for future business development and general working capital, respectively. Please refer to the announcements of the Company dated 13 July 2022 and 29 July 2022 for details.

Management Discussion and Analysis

Issue of convertible bonds under general mandate

On 30 May 2023, the Group issued 8% convertible bonds due 2025 under general mandate for a sum of approximately HK$26.2 million (approximately RMB23.7 million). The net proceeds from the subscriptions were approximately HK$25.9 million. The amounts of approximately HK$8.9 million, approximately HK$15.7 million and approximately HK$1.3 million had been fully utilised for future business development, repayment of debts and general working capital respectively. Please refer to the announcements of the Company dated 22 May 2023 and 30 May 2023 for details.

On 21 June 2022, the Group issued a 8% convertible bond due 2024 under general mandate for a sum of HK$60 million (approximately RMB51.3 million). The net proceeds from the subscription were approximately HK$58.3 million. The amounts of approximately HK$51.3 million and approximately HK$7.0 million had been fully utilised for future business development and general working capital respectively. Please refer to the announcements of the Company dated 8 June 2022 and 21 June 2022 for details.

Business Review

A. Industrial Products Segment

The Group sells automotive, motorcycle and other industrial products to customers in Saudi Arabia with a business partner who is having 49% of the equity interest of the Subsidiary. The business partner has over 15 years of extensive experience in selling auto parts with strong network of marketing in Saudi Arabia and supply chain in the PRC. The Group believes that the automotive market in Saudi Arabia will have good prospects for development under the current plan and seized the opportunity to enter into the automotive market with a strong partnership in business.

Automotive Market

Pursuant to the CEIC Data, total numbers of vehicles sold in Saudi Arabia in 2020, 2021 and 2022 were approximately 453,000, 557,000 and 617,000, respectively. According to a local news media of Saudi Arabia, The Saudi Gazette, reported that total of approximately 548,000 automobiles were sold in the automotive market in Saudi Arabia for the first nine months of 2023, surpassing 2022's figures for the same period by a significant margin. It shows the strong demand for automotive and motorcycle industrial products.

Saudi Vision 2030, initially announced on 25 April 2016, is a strategic framework to reduce Saudi Arabia's dependence on oil, diversify its economy, and develop public service sectors. Key goals include reinforcing economic and investment activities, increasing non-oil international trade, and promoting a softer and more secular image of Saudi Arabia. To achieve these goals, the National Industrial Development Center (the "**NIDC**") aims to attract three to four OEMs across the vehicles value chain, with the goal of producing 300,000 vehicles annually with a 40% local content by 2030. (In 2021, there are only four assembly plants in Saudi Arabia for commercial vehicles and these have a low volume output.) The NIDC provides incentives to enable industrialization through loans, tax incentives and tariff exemptions. Vehicle body panels, wheel components, tires, seats, fuel pumps, seat belts, rear indicator light covers, headlights, bumpers and engine covers are in demand and present sustainable market opportunities for the Group in Saudi Arabia.

In December 2022, President of the PRC, Xi Jinping, visited Saudi Arabia and signed a strategic partnership agreement with Saudi Arabia's King Salman bin Abdul Aziz. They agreed to work together to deepen the automotive industry, supply chain, logistics, desalination, infrastructure, processing industry, mining, finance and other fields under the framework of the "Belt and Road Initiative" and "Saudi Vision 2030" to create an opportunity, incentive and supportive investment environment. Therefore, we believe that the demand for other industrial products will be promising in the coming years.

Other Industrial Products Market

Other industrial products are mainly the household hardware materials for decoration and renovation. Benefit from the strong non-oil revenue in Saudi Arabia, people were willing to renovate their apartments and thus raised the demand from such industrial products.

Management Discussion and Analysis

Customers

As at 31 December 2023, the Group had three main customers for the industrial products segment. They are engaging in the businesses of wholesale and retail sale of automotive, motorcycle and other industrial products in Saudi Arabia and other Middle East countries. They are mainly located in Jeddah which is the second largest city in Saudi Arabia. Jeddah has long been a seaport city and a trading hub for the region. These merits are beneficial to our customers' business.

The demand of such products from customers in Saudi Arabia remained high during the Year as the economy policy of Saudi Arabia intends to reduce the dependency on oil and non-oil industries benefit from it.

The revenue of the five largest customers during the Year accounted for approximately 97.3% of the total revenue of the industrial products segment.

Suppliers

The Group purchased industrial products from suppliers, mainly factories and distributors in the PRC.

In the post pandemic era, the suppliers in Southeast Asia engaging in export business to Saudi Arabia resumed normal. The competition faced by the industrial products segment was getting fierce and put pressure on the prices of the Group's industrial products in the Year, thus lowering the overall profit margin of this segment.

The purchase amounts of the five largest suppliers during the Year for industrial products segment accounted for approximately 87.5% of the total purchase amounts of the industrial products segment.

B. Menswear Apparel Segment

Distribution Network for the Sales of Menswear Apparel

The Group primarily sells its products on a wholesale basis to its third-party distributors, who then sell the products to end customers through retail outlets or resell the products to their sub-distributors, who in turn sell the products to end customers through retail outlets operated by those sub-distributors. The Group also sells its products to online distributors which then resell the products to end customers through different third-party online platforms such as Tmall.com and JD.com.

Due to the economic environment in the PRC and the end of the leases during 2022, we closed all 15 self-operated retail outlets in Quanzhou, Fujian Province and Beijing in the second half of 2022.

As at 31 December 2023, our distribution network comprised 41 distributors (2022: 52) (including one online distributor) and 21 sub-distributors (2022: 22) which operated 221 retail outlets (2022: 209), representing a net increase of 12 retail outlets. As at 31 December 2023, 87.8% (2022: 87.6%) of the retail outlets were located in department stores or shopping malls whereas 12.2% (2022: 12.4%) of the retail outlets were standalone stores.

Marketing and Promotion

The Group believes that brand awareness is crucial to its long-term business development and a cornerstone of its future success. During the Year, the Group invested moderately in advertising and promotion to enhance its brand awareness, including organizing presentation events for new products and engaging in online advertisement through the internet, e.g. www.163.com, and software value-added services to improve our brand name.

Management Discussion and Analysis

Design and Product Development

The Group always puts great emphasis on product design and quality, as we believe our ability and commitment to provide fashionable and comfortable products have been integral to our success. As at 31 December 2023, our product design and development team consisted of 3 (2022: 6) members. The key team members, who plan, implement, supervise and manage the design and development efforts, have over 10 years of experience in the fashion industry. We will continue to invest in our product design and research and development capabilities to capture fashion trends and product designs.

Sales Fairs

We generally organize sales fairs at our headquarters in Quanzhou to showcase our upcoming products for the spring/summer and autumn/winter collections to our existing and potential distributors and their sub-distributors. We review our distributors' orders placed at our sales fairs to ensure that they are reasonable and in line with the relevant distributor's capacity and development plans. The sales fair for 2023 autumn/winter collections was held in April 2023, and the sales fair for 2024 spring/summer collections was held in September 2023.

C. Energy Storage Battery Segment

In 2022, as part of the Group's strategy to diversify its business and to enhance the long-term growth and shareholder value, the Group had acquired intellectual property rights and fixed assets in respect of the production facilities of zinc-bromine flow battery and diversified its business into energy storage battery segment through Jiangsu HengAn. The main operations of this segment are production and sales of zinc-bromine flow battery (鋅溴液流電池). A zinc-bromine flow battery is a rechargeable battery system that uses the reaction between zinc metal and bromine to generate electric current. It is being developed for stationary power applications, ranging from domestic energy usage to grid-scale energy (電網規模能源). It enables power system operators and utility companies to store energy for later use.

Zinc-bromine Flow Battery Research and Development Production Base

Jiangsu HengAn set up a zinc-bromine flow battery research and development production base (the "**Production Base**") in the Jiangning Development Zone* (江寧開發區) and commenced the phase 1 development plan. After completion of the phase 1 development plan in November 2022, Jiangsu HengAn started the production trial run. The time for testing and adjusting the machines was longer than expected due to the impact of COVID-19 pandemic in late 2022 and early 2023. As the time for testing was long, the Group needed time to purchase new equipments to compensate for the tools consumed to make the production lines perfect.

Increase in plant production capacity

On 13 February 2023, the Company has entered into a letter of intent (the "**LOI**") on collaboration with Nanjing Jiangning Economic and Technological Development Committee* (南京江寧經濟技術開發區管理委員會), to carry out phase 2 development plan to increase the plant production capacity of the Production Base in order to meet the demands from customers. The Group expects that the phase 2 development plan will be completed by the end of 2024. For details of the LOI, please refer to the announcement of the Company dated 13 February 2023.

To increase the plant production capacity and efficiency, the Group planned to automatise its production lines. The Group needed to re-design its production base, purchase new equipment and also upgrade the existing equipment.

During the trial run production stage, the production capacity was relatively low, therefore the revenue for the Year was insignificant.

Management Discussion and Analysis

Financial Review

Revenue

Revenue by Product Type

	For the year ended 31 December				
	2023		2022		**Change**
	RMB million	**% of revenue**	RMB million	% of revenue	%
Industrial Products					
Automotive Industrial Products	**264.7**	**41.0%**	235.4	39.0%	+12.4%
Other Industrial Products	**252.4**	**39.1%**	265.5	44.0%	−4.9%
Total of Industrial Products	**517.1**	**80.1%**	500.9	83.0%	+3.2%
Menswear Apparel					
Menswear Apparel Products	**109.4**	**17.0%**	92.0	15.2%	+18.9%
Brand licensing	**13.1**	**2.0%**	10.6	1.8%	+23.6%
Total of Menswear Apparel	**122.5**	**19.0%**	102.6	17.0%	+19.4%
Energy Storage Battery					
Energy Storage Battery	**5.5**	**0.9%**	0.4	0.0%	+1,275%
Total	**645.1**	**100%**	603.9	100%	+6.8%

The increase in revenue was the combined effect of the increase of approximately RMB16.2 million in the revenue from the industrial products segment, the increase of approximately RMB19.9 million in the revenue from the menswear apparel segment and the increase of approximately RMB5.1 million from the energy storage battery segment.

The increase in revenue from the industrial products segment was due to the strong demand from the customers in Saudi Arabia. As disclosed in the Business Review section on page 20, it was attributed to the economy of Saudi Arabia.

The increase in revenue from the menswear apparel segment was primarily due to (i) people resuming normal life in the post-pandemic era leading to a slightly retail market recovery in the PRC and hence increased demand for apparel products; and (ii) increase in the brand licensing income.

Management Discussion and Analysis

Revenue by Region

Region	For the year ended 31 December 2023 RMB million	2023 % of Revenue	2022 RMB million	2022 % of Revenue	Change %
Saudi Arabia					
Industrial Products	**517.1**	**80.1%**	500.9	83.0%	+3.2%
PRC					
Menswear Apparel	**122.5**	**19.0%**	102.6	17.0%	+19.4%
Energy Storage Battery	**5.5**	**0.9%**	0.4	0.0%	+1,275%
Total of PRC	**128.0**	**19.9%**	103.0	17.0%	+24.3%
Total	**645.1**	**100%**	603.9	100%	+6.8%

Saudi Arabia region was the major revenue contributor to the Group accounting for approximately 80.1% (2022: 83.0%) of the total revenue.

Cost of Sales

	For the year ended 31 December 2023 RMB million	2023 % of revenue	2022 RMB million	2022 % of revenue	Change RMB million	Change %
Industrial Products	**402.1**	**62.3%**	381.0	76.1%	+21.1	+5.5%
Menswear Apparel	**92.5**	**14.3%**	79.9	77.9%	+12.6	+15.8%
Energy Storage Battery	**2.7**	**0.4%**	0.4	100%	+2.3	+575%
Total	**497.3**	**77.1%**	461.3	76.4%	+36.0	+7.8%

Cost of sales increased by approximately 7.8% to approximately RMB497.3 million for the Year from approximately RMB461.3 million for the year ended 31 December 2022 (the "**Prior Year**").

For industrial products segment, the cost of sales was attributable to the purchases of industrial products from suppliers in the PRC. The increase in cost of sales from industrial products segment was in line with the increase in revenue from this segment.

The increase in cost of sales from menswear apparel segment was in line with the increase in revenue from this segment.

Management Discussion and Analysis

Gross Profit

	For the year ended 31 December			
	2023	2022	**Change**	**Change**
	RMB million	RMB million	RMB million	%
Industrial Products	**115.0**	119.9	−4.9	−4.1%
Menswear Apparel	**30.0**	22.7	+7.3	+32.2%
Energy Storage Battery	**2.8**	0.0	+2.8	+100%
Total	**147.8**	142.6	+5.2	+3.6%

Gross Profit Margin

	For the year ended 31 December		
	2023	2022	**Change**
	%	%	
Industrial Products	**22.2%**	23.9%	−1.7%
Menswear Apparel	**24.5%**	22.1%	+2.4%
Energy Storage Battery	**50.9%**	0.0%	+50.9%
Group	**22.9%**	23.6%	−0.7%

The decrease in profit margin in industrial products segment was caused by lower selling prices incurred in the Year due to more supplies in the market when the impact of COVID-19 reduced. The increase in profit margin in the menswear apparel segment was due to the lower cost of sales because of the stable workforce and supplies of raw materials in post pandemic environment.

Profit/(loss) for the Year

	For the year ended 31 December			
	2023	2022	**Change**	**Change**
	RMB million	RMB million	RMB million	%
Industrial Products	**97.5**	23.5	+74.0	+314.9%
Menswear Apparel	**(31.5)**	(123.8)	+92.3	+74.6%
Energy Storage Battery	**(43.3)**	(19.3)	−24.0	−124.4%
Unallocated	**(27.2)**	31.0	−58.2	−187.7%
Total	**(4.5)**	(88.6)	+84.1	+94.9%

The Group recorded continuous loss for the Year despite the net profit contribution of approximately RMB97.5 million from the industrial products segment. Loss for the Year from the energy storage battery segment, which was under trial run production stage, was approximately RMB43.3 million (2022: RMB19.3 million).

Management Discussion and Analysis

The management of the Group concluded there was impairment indication and conducted a review of the recoverable amounts of certain intangible assets and trade receivables of the Group. Based on the result of the assessment, management of the Group determined that the recoverable amounts of trade receivables (2022: trade receivables and certain intangible assets) were lower than their carrying amounts. A net allowance for expected credit losses on trade receivables under IFRS9 "Financial Instruments" of approximately RMB2.9 million (2022: a net allowance for expected credit losses on trade receivables under IFRS9 "Financial Instruments" of approximately RMB113.6 million and an impairment loss on certain intangible assets approximately RMB6.9 million) had been recognised.

Reduction of loss for the Year was mainly due to the decrease in impairment loss of intangible assets of approximately RMB6.9 million and decrease in impairment losses under expected credit losses model of approximately RMB110.6 million.

Other Incomes and Other Gains or Losses

For the Year, other incomes and other gains or losses increased by approximately RMB1.3 million to approximately RMB17.1 million from approximately RMB15.8 million for the Prior Year. The net increase was mainly due to an increase in rental income of approximately RMB2.1 million, an increase in sale of scrap materials of approximately RMB0.6 million and a decrease in net loss on disposal of property, plant and equipment of approximately RMB1.7 million, partially offset by an increase in net foreign exchange loss of approximately RMB1.1 million.

Selling and Distribution Expenses

	For the year ended 31 December					
	2023		2022		**Change**	**Change**
	RMB million	**% of revenue**	RMB million	% of revenue	RMB million	%
Industrial Products	**7.0**	**1.3%**	23.5	4.7%	−16.5	−70.2%
Menswear Apparel	**10.7**	**8.8%**	16.6	16.2%	−5.9	−35.5%
Energy Storage Battery	**3.9**	**70.4%**	0.9	225.0%	+3.0	+333.3%
Total	**21.6**	**3.4%**	41.0	6.8%	−19.4	−47.3%

For the industrial products segment, the decrease in the selling and distribution expenses was mainly due to the decreased shipping container charges as the shipping business resumed to normal in post pandemic environment in the Year. Thus, the expenses to the revenue decreased by approximately 3.4% from 4.7% in the Prior Year to 1.3% for the Year.

For the menswear apparel segment, the decrease in selling and distribution expenses was primarily due to (i) the decrease in salesman salaries and insurance resulting from the decrease in the Group's salesman headcount coupled with a decrease in number of retail stores comparing with the Prior Year; (ii) the decrease in advertising and promotional expenses; and (iii) the decrease in store management and store decoration expenses, which was in line with the consolidation strategy on the underperforming shops.

For the energy storage battery segment, the selling and distribution expenses were approximately RMB3.9 million, accounted for approximately 70.4% of the revenue from this segment.

Management Discussion and Analysis

Administrative and Other Operating Expenses

	For the year ended 31 December					
	2023		2022		Change	Change
	RMB million	% of revenue	RMB million	% of revenue	RMB million	%
Industrial Products	–	–	55.1	11.0%	−55.1	−100%
Menswear Apparel	**37.6**	**30.7%**	41.4	40.4%	−3.8	−9.2%
Energy Storage Battery	**41.9**	**755.8%**	18.3	4,575%	+23.6	+129.0%
Unallocated	**10.0**	**n/a**	(40.5)	n/a	+50.5	+124.7%
Total	**89.5**	**13.9%**	74.3	12.3%	+15.2	+20.5%

As the management of the industrial products segment was centralised and managed by the Company and other subsidiaries of the Group, the administrative and other operating expenses of the industrial products segment were insignificant for the Year.

For the menswear apparel segment, the decrease in the administrative and other operating expenses was mainly due to the decrease in staff salaries expenses resulting from the decrease in the menswear apparel segment's headcount of approximately RMB1.6 million, the decrease in depreciation of property, plant and equipment of approximately RMB1.0 million and the decrease in amortisation of intangible assets of approximately RMB2.5 million, and partially offset by the increase in the PRC government management fee of approximately RMB0.5 million and the increase in the electricity and water charges of approximately RMB0.5 million.

For the energy storage battery segment, the administrative and other operating expenses were mainly composed of staff salaries and insurance expenses of approximately RMB11.7 million, depreciation expenses for property, plant and equipment and amortisation expenses for intangible assets of approximately RMB5.5 million, amortisation expenses on leases of approximately RMB2.8 million, consultancy fee of approximately RMB1.4 million and research and development expenses of approximately RMB11.3 million. This segment was under trial run production stage in the Year and the expenses in relation to the trial production were classified as administrative and other operating expenses.

Finance Costs

For the Year, finance cost increased by approximately 17.1% year-on-year to approximately RMB35.9 million (2022: RMB30.6 million), which was mainly due to the increase in interest of the convertible bonds for the Year and two convertible bonds has been converted in late 2023.

Income Tax

For the Year, income tax expenses increased by approximately RMB38.8 million year-on-year from income tax credit of approximately RMB19.4 million in Prior Year to income tax expenses of approximately RMB19.4 million. The increase in income tax expenses was mainly arising from the increase in profit from the industrial products segment and partially offset by the decrease in deferred tax assets recognised for written off of trade receivables and impairment of intangible assets in the Prior Year.

Dividends

The Board has resolved not to recommend the payment of a final dividend for the Year (2022: Nil).

Management Discussion and Analysis

Liquidity and Financial Resources and Capital Structure

As at 31 December 2023, the total cash and bank balances of the Group were approximately RMB70.3 million (2022: RMB70.4 million), comprising cash and cash equivalents of approximately RMB70.3 million (2022: cash and cash equivalents of approximately RMB50.4 million and pledged bank deposit of RMB20.0 million).

As at 31 December 2023, the Group had a total of interest bearing borrowings of approximately RMB456.5 million (2022: RMB508.5 million) comprising bank borrowings of approximately RMB382.0 million (2022: RMB411.1 million), corporate bonds of approximately RMB35.1 million (2022: RMB50.5 million), convertible bond of approximately RMB2.7 million (2022: RMB46.9 million) and loans from a shareholder of approximately RMB36.7 million (2022: nil). The Group's borrowings were primarily denominated in RMB and HK$ (2022: in both RMB and HK$) and bear interest at fixed rate (2022: fixed rate) ranging from 0.1% to 13.0% (2022: 0.1% to 13.0%) per annum.

The maturity profile of the borrowings as at 31 December 2023 was as follows:

	2023		2022	
	RMB million	**%**	RMB million	%
Within 1 year or on demand	**430.1**	**94.2%**	439.8	86.5%
Over 1 but within 2 years	**19.0**	**4.2%**	46.9	9.2%
Over 2 but within 5 years	**7.4**	**1.6%**	21.8	4.3%
Total	**456.5**	**100%**	508.5	100%

As at 31 December 2023, the gearing ratio was approximately 66.5% (2022: 116.8%). The decrease was mainly due to the increase in total equity. The Group's gearing ratio is measured by the total interest-bearing borrowings divided by total equity and multiplied by 100%.

As at 31 December 2023, the Group's total equity increased by approximately RMB251.0 million to approximately RMB686.4 million (2022: RMB435.4 million). The increase was mainly due to the increase of the share capital and related reserves as a result of the issue of new Shares during the Year and partially offset by the loss for the Year.

Trade Working Capital Ratios

The Group's average inventory turnover days was 31 days for the Year, as compared to 34 days for the Prior Year. The decrease was mainly due to better management of inventory level under current operation. The Group will purchase upon receiving orders from customers so as to avoid overstocking and storage costs.

The Group's average trade receivables turnover days was 291 days for the Year, representing an increase of 117 days from 174 days for the Prior Year.

Such increase is the combined effect of the lower turnover days in menswear apparel segment (213 days) and the higher turnover days in industrial products segment (313 days). Although the Group's trade receivables of menswear apparel segment increased by approximately 25.1% year-on-year to RMB79.4 million (31 December 2022: RMB63.4 million), the average trade receivables turnover days of menswear apparel segment was 213 days for the Year, representing a decrease of 188 days from 401 days for the Prior Year. The decrease in trade receivables turnover days was mainly because the management in charge has been closely following up with the distributors for settlement arrangement and the settlement from trade receivables improved in the post-pandemic era.

Management Discussion and Analysis

For industrial products segment, although the receivable turnover days increased by 186 days from 127 days in the Prior Year to 313 days in the Year, after closely following up with the customers, the settlement of trade receivables has been improved in early 2024 and it led to a reversal of expected credit losses for trade receivables as at 31 December 2023 for the industrial products segment. The management will continue to keep eyes on the settlement situation and take possible actions to improve the settlement performance.

The Group's average trade payables turnover days was 247 days for the Year, representing an increase of 124 days from 123 days for the Prior Year. The increase was mainly due to the increase in the average trade payables turnover days of industrial products segment of 150 days from 138 days for the Prior Year to 288 days for the Year, and the increase in the average trade payables turnover days of menswear apparel segment of 15 days from 49 days for the Prior Year to 64 days for the Year. For menswear apparel segment, we normally have 7 to 60 days credit period from our suppliers, while for industrial products segment, we normally have 90 days credit period from our suppliers.

The Group recorded a net debt to equity ratio of approximately 56.3% as at 31 December 2023 (31 December 2022: 100.6%).

The Group regularly and actively monitors its capital structure to ensure there is sufficient working capital to operate its business and to maintain a balanced capital structure between providing steady returns to the Shareholders and benefits to its other stakeholders and having an adequate level of borrowing and security.

Charges of Assets

As at 31 December 2023, secured bank borrowings of RMB335.0 million (2022: RMB366.1 million) were secured by the following assets with the carrying values:

	2023 **RMB million**	2022 RMB million
Properties	**4.4**	12.6
Investment properties	**212.6**	219.9
Land use right	**217.6**	224.7
Bank deposit	**–**	20.0
Total	**434.6**	472.2

Significant Investment, Material Acquisition and Disposal of Subsidiaries and Associated Companies

The Group had no significant investment, material acquisition and disposal of subsidiaries, associates and joint ventures during the Year.

Factory Restructuring

Since 2020, the Group has started to restructure some redundant factory areas (the "**Restructuring**") in Quanzhou to change the usage of those areas into developing a one-stop home and commercial furnishing chain business platform (the "**Platform**") to increase the income streams.

The Platform will facilitate the matching of suppliers and customers of the furnishing industry. The Restructuring will be separated into different areas such as furnishing materials store, furnishing design centre and supporting facilities such as business centre. We expect to receive rental incomes, promotion and advertisement fees from the Platform.

The Restructuring is still under the construction stage and is principally funded by cash generated from our operations and bank borrowings. According to the initial planned timetable, we originally expected that the Restructuring would be completed by early 2022. However, due to the recurring COVID-19 situation in 2022, the completion will be delayed to 2024.

Management Discussion and Analysis

Capital Commitments and Contingencies

As at 31 December 2023, the Group had a total capital commitment of approximately RMB197.7 million (2022: RMB203.2 million). It was primarily related to the construction in progress. All the capital commitments are expected to be financed by our operations and bank borrowings.

As at 31 December 2023, the Group had no material contingent liabilities.

Foreign Currency Exposure

The functional currency of the Group is Renminbi and the Company's financial statements are translated into Renminbi for reporting and consolidation purpose. Foreign exchange differences arising from translation of financial statements are directly recognised in equity as a separate reserve. As the Group conducts its business transactions principally in Renminbi and US dollars, other than the Hong Kong dollar corporate bonds, the exchange rate risk at the Group's operational level is not significant. The Group does not employ any financial instruments for hedging purpose.

Employees, Training and Development

The Group had a total of 196 employees as at 31 December 2023 (2022: 133). Total staff costs for the Year amounted to approximately RMB30.9 million (2022: RMB20.1 million).

The Group places strong emphasis on recruiting quality personnel from universities and technical schools and provides on-going training and development opportunities to our staff members. Our training programs cover topics such as sales, customer service, quality control, sales fairs planning and pre-employment training. We also provide training on workplace ethics, fire protection and other areas relevant to the business. We believe that staff training plays an important role in recruiting and retaining talent as well as enhancing employees' loyalty.

The Group offers competitive remuneration packages to its employees, including basic salary, allowances, insurance, commission/bonuses and share options, based on factors such as market rates, responsibility, job complexity and the Group's performance.

Issue of Convertible Bonds Under General Mandate and Conversions of Convertible Bonds

Issue of Convertible Bonds under general mandate

On 22 May 2023, the Company entered into subscription agreements (the "**Subscription Agreements**") with Mr. Tao Xubin ("**Mr. Tao**") and Mr. Song Maolin ("**Mr. Song**") (the "**Subscribers**"), pursuant to which the Company has conditionally agreed to issue 8% convertible bonds in the principal amounts of HK$22,779,900 (the "**CB 1**") and HK$3,425,400 (the "**CB 2**") to Mr. Tao and Mr. Song, respectively, which may be converted into 34,515,000 and 5,190,000 new ordinary Shares (the "**Conversion Share(s)**") at the initial conversion price of HK$0.66 per Conversion Share (the "**Initial Conversion Price**"), subject to adjustments from time to time (the "**Subscriptions**"). The Initial Conversion Price represented a premium of approximately 26.92% to the closing price of the Share of HK$0.52 as quoted on the Stock Exchange on the trading day immediately prior to the date of the Subscription Agreements; and a premium of approximately 27.41% to the average closing price of the Share of HK$0.518 as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreements. The CB 1 and CB 2 were issued on 30 May 2023.

The net proceeds from the Subscriptions, after deduction of relevant expenses, amounted to approximately HK$25.9 million. During the Year, the above net proceeds were fully utilized as intended as to (i) approximately HK$8.9 million for future business development; (ii) approximately HK$15.7 million for repayment of debts; and (iii) approximately HK$1.3 million for general working capital.

For details of the Subscriptions, please refer to the announcements of the Company dated 22 May 2023 and 30 May 2023.

Conversions of Convertible Bonds

On 14 December 2023, the Company received a conversion notice from Mr. Tao exercising his right to convert the CB1 into 34,515,000 Conversion Shares at the Initial Conversion Price. As a result, the Company allotted and issued 34,515,000 Conversion Shares to Mr. Tao on 14 December 2023 (the "**Conversion 1**"). For details of the Conversion 1, please refer to the announcement of the Company dated 14 December 2023.

On 14 December 2023, the Company received a conversion notice from Asia Glory International Development Limited ("**Asia Glory**") exercising its right to convert the convertible bond in the principal amount of HK$60 million, which was issued to Asia Glory on 21 June 2022, into 100,000,000 Conversion Shares at the initial conversion price of HK$0.60 per Conversion Share. As a result, the Company allotted and issued 100,000,000 Conversion Shares to Asia Glory on 14 December 2023 (the "**Conversion 2**"). For details of the Conversion 2, please refer to the announcement of the Company dated 14 December 2023.

Issue of New Shares Under General Mandate

On 22 November 2023 (after trading hours of the Stock Exchange), the Company entered into eleven subscription agreements with eleven subscribers (the "**Subscribers**"), pursuant to which the Subscribers had conditionally agreed to subscribe for 398,856,000 new Shares in aggregate at the subscription price of HK$0.50 per subscription Share. The subscriptions were completed and 398,856,000 new Shares were issued and allotted to the Subscribers on 12 December 2023. The net proceeds from the subscription amounted to approximately HK$199.1 million (approximately RMB180.4 million), which were intended for future business development, repayment of debts and general working capital. The amounts of approximately HK$79.4 million and approximately HK$41.8 million were utilised for future business development and general working capital, respectively. It is expected that the remaining proceeds will be utilised by the end of 2024. For details of the subscription, please refer to the announcements of the Company dated 22 November 2023 and 12 December 2023.

On 13 July 2022 (after trading hours of the Stock Exchange), the Company entered into the subscription agreement with True Faith Ventures Limited ("**True Faith**"), pursuant to which True Faith had conditionally agreed to subscribe for 120,000,000 new Shares at the subscription price of HK$0.550 per subscription Share. The subscription was completed and 120,000,000 of new Shares were issued and allotted to True Faith on 29 July 2022. The net proceeds from the subscription amounted to approximately HK$65.9 million (approximately RMB56.3 million), which were intended for future business development and general working capital. The amounts of approximately HK$32.0 million and approximately HK$33.9 million were fully utilised for the respective usage mentioned above. For details of the subscription, please refer to the announcements of the Company dated 13 July 2022 and 29 July 2022.

Management Discussion and Analysis

Use of Proceeds

The Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 July 2014 with net proceeds (the "**Net Proceeds**") from the global offering of approximately HK$454.7 million (after deducting underwriting commissions and related expenses). Part of these proceeds were applied during the financial year in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 30 June 2014. As at 31 December 2023, the Group had fully utilised HK$454.7 million of the Net Proceeds.

The following table sets forth a breakdown of the use of the Net Proceeds during the Year:

Use of Net Proceeds during the Year	HK$ million
Brand promotion and marketing	–
Research, design and product development	38.4
Repay a portion of our bank borrowings	–
Expand distribution network and provide storefront decoration	–
Install ERP system	25.5
Working capital and other general corporate purposes	–
	63.9

As at 31 December 2023, the accumulated use of the Net Proceeds is set out below:	Available for use HK$million	Utilized (as at 31 December 2023) HK$million	Unutilized (as at 31 December 2023) HK$million
Brand promotion and marketing	122.8	122.8	–
Research, design and product development	90.9	90.9	–
Repay a portion of our bank borrowings	90.9	90.9	–
Expand distribution network and provide storefront decoration	59.1	59.1	–
Install ERP system	45.5	45.5	–
Working capital and other general corporate purposes	45.5	45.5	–
	454.7	454.7	–

Closure of Register of Members

The register of members of the Company will be closed from 24 May 2024 to 30 May 2024 (both days inclusive) for the purpose of determining entitlements of Shareholders to attend and vote at the forthcoming annual general meeting (the "**2024 AGM**"). In order to qualify for attending and voting at the 2024 AGM, all transfers of Shares accompanied by the relevant share certificate must be lodged with the Company's branch share registrar and transfer office, Boardroom Share Registrars (HK) Limited, Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Thursday, 23 May 2024.

Corporate Governance Report

The Board strives to uphold good corporate governance and adopts sound corporate governance practices. The Company has applied the principles and code provisions of the Corporate Governance Code and Corporate Governance Report as set out in the Appendix C1 to the Listing Rules.

Compliance with the Corporate Governance Code (The "CG Code")

After reviewing the Company's corporate governance practices and the CG Code contained in the Appendix C1 to the Listing Rules, the Board is satisfied that the Company has complied with the CG Code provisions for the Year.

Board of directors

The Board is responsible for governing the Company and managing assets entrusted by the Shareholders. The Directors recognise and acknowledge their collective and individual responsibility to the Shareholders and perform their duties diligently to achieve positive results for the Company and to maximize returns for the Shareholders.

The Board currently comprises four executive Directors, namely Mr. Kwok Kin Sun, Mr. Kwok Hon Fung, Mr. Lu Ke and Mr. Duan Huiyuan; one non-executive Director, namely Mr. Wang Yan; and three independent non-executive Directors, namely Mr. Cheung Chiu Tung, Mr. Poon Yick Pang Philip and Mr. Ma Yu-heng.

Mr. Duan Huiyuan was appointed as an executive Director with effect from 16 June 2023.

Mr. Peng Zuncheng resigned as an executive Director with effect from 16 June 2023.

Their biographical details and (where applicable) their family relationships are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 30 to 31 in this annual report.

Mr. Kwok Kin Sun, the chairman of the Company (the "**Chairman**") and an executive Director, is the father of Mr. Kwok Hon Fung, who is also an executive Director and the chief executive officer of the Company (the "**Chief Executive Officer**"). Save as disclosed herein, there are no other financial, business, family or other material/relevant relationships among members of the Board.

The Board currently comprises four executive Directors, one non-executive Director and three independent non-executive Directors, with independent non-executive Directors representing 37.5% of the Board, which fulfills the requirement of the Listing Rules. Such percentage of independent non-executive Directors on the Board can ensure their views carry sufficient weight and enhance the independence of the Board. On the above basis, the Board considers that the current board structure will not impair the balance of power and the authority of the Board. The Board shall nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, to maintain a high standard of corporate governance practices of the Company.

The Board sets the Group's overall objectives and strategies, monitors and evaluates its operating and financial performance and reviews the corporate governance standard of the Group. It also decides on matters such as annual and interim results, major transactions, director appointments or re-appointments, investment policy, dividend and accounting policies. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to the executive Directors and members of senior management. The functions and power that are so delegated are reviewed periodically by the Board to ensure that they remain appropriate.

Corporate Governance Report

The Board is also responsible for developing, reviewing and monitoring the policies and practices on corporate governance and legal and regulatory compliance of the Group, and the training and continuous professional development of the Directors and senior management. The Board also reviews the disclosures in the corporate governance report to ensure compliance.

All Board members have separate and independent access to the Group's senior management to fulfill their duties. Independent professional advice can be sought to assist the relevant Directors to discharge their duties at the Group's expense upon their request.

All Directors are required to declare to the Board upon their first appointment, the directorships or other positions they are concurrently holding at other companies or organizations. These interests are updated on an annual basis and when necessary.

All Directors are provided with monthly updates on the Company's performance and financial position to enable the Board as a whole and each Director to discharge their duties.

Directors' and officers' insurance

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

Directors' continuous training and professional development

All Directors are aware of their responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, in pursuit of the development of the Group. Each newly appointed Director is given necessary introduction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under the relevant laws and regulations.

All Directors are also encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Briefings and updates on the latest development regarding the Listing Rules and other applicable regulatory requirements are provided to each of the Directors to ensure compliance and enhance their awareness of good corporate governance practices.

In accordance with the CG Code provision C.1.4., all directors have provided training records for their participation in continuous professional development to the Company.

Chairman and chief executive officer

The roles of the Chairman and Chief Executive Officer are separated and not performed by the same individual as this can ensure better checks and balances and hence better corporate governance. Mr. Kwok Kin Sun holds the position of the Chairman, who is primarily responsible for strategic positioning. Mr. Kwok Hon Fung serves as the Chief Executive Officer, who is primarily responsible for the overall management of the daily operations of the menswear apparel business of the Group.

Corporate Governance Report

Independence of independent non-executive directors

The role of the independent non-executive Directors is to provide independent and objective opinions to the Board and give adequate control and balances for the Group to protect the overall interests of the Shareholders and the Group. They serve actively on the Board and their committees to provide their independent and objective views.

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors, representing more than one-third of the Board. Two of the independent non-executive Directors, Mr. Poon Yick Pang Philip and Mr. Ma Yu-heng, have the appropriate professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

Each independent non-executive Director has submitted annual confirmation of his independence to the Company pursuant to Rule 3.13 of the Listing Rules. Based on the contents of such confirmations, the Company considers that all of the independent non-executive Directors are independent to the Company and its subsidiaries.

Board committees

The Board is supported by three committees, namely the audit committee, nomination committee and remuneration committee. Each Board committee has its defined and written terms of reference approved by the Board covering its duties, powers and functions. The terms of reference are available on the Company's website.

All Board committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.

Audit Committee

The audit committee consists of the three independent non-executive Directors, namely Mr. Poon Yick Pang Philip, Mr. Cheung Chiu Tung and Mr. Ma Yu-heng. Mr. Poon Yick Pang Philip, who has appropriate professional qualification and experience in accounting matters, is the chairman of the audit committee.

The primary functions of the audit committee are to assist the Board in providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems, overseeing the audit process and performing other duties and responsibilities as assigned by the Board. These include reviewing the interim and annual results and reports of the Group.

The members of the audit committee had reviewed and discussed with the external auditors of the Company the consolidated financial statements of the Group for the Year, including the accounting principles and practices adopted by the Group and the report prepared by the external auditors covering major findings in the course of the audit. During the Year, the audit committee had held 2 meetings.

Remuneration Committee

The remuneration committee consists of one executive Director namely, Mr. Duan Huiyuan, and two independent non-executive Directors, namely Mr. Cheung Chiu Tung and Mr. Poon Yick Pang Philip. Mr. Cheung Chiu Tung is the chairman of the remuneration committee.

The primary functions of the remuneration committee are to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives, make recommendations to the Board on the remuneration package of the individual executive Directors and senior management and on the establishment of a formal and transparent process for developing such remuneration policy and review the share schemes of the Company. No executive Director takes part in any discussion on his own remuneration. The Company's objective for its remuneration policy is to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration and fees paid to members of the Board, market rates and factors such as each Director's workload, performance, responsibility, job complexity and the Group's performance are taken into account. The Company also adopted a share option scheme on 9 June 2014 for the purpose of rewarding, among others, directors, executives, officers and employees of the Company or any of its subsidiaries, for their past contributions and attracting and retaining, or otherwise maintaining on-going relationships with such persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

The remuneration committee had held 2 meetings during the Year and reviewed (i) the remuneration policy and structure relating to the Directors and senior management of the Company and (ii) the share option scheme of the Company.

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 10 and 11 to the consolidated financial statements.

Nomination Committee

The nomination committee consists of one executive Director namely Mr. Kwok Kin Sun, and two independent non-executive Directors, namely Mr. Poon Yick Pang Philip and Mr. Cheung Chiu Tung. Mr. Kwok Kin Sun is the chairman of the nomination committee.

The primary functions of the nomination committee are to review the composition of the Board, including its structure, size and diversity at least annually to ensure it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Group. It is also responsible of considering and making recommendations to the Board suitably qualified persons to become a member of the Board, monitoring the succession planning for Directors and assessing the independence of independent non-executive Directors. The nomination committee will also give consideration to the Board Diversity Policy (as defined below) when identifying suitably qualified candidates to become members of the Board, and the Board will review the Board Diversity Policy (as defined below), so as to develop and review measurable objectives for implementing the Board Diversity Policy (as defined below) and to monitor the progress on achieving these objectives.

The nomination committee had held 2 meetings during the Year and reviewed the size, diversity and composition of the Board.

Corporate Governance Report

Corporate governance function

The Company's corporate governance function is carried out by the Board pursuant to a set of written terms of reference adopted by the Board in compliance with Code provision A.2.1 of the CG Code, which include (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

Board meetings

Regular board meetings are held at quarterly intervals with additional meetings convened as and when necessary to discuss the overall strategic directions, the Group's operations, financial performance, and to approve interim and annual results and other significant matters. For regular meetings, Board members are given at least 14 days prior notice and agenda with supporting documents are sent to the Directors not less than 3 days before the relevant meeting is held. The Directors may propose to the chairman or the company secretary of the Company (the "**Company Secretary**") to include matters in the agenda for regular board meetings.

The table below sets out the attendance of each Director at the general meetings and the meetings of the Board and the Board committees held during the Year:

		Meetings			
	2023 AGM	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings held	1	13	2	2	2
Numbers of meetings attended:					
Executive Directors					
Mr. Kwok Kin Sun	1	13	N/A	N/A	2
Mr. Kwok Hon Fung	1	13	N/A	N/A	N/A
Mr. Lu Ke (appointed on 22 June 2022)	1	13	N/A	N/A	N/A
Mr. Duan Huiyuan (appointed on 16 June 2023)	N/A	7	N/A	N/A	N/A
Mr. Peng Zuncheng (resigned on 16 June 2023)	1	5	N/A	2	N/A
Non-executive Director					
Mr. Wang Yan	1	13	N/A	N/A	N/A
Independent non-executive Directors					
Mr. Cheung Chiu Tung	1	13	2	2	2
Mr. Poon Yick Pang Philip	1	13	2	2	2
Mr. Ma Yu-heng	1	13	2	N/A	N/A

The Directors are requested to declare their direct or indirect interests, if any, in any proposals or transactions to be considered by the Board at board meetings and abstain from voting in favour of the related board resolutions as appropriate.

Minutes of the meetings of the Board and Board Committees are kept by the Company Secretary in sufficient details of the matters considered and decisions reached, including dissenting views expressed, and are open for inspection on reasonable notice by any Director. Draft and final versions of the minutes are sent to all Directors for their comments and records respectively within a reasonable time after the Board meeting is held.

All Directors have access to the advice and services of the Company Secretary with a view to ensuring the Board procedures are followed.

Corporate Governance Report

Appointment and re-election of directors

Each of the executive Directors and independent non-executive Directors has entered into a service contract or letter of appointment with the Company for a term of three years commencing from 16 July 2014 (the "**Listing Date**") or their respective date of appointment subject to retirement and re-election at annual general meetings in accordance with the Company's articles of association (the "**Articles**").

In accordance with the Articles, a person may be appointed as a Director either by the Shareholders in a general meeting or by the Board. Any Directors appointed by the Board as additional Directors or to fill casual vacancies shall hold office until the next following annual general meeting, and are eligible for re-election by the Shareholders. In addition, at each annual general meeting one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years at an annual general meeting, and are eligible for re-election by the Shareholders.

Dividend policy

The declaration, payment and amount of dividends will be subject to the discretion of the Board and the approval of the shareholders of the Company, and will depend on the following factors:

— our earnings and financial condition;

— operating requirements;

— capital requirements; and

— other factors that our Directors may consider relevant.

The payment of dividends by the Company is also subject to all applicable laws and regulations and the Articles.

Board diversity policy

Pursuant to the CG Code relating to board diversity policy which has come into effect since 1 September 2013, the Board adopted a board diversity policy (the "**Board Diversity Policy**") on 9 June 2014. The Company recognises and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge, which have been adopted by the Company as measurable objectives for the purpose of implementation of the Board Diversity Policy. The Board has achieved all of the measurable objectives under the Board Diversity Policy.

Since the Board comprised of single gender Directors as at the date of this report, the Board aims to nominate and appoint at least one female candidate to be our Board member within the next financial year (i.e. on or before 31 December 2024).

Nomination policy

Pursuant to the CG Code relating to nomination policy which has come into effect since 1 January 2019, the Board adopted a nomination policy (the "**Nomination Policy**") on 21 December 2018. The Nomination Committee shall consider a number of factors in making nominations, including but not limited to reputation; skill, experience and professional expertise; diversity in all its aspects; commitment in respect of available time and the independence criteria applicable to the candidate to be nominated as an independent non-executive director. The Nomination Policy also sets out some nomination procedures:

- The Company Secretary 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, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election or re-election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation;

- In order to provide information of the candidates nominated by the Board to stand for election or re-election at a general meeting, a circular will be sent to the shareholders. The name, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the circular to shareholders; and

- The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election or re-election at any general meeting.

Compliance with the model code

The Company has adopted the Model Code (the "**Model Code**") for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules as the Company's code of conduct regarding Directors' securities transactions.

Senior management who, because of their office in the Company, are likely to be in possession of inside information, have also been requested to comply with the provisions of the Model Code.

Upon specific enquiries, all Directors and senior management of the Company confirmed that they have complied with the relevant provisions of the Model Code throughout the Year.

Company secretary

Mr. Tung Man Chun resigned as the Company Secretary on 29 May 2023.

Mr. Ong Kam Chit Vincent ("**Mr. Ong**") was appointed as the Company Secretary with effect from 29 May 2023. Mr. Ong is a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants with over 30 years of experience in auditing, financial management and accounting. Since May 2023, Mr. Ong is currently also the company secretary, authorised representative and process agent of China In-Tech Limited (stock code: 464), a company listed on the Main Board of the Stock Exchange.

During the Year, Mr. Ong has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

Financial reporting and internal controls

Financial Reporting

The Board acknowledges its responsibility to prepare the Company's accounts which give a true and fair view of the Group's state of affairs, results and cash flows for the Year and in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, and the disclosure requirements of the Hong Kong Companies Ordinance. The Company has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgments and estimates. The Board considers that the Group has adequate resources to continue in business for the foreseeable future and is not aware of any material uncertainties relating to events or conditions that may affect the business of the Company or cast doubts on its ability to continue as going concern, except from the issue discussed under note 1 to the consolidated financial statements in relation to the loss and the net current liabilities of the Group.

The responsibilities of Elite Partners CPA Limited, the Company's external auditor, with respect to financial reporting are set out in the section headed "Independent Auditor's Report" in this annual report.

Risk Management and Internal Controls

The main features of the risk management and internal control systems are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage its risks across business operations.

The Board acknowledges its responsibility to ensure the Company maintains sound risk management and internal control systems and to review their effectiveness. The Group has established a risk management framework. The Board determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems.

The Group has formulated and adopted a risk management policy in providing direction in identifying, evaluating and managing significant risks. At least on an annual basis, the senior management identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritizes the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant.

In addition, the Group has engaged an independent professional advisor to assist the Board and the Audit Committee in ongoing monitoring of the risk management and internal control systems of the Group. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement of the risk management and internal control systems. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken.

Risk management report and internal control report are submitted to the Audit Committee and the Board at least once a year. The Board and the Audit Committee had performed annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; the result of internal audit work; the extent and frequency of communication with the Board in relation to the results of the risk and internal control review; significant failures or weaknesses identified and their related implications; and the status of compliance with the Listing Rules. Based on the review, the Board considers the Group's risk management and internal control systems are effective and adequate.

The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board appointed Zhonghui Anda Risk Services Limited to conduct a review of the effectiveness of the Group's internal control and risk management system and to provide services for Enterprise Risk Management during the Year.

Corporate Governance Report

Procedures and Internal Controls for the Handling and Dissemination of Inside Information

The Group complies with requirements of Securities and Futures Ordinance ("**SFO**") and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through material omission in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

External auditor

Elite Partners CPA Limited has been appointed as the external auditor of the Company. The independence of the external auditor is recognized and annually reviewed by the Board and the audit committee of the Company. During the Year, the fees paid and payable to Elite Partners CPA Limited in respect of its audit services (including interim review) provided to the Group was approximately RMB1.7 million.

Communication with shareholders and shareholders' rights

The Company aims to, via its corporate governance structure, provide all the Shareholders an equal opportunity to exercise their rights in an informed manner and allow the Shareholders to engage actively with the Company. Under the Articles, the Shareholder communication policy and other relevant internal procedures of the Company, the Shareholders enjoy, among others, the following rights:

(i) Participation at General Meetings

The general meetings of the Company provide an opportunity for direct communication between the Board and the Shareholders. The Company encourages the participation of the Shareholders through annual general meetings and other general meetings where the Shareholders meet and exchange views with the Board, and exercise their right to vote at meetings. Prior notices of meetings with appropriate notice period in compliance with the Articles and the Listing Rules and circulars containing details of proposed resolutions are sent to the Shareholders before the meeting. At the general meetings, separate resolutions are proposed on each substantial issue, including the election or re-election of individual Directors.

(ii) Enquiries and Proposals to the Board

The Company encourages the Shareholders to attend Shareholders' meetings and make proposals by either directly raising questions on both operational and governance matters to the Board and Board committees at the general meetings or providing written notice of such proposals for the attention of the Company Secretary at the principal place of business of the Company in Hong Kong currently situated at Suite 708A, 7/F, Champion Tower, 3 Garden Road, Central, Hong Kong or via email to ir@fordoo.cn.

(iii) Convening Extraordinary General Meeting

The Directors may, whenever they think fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of 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. Such requisition shall be made in writing to the Directors or the Company Secretary and deposited at the principal place of business of the Company in Hong Kong currently situated at Suite 708A, 7/F, Champion Tower, 3 Garden Road , Central, Hong Kong for the purpose of requiring an extraordinary general meeting to be called by the Directors 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 Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

There are no provisions under the Articles or the Companies Act, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as director. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

The notice of annual general meeting together with the accompanying circular setting out the relevant information as required under the Listing Rules are sent to Shareholders at least 21 clear days prior to the meeting. Poll voting has been adopted for decision-making at Shareholders' meetings to ensure that each Share is entitled to one vote. Details of the poll voting procedures are set out in the circular sent to Shareholders prior to the meeting and explained at the commencement of the meeting. Voting results are posted on the Company's website on the day of the annual general meeting.

(iv) Procedures for Proposing a Person for Election as a Director

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

Biographical Details of Directors and Senior Management

Our Board is responsible and has general powers for the management and conduct of our business. Our Board currently consists of eight Directors, including four executive Directors, one non-executive Director and three independent non-executive Directors. The following sets forth information regarding members of our Board.

Executive Directors

Mr. Kwok Kin Sun (郭建新), aged 69, is the founder of the Group and an executive Director. He is also the chairman of the Board and the father of Mr. Kwok Hon Fung (郭漢鋒), an executive Director. He was appointed as an executive Director and the chairman of the nomination committee of the Company on 23 December 2013 and 9 June, 2014, respectively. Mr. Kwok has over 29 years of experience in the menswear apparel industry and is responsible for the formulation of the overall corporate strategies, planning and business development. Mr. Kwok's vision, leadership and dedication to the Group's development since inception have been core to the Group's success to date.

Mr. Kwok Hon Fung (郭漢鋒), aged 35, is the chief executive officer of the Group and an executive Director. He is responsible for the execution of corporate strategies and the overall management of daily operations of the menswear apparel business. He is the son of Mr. Kwok Kin Sun (郭建新), an executive Director. He joined the Group in January 2009 and was appointed as an executive Director on 12 February 2014. Mr. Kwok obtained a graduation certificate in business administration from East China Normal University (華東師範大學) in Shanghai in 2009.

Mr. Lu Ke (陸克), aged 49, joined the Group on 1 March 2022 as a general manager of Jiangsu HengAn, and was appointed as an executive Director on 22 June 2022. He is responsible for the management of the power storage industry business. Prior to joining the Group, Mr. Lu worked as a senior management member of a number of technology companies principally engaged in the energy storage sector in the PRC since 2007. He has over 17 years of experiences in the technology industry. He obtained his Master of Science in Marketing from New York University in May 2003 and Master in Public Policy from Kennedy School of Government, Harvard University in May 2005.

Mr. Duan Huiyuan (段惠元), aged 49, joined the Group in April 2023 as an executive deputy general manager of Jiangsu HengAn, and was appointed as an executive Director and a member of the remuneration committee of the Company on 16 June 2023. He has over 28 years of experience in the areas of project management, foreign trade, economic cooperation, investment promotion and industrial park development in both the public and private sectors. Mr. Duan was the general manager in the Jiangning District of China Fortune Land Development Co., Ltd. (華夏幸福基業股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600340), from January 2018 to December 2021. He was the general manager of Sino German Intelligent Manufacturing Industry Park Management (Jiangsu) Co., Ltd.* (中德智能製造產業園管理(江蘇)有限公司) from January 2022 to March 2023. He obtained his Master of Public Administration from Nanjing University (南京大學) in December 2007.

Non-executive Director

Mr. Wang Yan (王昕), aged 41, joined the Group as a non-executive Director on 22 June 2022. Mr. Wang has experiences in the financial industry. Mr. Wang acted as a corporate finance associate at Sun Hung Kai Securities Limited from March 2010 to March 2011 and as the vice president of Hong Kong Primus Capital from March to June 2011. He has been a director of China Sun Finance Company Limited since July 2011. Mr. Wang graduated from the University of California, Santa Barbara with a Bachelor's degree in Science major in electrical engineering in June 2007. He also obtained his Master in Business Administration in Finance jointly offered by The Chinese University of Hong Kong and Tsinghua University (清華大學) in November 2011.

Biographical Details of Directors and Senior Management

Independent non-executive Directors

Mr. Cheung Chiu Tung (張照東), aged 50, joined the Group as an independent non-executive Director and the chairman of the remuneration committee of the Company on 9 June 2014. He was appointed as a member of the nomination committee of the Company on 27 December 2021. He is currently an associate professor in the law faculty in Huaqiao University (華僑大學) and has been the legislative consultant of Xiamen Municipal Government (廈門市人民政府) which carries out research on the lawmaking of Xiamen Municipal Government, implements and inspects the responsibility mechanism of administration and law execution as well as the appraisal and examination system since July 2011. He is a deputy director of the All China Lawyers Association Labor and Social Security Law Committee (中華全國律師協會勞動與社會保障法專業委員會) since January 2009. Mr. Cheung obtained his bachelor's degree in law from Xiamen University (廈門大學) in the PRC in 1996, his master's degree in economics and law from Huaqiao University (華僑大學) in the PRC in 1999, his doctorate degree in international economics and law from Xiamen University (廈門大學) in September 2003 and his post-doctoral degree in economics from Fujian Normal University (福建師範大學) in 2009 in the PRC.

Mr. Poon Yick Pang Philip (潘翼鵬), aged 55, joined the Group as an independent non-executive Director, the chairman of the audit committee of the Company, a member of the nomination committee of the Company and a member of the remuneration committee of the Company on 16 August 2016. Mr. Poon has over 28 years of corporate finance and accounting experience. Mr. Poon has been the chief financial officer and company secretary of Tai United Holdings Limited, a listed company on the Main Board of the Stock Exchange (stock code: 718) since September 2021. Mr. Poon was the chief financial officer and company secretary of Li Bao Ge Group Limited (stock code: 1869) from November 2019 to September 2020. He was an independent non-executive director of Trigiant Group Limited (stock code: 1300) from March 2012 to September 2018 and Jiangnan Group Limited (stock code: 1366) from April 2012 to March 2019, both of which are listed on the Main Board of the Stock Exchange. Mr. Poon had served senior financial positions in a number of companies listed in Hong Kong and the United States of America. Mr. Poon obtained a Bachelor of Commerce degree from the University of New South Wales in 1993 and is a holder of a Chartered Financial Analyst charter of the CFA Institute, a Certified Practising Accountant (Australia) and a fellow of the Hong Kong Institute of Certified Public Accountants.

Mr. Ma Yu-heng (馬有恒), aged 55, joined the Group as an independent non-executive Director and a member of the audit committee of the Company on 16 March 2022. Mr. Ma has experience in financing, banking and corporate finance for over 26 years. Since September 2022, Mr. Ma has been the chief financial officer of Guardforce AI Co., Ltd., a company listed on the NASDAQ in the United States of America (stock code: GFAI). He was an independent non-executive director of China U-Ton Future Space Industrial Group Holdings Ltd. (中國優通未來空間產業集團控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 6168) from 25 May 2022 to 21 April 2023. He was previously an executive vice president of Summi (Group) Holdings Limited (森美(集團)控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 756) from December 2014 to August 2018. Mr. Ma is currently a member of CPA Australia. Mr. Ma graduated from Soochow University, Taiwan (台灣東吳大學) in June 1993 with a bachelor's degree in business administration in business mathematics. He also obtained a master's degree in business administration from Da-Yeh University, Chung Hua, Taiwan (台灣大葉大學) in June 1995.

Changes to Directors' information

Save as disclosed herein, all the Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Report of the Directors

The Directors are pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2023.

Business review

A review of the business of the Group during the Year and a discussion on the Group's future business development are set out in the Chairman's Statement on pages 4 to 5 and in the Management Discussion and Analysis on pages 6 to 19 of this annual report.

Principal risks and uncertainties

A number of factors may affect the results and business operations of the Group, some of which are inherent to the fashion business and some are from external factors. Major risks are summarized below.

A. Industrial Products Segment

(i) Single retail sales market

We currently only rely on one market, being the Saudi Arabia retail sales market, and any slowdown of the Saudi Arabia economy may adversely affect the Group's business, result of operations and financial performance.

(ii) Concentration on a few customers

We only rely on a few customers and any departure of these customers or reduction in their order sizes may adversely affect our business operation and financial performance.

(iii) Change of customer's habit

As the market trend evolves from time to time, end customers may prefer to shop online through online distribution channel. We do not rely on any online platform as distribution channel to offer our products, and thus we may not be able to attract new distributors when the end customers gradually prefer or opt for online shopping.

(iv) Supply Chain

We purchased our industrial products from suppliers solely in the PRC. The supplies and prices are highly dependent on the relationship with suppliers and the supplies from the PRC market. For the Year, 87.5% (2022: 85.5%) of our products for industry products segment were purchased from our top five suppliers. Any disruption in the supply from such suppliers may cause our operation problems.

B. Menswear Apparel Segment

(i) Fashion Risk

Fashion trends, consumer demands and preferences in the menswear apparel markets where we operate frequently change and depend upon various factors, including, among other things, global fashion and lifestyle trends, consumption patterns, disposable income and other factors that are beyond our control. We believe that our ability to anticipate, identify and respond to those trends in a timely manner is critical to our success. We may fail to accurately anticipate the shifts in customer preference, or fail to timely offer products that meet those changing trends. We cannot assure you that our design and product development will accurately reflect the prevailing fashion trends or customer preferences at any given time, or that the new products we launch will be well received by the market or achieve the expected sales level. If our new products fail to gain market acceptance, our brand image, business, financial condition, results of operations and prospects will be adversely affected.

(ii) Intense Competition

We compete not only with local Chinese menswear brands, but also with other international brands. Areas of competition include product designs, product quality, production costs, marketing programs and customer acceptance. If we do not respond timely to our competitors, we may lose our customers and our revenue and profits may be affected.

(iii) Macroeconomic Environment

Macroeconomic changes may affect consumers' behavior. Menswear apparel products are considered as discretionary items for consumers. Slower consumer spending momentum may reduce the demand for our products, leading to lower revenue and margins. It is therefore important that the Group is aware of any such changes in the economic environment and adjusts its store opening plan, buying volume and business plan under different market conditions.

(iv) Supply Chain

We engage independent third-party manufacturers to produce all apparel products for us. Any disruption in the supply of products from suppliers may cause problems in our supply chain. We do not have long-term contracts with any of our suppliers and we may need to compete with other companies for products. Nevertheless, we have developed long-standing and good relationships with a number of our vendors so as to minimize the impact from any supply disruptions and ensure we can locate alternative suppliers of comparable quality at a reasonable price all the times. For the Year, 57.0% (2022: 60.8%) of our products for the menswear apparel segment were produced by our top five suppliers.

(v) Credit Risk of our Distributors

We offer our distributors credit terms ranging from 90 days to 180 days, taking into account their capital, order size, credit history, financial capability, operating scale and relationship with us. We make provisions for bad and doubtful debts based on the aging, payment history and other specific criteria. However, there is no assurance that we will be able to fully recover our receivables from our distributors, or that they will be settled on a timely basis. In the event that settlements from our distributors are not made in full or on timely basis, our business, financial position, results of operations and prospects may be materially and adversely affected.

(vi) Reputational Risk

Brand image is a key factor for customers when making decisions to purchase menswear apparel products. We sell all of our products under our "FORDOO" brand. We seek to maintain and strengthen our brand identity through multichannel marketing campaign in the PRC. However, our marketing and promotional efforts may not be successful. If we are unable to successfully maintain and promote our brand, our business, financial condition, results of operations and prospects may be materially and adversely affected. In addition, any negative publicity on us could adversely affect our operations and financial results or reduce our market share.

(vii) Weather

Extreme weather conditions in the areas in which our retail stores, suppliers and customers are located could adversely affect our operating results and financial condition.

C. Energy Storage Battery Segment

(i) Technical Staff

Production of energy storage batteries requires high technical operations skill and experienced staff. Such staff may be difficult to recruit and staff turnover may hamper the operations flow.

(ii) Investment and Research and Development Costs

The set up of the production of energy storage batteries is very capital intensive and requires the equipment with various patents, intellectual property rights and fixed assets. Any shortage in cashflow to purchase the necessary assets will adversely affect the planned production capacity.

(iii) Technological Obsolescence

Technology is changing each day. New technology of energy storage equipment or methods would phase out the existing energy storage battery production lines.

Report of the Directors

Key relationships

(i) Employees

Employees are one of the greatest assets of the Group and the Group regards the personal development of its employees as highly important. The Group wants to continue to be a suitable employer for committed employees. The Group strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills.

The Group provides pre-employment and on-the-job training and development opportunities to its employees. The training programs cover areas such as managerial skills, sales and production, quality control, sales fairs planning and training of other areas relevant to the industry.

In addition, the Group offers competitive remuneration packages to its employees. The Group has also adopted share option scheme to recognize and reward the contribution of its employees to the growth and development of the Group.

(ii) Suppliers

We have developed long-standing and good relationships with our suppliers and we take great care to ensure that they can share our commitment to product quality. We carefully select our suppliers and require them to satisfy certain assessment criteria including track record, experience, financial strength, reputation, ability to produce high-quality products and quality control effectiveness.

(iii) Distributors

We sell our products to end customers through third-party distributors. We work with our distributors as business partners and ensure we share the view for upholding our value and customer services, specifically focusing on providing quality products to our end customers. We and our menswear apparel distributors reach an agreement on sales target and store expansion plans before they place their orders. We also monitor the financial condition and repayment history of our distributors.

Environmental policies

We are committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. We strive to minimize our environmental impact by saving electricity and encouraging recycling of office supplies and other materials.

Principal place of business

The Company was incorporated in the Cayman Islands and is domiciled in Hong Kong and has its principal place of business in Hong Kong at Suite 708A, 7/F, Champion Tower, 3 Garden Road, Central, Hong Kong. The Group's principal places of business are in the PRC and Saudi Arabia.

Principal activities

The Group is principally engaged in the sales of industrial products to customers located in Saudi Arabia, the sales of menswear apparel and brand licensing in the PRC and sales of energy storage battery in the PRC. The principal activities and other particulars of the subsidiaries are set out in note 37 to the consolidated financial statements.

Major customers and suppliers

During the Year, aggregate sales to the Group's largest and five largest customers accounted for approximately 36.7% (2022: 26.3%) and 78.0% (2022: 82.9%), respectively, of the Group's total revenue for the Year.

Aggregate purchases from the Group's largest and five largest suppliers accounted for approximately 30.3% (2022: 39.8%) and 78.2% (2022: 73.2%), respectively, of the Group's total purchases of products for the Year.

At no time during the Year had the Directors, their associates or any Shareholder (who or which to the knowledge of the Directors owned more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

Report of the Directors

Five-year financial summary

A summary of the results and of the assets and liabilities of the Group for the latest five financial years is set out on page 118 of this annual report. This summary does not form part of the audited consolidated financial statements.

Financial statements

The loss of the Group for the Year and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 47 to 52 of the annual report.

Property, plant and equipment

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

Reserves

Details of movements in reserves of the Company and the Group are set out in note 31 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

As at 31 December 2023, the Company's reserves available for distribution was approximately RMB192,496,000.

Dividend

No interim dividend was paid during the Year. The Directors did not recommend the payment of a final dividend for the Year.

Borrowings

Particulars of borrowings of the Group as at 31 December 2023 are set out in note 23 to the consolidated financial statements.

Non-current assets

Details of acquisitions and other movements of non-current assets (including property, plant and equipment, investment properties and right-of-use assets) are set out in notes 14, 15 and 16 to the consolidated financial statements.

Share capital

Details of movements in the share capital of the Company during the Year are set out in note 31 to the consolidated financial statements.

Sufficiency of public float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules up to the date of this report.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands where the Company is incorporated.

Purchase, sale or redemption of the company's listed securities

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

Tax relief and exemption

The Directors are not aware of any tax relief and exemption available to the shareholders of the Company by reason of their holding of the Company's securities.

Report of the Directors

Directors

The Directors during the financial year were:

Executive Directors

Mr. Kwok Kin Sun *(Chairman)*
Mr. Kwok Hon Fung *(Chief Executive Officer)*
Mr. Lu Ke
Mr. Duan Huiyuan (appointed on 16 June 2023)
Mr. Peng Zuncheng (resigned on 16 June 2023)

Non-executive Director

Mr. Wang Yan

Independent Non-Executive Directors

Mr. Cheung Chiu Tung
Mr. Poon Yick Pang Philip
Mr. Ma Yu-heng

Each of the executive Directors, non-executive Director and independent non-executive Directors, has entered into a service contract or letter of appointment with the Company for a term of three years commencing from the Listing Date or their respective date of appointment, subject to his retirement and re-election at annual general meetings in accordance with the Articles. The details of the remuneration of each of the Directors are disclosed in note 10 to the consolidated financial statements.

Details of the Directors' biographies have been set out on pages 30 to 31 of this annual report. In accordance with article 84 of the Articles, Mr. Kwok Hon Fung, Mr. Cheung Chiu Tung and Mr. Poon Yick Pang Philip will retire from the Board by rotation at the 2024 AGM and, will be eligible to offer themselves for re-election. Pursuant to code provision B.2.3 of the CG Code, if an independent non-executive director serves more than nine years, his or her further appointment should be subject to a separate resolution to be approved by shareholders. Mr. Cheung Chiu Tung has served as an independent non-executive Director for more than nine years, a separate resolution will be proposed at the 2024 AGM to further appoint him as an independent non-executive Director. In addition, pursuant to article 83(3) of the Articles, Mr. Duan Huiyuan shall hold office until next annual general meeting of the Company and be subject to re-election. As such, Mr. Duan Huiyuan shall retire at the 2024 AGM and will be eligible to offer himself for re-election at the 2024 AGM.

No Director proposed for re-election at the 2024 AGM has an unexpired service contract with the Group which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

Remuneration policy

The remuneration policy and remuneration packages of the executive Directors and senior management are reviewed by the remuneration committee of the Company which are detailed in the paragraph headed "Remuneration Committee" under the section headed "Corporate Governance Report" on page 20 of this annual report.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the Year.

Confirmation of independence

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

Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the company or any associated corporations

As at 31 December 2023, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests and short positions in the Shares, underlying Shares and debentures and associated corporations:

Name	Position	Nature of interest	Number of issued ordinary shares held	Number of underlying shares under share options held (3)	Total	Approximate percentage of shareholding
Mr. Kwok Kin Sun (1)	Long	Interest in a controlled corporation	155,940,000	–	155,940,000	5.68%
Mr. Kwok Hon Fung (2)	Long	Interest in a controlled corporation	190,652,000	–	190,652,000	6.94%
Mr. Lu Ke (3)	Long	Beneficial owner	103,090,000	–	103,090,000	3.76%

Notes:

(1) Mr. Kwok Kin Sun, the chairman of the Board and an executive Director, is deemed to be interested in all the Shares held by Everkept Limited ("**Everkept**") by reason of his 70% interest in the share capital of Everkept.

(2) Mr. Kwok Hon Fung, an executive Director and the chief executive officer of the Company and the son of Mr. Kwok Kin Sun, is deemed to be interested in all the Shares held by Equal Plus Limited ("**Equal Plus**") by reason of his 100% interest in the share capital of Equal Plus.

Equal Plus is an associated corporation of the Company pursuant to the SFO. Mr. Kwok Hong Fung, an executive director, in the capacity as a beneficial owner, held the entire issued share capital of Equal Plus (i.e. number of share held: one).

(3) Mr. Lu Ke is an executive Director and the general manager of Jiangsu HengAn, an indirect wholly-owned subsidiary of the Company.

Save as disclosed above, as at 31 December 2023, none of the Directors and chief executive of the Company had or were deemed to have any interests or a short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' right to acquire share or debentures

Save as disclosed in the section headed "Share Option Scheme" below, during the Year, no rights to acquire benefits by means of acquisition of Shares in or debenture of the Company were granted to any Directors or their respective spouse or minor children, or were any such rights excised by them; nor was the Company, or any of its subsidiaries a party to any arrangement which enabled the Directors to acquire such rights in and other body corporate.

Substantial shareholders' and other persons' interests and short positions in the shares and underlying shares of the company

As at 31 December 2023, so far as the Directors are aware, having made all reasonable enquiries, the following table sets out interests of 5% or more of the issued share capital of the Company (other than the interests of the Directors and chief executive as disclosed above) as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name	Position	Nature of interest	Number of Shares	Approximate percentage of shareholding
Ms. Wang Xiu Hua [(1)]	Long	Beneficial owner	441,553,000	16.08%
Equal Plus	Long	Beneficial owner	190,652,000	6.94%
Ms. Wong Tung Yam [(2)]	Long	Interest of spouse	155,940,000	5.68%
Everkept	Long	Beneficial owner	155,940,000	5.68%
Ms. Cheng Cong [(3)]	Long	Beneficial owner	155,167,000	5.65%
Donghai International Financial Holdings Company Limited	Long	Security interest in Shares	152,080,000	5.54%
東海證券股份有限公司[(4)]	Long	Security interest in Shares	152,080,000	5.54%

Notes:

(1) Ms. Wang Xiu Hua is the mother of Mr. Wang Yan, a non-executive Director.

(2) Ms. Wong Tung Yam, the spouse of Mr. Kwok Kin Sun, the chairman of the Board and an executive Director, is deemed to be interested in all the Shares in which Mr. Kwok Kin Sun is interested by virtue of the SFO.

(3) Ms. Cheng Cong is the direct beneficial owner of 21,739,000 Shares. Asia Glory International Development Limited ("**Asia Glory**") is the direct beneficial owner of 133,428,000 Shares. Asia Glory is wholly-owned by Ms. Cheng Cong. By virtue of SFO, Ms. Cheng Cong is deemed to be interested in all the Shares held by Asia Glory.

(4) 東海證券股份有限公司, being the controlling shareholder of Donghai International Financial Holdings Company Limited, is deemed to be interested in all the Shares in which Donghai International Financial Holdings Company Limited is interested by virtue of the SFO.

Save as disclosed above, as at 31 December 2023, the Company was not aware of any person or corporation having an interest or a short position in the Shares and underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

Change of directors

Details in relation to the change of directors during the Year are set out in the section headed "Corporate Governance Report" in this annual report.

Connected transactions

The Group had not entered into any connected transaction during the Year that was not fully exempted under Chapter 14A of the Listing Rules. The material related party transactions entered into by the Group during the Year, as disclosed in note 34 to the consolidated financial statements (except for the remuneration of the Directors) did not constitute connected transactions (as defined under the Listing Rules).

Directors' interests in contracts

Save as disclosed in note 34 to the consolidated financial statements, there was no contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director had a material interest, subsisted for the Year.

Transactions, arrangement or contracts of significance

During the Year, save as disclosed in note 34 to the consolidated financial statements, there had been no transaction, arrangement or contract of significance in which a Director or a controlling shareholder (or an entity connected with a Director or a controlling shareholder) is or was materially interested, either directly or indirectly.

Competing business

None of the Directors had any interest in any competing business with the Company or any of its subsidiaries during the Year. The independent non-executive Directors had reviewed the status of compliance and enforcement of the non-compete undertaking and confirmed that all the undertakings thereunder had been complied with throughout the Year.

Share option scheme

The Company adopted a share option scheme on 9 June 2014 (the "**Share Option Scheme**") for the purpose of rewarding certain Eligible Persons (as defined below) for their past contributions and attracting and retaining, or otherwise maintaining on-going relationships with, such Eligible Persons (as defined below) who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group. Subject to the earlier termination of the Share Option Scheme in accordance with the rules thereof, the Share Option Scheme shall remain in force for a period of ten years commencing on 9 June 2014. As at 31 December 2023, the remaining life of the Share Option Scheme was approximately 5 months.

Subject to the restrictions under the Listing Rules, eligible participants of the Share Option Scheme include, (i) any proposed, full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; (ii) any director or proposed director (including an independent non-executive director) of the Company or any of its subsidiaries; (iii) any direct or indirect shareholder of the Company or any of its subsidiaries; (iv) any supplier, customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Company or any of its subsidiaries; (v) any person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Company or any of its subsidiaries and (vi) any associate of any of the persons referred to in paragraphs (i) to (v) above (the person referred above are the "**Eligible Persons**").

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date, i.e. 192,000,000 Shares. Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

(i) renew this limit at any time to 10% of the Shares in issue as at the date of the approval by the Shareholders in general meeting; and/or

(ii) grant options beyond the 10% limit to eligible participants specifically identified by the Board.

The maximum number of Shares issued and to be issued upon the exercise of options granted under the Share Option Scheme (including exercised or outstanding options) to each grantee within any 12-month period, is limited to 1% of the Shares in issue at any time. Any further grant of options in excess of this 1% limit shall be subject to: (i) the issue of a circular by the Company; and (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time.

Share options granted to a Director, chief executive or substantial Shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors. In addition, any share options granted to a substantial Shareholder or an independent non-executive Director, or to any of their associates, in excess of 0.1% of the Shares in issue at any time within any 12-month period, are subject to Shareholders' approval in advance in a general meeting.

The Board shall not offer the grant of any option to any Eligible Person after inside information has come to its knowledge until it has announced the information pursuant to the requirements of the Listing Rules. In particular, no option shall be granted during the period commencing one month immediately preceding the earlier of the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and the deadline for the Company to publish an announcement of its results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements provided that no option may be granted during any period of delay in publishing a results announcement.

Subject to the requirements under the Listing Rules, the exercise period of the share options granted is determinable by the Directors, which period may commence from the date of the offer of the share options, and end on a date which is not later than ten years from the date of grant of the share options subject to the provisions for early termination thereof. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company HK$1.0 upon acceptance of the grant within 30 days after the offer date.

The exercise price of the share options is determinable by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as quoted on the Stock Exchange's daily quotations sheet on the date of the offer for the grant, which must be a business day; (ii) the average closing price of the Shares as quoted on the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of offer; and (iii) the nominal value of a Share.

On 7 October 2015 (the "**Date of offer**"), the Company granted options to subscribe for an aggregate of 3,300,000 ordinary shares of HK$0.01 each in the share capital of the Company to Eligible Persons of the Group under the Share Option Scheme at an exercise price of HK$3.56 per Share. The closing prices of the Shares immediately before the Date of Offer and on the Date of Offer were HK$3.54 and HK$3.56 respectively. The offers were accepted by the grantees within 30 days after the Date of Offer. As a result of the share subdivision effected on 17 October 2019, the exercise prices were adjusted to HK$0.89.

As at 1 January 2023 and 31 December 2023, the number of options available for grant under the Share Option Scheme was 178,800,000 and 178,800,000 respectively.

Details of movements of the share options during the Year are set out below:

				Number of Share Options					
Category	**Date of grant**	**Exercise price (HK$)**	**Exercisable period**	**As at 1 January 2023**	**Granted**	**Exercised**	**Cancelled**	**Lapsed**	**As at 31 December 2023**
Directors									
Cheung Chiu Tung	7 October 2015	0.89	7 October 2018 to 6 October 2023	400,000	–	–	–	(400,000)	–
Total				400,000	–	–	–	(400,000)	–

Report of the Directors

The number of Shares that may be issued in respect of options granted under all share schemes of the Company during the Year divided by the weighted average number of Shares in issue for the year was nil. Save for the Share Option Scheme, the Company has not adopted any other share scheme.

Retirement schemes

The Group participates in defined contribution retirement benefit schemes organized by the PRC municipal and provincial government authorities for the Group's eligible employees in the PRC, and operates a Mandatory Provident Fund scheme for the employees in Hong Kong. Particulars of these retirement plans are set out in note 28 to the consolidated financial statements.

During the Year, the Group had no forfeited contributions under its retirement benefit scheme which may be used to reduce the existing level of contributions.

Updates on compliance and regulatory matters

The Group's operations are mainly carried out by the Company's subsidiaries in the mainland China and Hong Kong while the Company itself is listed on the Stock Exchange. Our establishment and operations accordingly shall comply with relevant laws and regulations in the mainland China and Hong Kong. During the Year and up to the date of this report, we have complied with all the relevant laws and regulations in the mainland China and Hong Kong, including those governing labor and safety and emissions control, in all material respects. Our Directors are not aware of any legal, arbitration or administrative proceedings against the Company that will have a material adverse effect on our business, financial condition or results of operations.

Important events after the reporting period

Grant of Share Options

On 23 January 2024, the Company granted a total of 170,000,000 share options (the "**Share Option(s)**") to 15 Eligible Persons (each a "**Grantee(s)**") to subscribe for an aggregate of 170,000,000 ordinary Shares of HK$0.0025 each, subject to acceptance by the Grantees, under the Share Option Scheme.

Among the 170,000,000 Share Options granted, 10,000,000 Share Options and 15,000,000 Share Options were granted to the executive Directors, Mr. Lu Ke and Mr. Duan Huiyuan, respectively, and a total of 145,000,000 Share Options were granted to other 13 employees of the Group, subject to their respective acceptance.

For the details of the grant of Share Options, please refer to the announcement of the Company dated 23 January 2024.

Save as otherwise disclosed in this report, no important events affecting the Company have occurred since 31 December 2023 and up to the date of this report.

Auditor

The consolidated financial statements for the Year have been audited by Elite Partners CPA Limited, who shall retire and, being eligible, offer themselves for re-appointment at the 2024 AGM. A resolution for the re-appointment of Elite Partners CPA Limited as auditors of the Company is to be proposed at the 2024 AGM.

On behalf of the Board

Kwok Kin Sun
Chairman

Hong Kong
27 March 2024

Independent Auditor's Report

To the members of China Anchu Energy Storage Group Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of China Anchu Energy Storage Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 47 to 117, 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 cash flow statement 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 its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS Accounting Standards") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Independent Auditor's Report

Key audit matters

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

Key audit matter	How the matter was addressed in our audit
Impairment losses under expected credit loss model for trade receivables	
As at 31 December 2023, the Group had trade receivables of approximately RMB673,627,000 with allowance for expected credit loss ("ECL") of approximately RMB2,920,000 had been provided in profit or loss for the year ended 31 December 2023. Management judgment is required in assessing and determining the recoverability of trade receivables and adequacy of allowance made using the ECL model under IFRS 9 "Financial Instruments". We had identified impairment loss under expected credit loss model for trade receivables as a key audit matter because the assessment of the recoverability of trade receivables and recognition of loss allowance under ECL model are inherently subjective and require significant management judgement.	Our major audit procedures relating to the impairment loss under expected credit loss model for trade receivables included the following: — We understood the design and implementation of the relevant key controls over the assessment and monitoring of credit risk, and determination of allowance for expected credit losses; — We obtained and understood of the valuation methodologies and the processes performed by the management with respect to the valuation of ECL assessment; — We discussed with management and independent external valuer engaged by the Company in relation to the methodology, basis and assumptions used to see whether the methodology basis and assumptions including both historical and forward looking information used to determined the ECL were reasonable and appropriate; — We checked, on a sample basis, the accuracy and reliance of the input data used; — We evaluated the competence, capabilities and objectivity of the independent external valuer taking into account its experience and qualifications;

Other information

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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 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 partner on the audit resulting in the independent auditor's report is Mr. MAK, Kin Wang with Practising Certificate number P08114.

Elite Partners CPA Limited
Certified Public Accountants

Level 23, YF Life Tower,
33 Lockhart Road,
Wan Chai,
Hong Kong
27 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023
(Expressed in Renminbi)

	Notes	2023 RMB'000	2022 RMB'000
Revenue	6	**645,084**	603,911
Cost of sales		**(497,333)**	(461,281)
Gross profit		**147,751**	142,630
Other income and other gains or losses	7	**17,123**	15,759
Impairment loss of intangible assets		**–**	(6,911)
Impairment losses under expected credit losses model, net of reversal		**(2,920)**	(113,557)
Selling and distribution expenses		**(21,638)**	(41,029)
Administrative and other operating expenses		**(89,584)**	(74,314)
Profit/(Loss) from operations		**50,732**	(77,422)
Finance costs	8(a)	**(35,860)**	(30,617)
Profit/(Loss) before taxation	8	**14,872**	(108,039)
Income tax (expenses)/credit	9	**(19,365)**	19,396
Loss for the year		**(4,493)**	(88,643)
Other comprehensive (expense)/income for the year			
Items that will not be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside the mainland of the People's Republic of China (the "PRC") to presentation currency		**(116)**	4,787
Other comprehensive (expense)/income for the year		**(116)**	4,787
Total comprehensive expenses for the year		**(4,609)**	(83,856)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023
(Expressed in Renminbi)

	Notes	2023 RMB'000	2022 RMB'000
(Loss)/Profit for the year attributable to:			
Equity owners of the Company		**(52,266)**	(100,012)
Non-controlling interest		**47,773**	11,369
		(4,493)	(88,643)
Total comprehensive (expense)/income attributable to:			
Equity owners of the Company		**(52,693)**	(96,573)
Non-controlling interest		**48,084**	12,717
		(4,609)	(83,856)
Loss per share (RMB cents)	12		
Basic and diluted		**(2.33)**	(4.67)

Consolidated Statement of Financial Position

As at 31 December 2023
(Expressed in Renminbi)

	Notes	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment	14	**22,706**	27,164
Investment properties	15	**372,143**	375,424
Right-of-use assets	16	**222,887**	234,124
Intangible assets	17	**40,165**	45,413
Prepayment for acquisition of property, plant and equipment		**30,106**	4,601
Deferred tax assets	25(a)	**100,258**	101,929
		788,265	788,655
Current assets			
Inventories	18	**30,701**	54,308
Trade and other receivables	19	**836,211**	420,314
Pledged bank deposit	20	**–**	20,000
Cash and cash equivalents	21	**70,319**	50,375
		937,231	544,997
Current liabilities			
Trade and other payables	22	**513,784**	337,881
Bank borrowings	23	**382,000**	411,121
Lease liabilities	24	**4,194**	4,159
Corporate bonds	26	**11,436**	28,628
Loans from a shareholder	28	**36,744**	–
Current taxation		**25,972**	4,930
		974,130	786,719
Net current liabilities		**(36,899)**	(241,722)
Total assets less current liabilities		**751,366**	546,933

The notes on pages 53 to 117 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2023
(Expressed in Renminbi)

	Notes	2023 RMB'000	2022 RMB'000
Non-current liabilities			
Deferred tax liabilities	*25(a)*	**37,740**	37,740
Lease liabilities	*24*	**867**	5,057
Convertible bond	*27*	**2,647**	46,945
Corporate bonds	*26*	**23,692**	21,835
		64,946	111,577
Net assets		**686,420**	435,356
Capital and reserves			
Share capital	*31(a)*	**5,629**	4,420
Reserves		**612,655**	410,884
Equity attributable to equity owners of the Company		**618,284**	415,304
Non-controlling interest		**68,136**	20,052
Total equity		**686,420**	435,356

The consolidated financial statements on pages 47 to 117 were approved and authorised for issue by the board of directors on 27 March 2024 and are signed on its behalf by:

Kwok Kin Sun
Chairman

Kwok Hon Fung
Director

The notes on pages 53 to 117 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023
(Expressed in Renminbi)

		Attributable to equity owners of the Company										
		Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Convertible board reserve RMB'000	Exchange reserve RMB'000	Share-based payment reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
As at 1 January 2022		4,163	214,184	128,898	39,023	–	(6,903)	111	67,201	446,677	7,335	454,012
Changes in equity for 2022:												
(Loss)/profit for the year		–	–	–	–	–	–	–	(100,012)	(100,012)	11,369	(88,643)
Other comprehensive income for the year												
Exchange differences on translation of foreign operations	31(b)(iv)	–	–	–	–	–	3,439	–	–	3,439	1,348	4,787
Total comprehensive (expenses)/income		–	–	–	–	–	3,439	–	(100,012)	(96,573)	12,717	(83,856)
Issuance of shares		257	56,187	–	–	–	–	–	–	56,444	–	56,444
Initial recognitions of convertible bond		–	–	–	–	8,756	–	–	–	8,756	–	8,756
Transfer of share option reserve upon the expiry of share option		–	–	–	–	–	–	(56)	56	–	–	–
As at 31 December 2022		4,420	270,371	128,898	39,023	8,756	(3,464)	55	(32,755)	415,304	20,052	435,356
As at 1 January 2023		**4,420**	**270,371**	**128,898**	**39,023**	**8,756**	**(3,464)**	**55**	**(32,755)**	**415,304**	**20,052**	**435,356**
Changes in equity for 2023:												
(Loss)/profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(52,266)**	**(52,266)**	**47,773**	**(4,493)**
Other comprehensive (expenses)/income for the year												
Exchange differences on translation of foreign operations	31(b)(iv)	**–**	**–**	**–**	**–**	**–**	**(427)**	**–**	**–**	**(427)**	**311**	**(116)**
Total comprehensive (expense)/income		**–**	**–**	**–**	**–**	**–**	**(427)**	**–**	**(52,266)**	**(52,693)**	**48,084**	**(4,609)**
Issuance of shares		**904**	**179,822**	**–**	**–**	**–**	**–**	**–**	**–**	**180,726**	**–**	**180,726**
Initial recognitions of convertible bonds		**–**	**–**	**–**	**–**	**6,063**	**–**	**–**	**–**	**6,063**	**–**	**6,063**
Conversion of convertible bonds		**305**	**82,605**	**–**	**–**	**(14,026)**	**–**	**–**	**–**	**68,884**	**–**	**68,884**
Transfer of share option reserve upon the expiry of share option		**–**	**–**	**–**	**–**	**–**	**–**	**(55)**	**55**	**–**	**–**	**–**
As at 31 December 2023		**5,629**	**532,798**	**128,898**	**39,023**	**793**	**(3,891)**	**–**	**(84,966)**	**618,284**	**68,136**	**686,420**

The notes on pages 53 to 117 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2023
(Expressed in Renminbi)

	Notes	2023 RMB'000	2022 RMB'000
Operating activities			
Cash used in operations	*21(b)*	**(130,237)**	(44,352)
Income tax paid		**–**	–
Net cash used in operating activities		**(130,237)**	(44,352)
Investing activities			
Payment for the purchase of property, plant and equipment		**(34,606)**	(12,719)
Prepayment for construction in progress classified under investment properties		**(4,030)**	(33,144)
Proceeds from disposal of property, plant and equipment		**65**	498
Payment for the purchase of intangible assets		**(63)**	(48,706)
Interest received		**1,129**	1,276
Net cash used in investing activities		**(37,505)**	(92,795)
Financing activities			
Proceeds from bank borrowings		**393,000**	431,121
Repayment of bank borrowings		**(422,121)**	(418,500)
Interest paid		**(21,467)**	(22,630)
Proceeds from issue of convertible bonds		**23,683**	49,913
Proceeds from loans from a shareholder		**36,744**	–
Repayment of corporate bonds		**(18,726)**	(16,980)
Capital elements to lease liabilities		**(4,153)**	(3,667)
Decrease/(increase) in pledged bank deposits		**20,000**	(20,000)
Proceeds from subscription of shares		**180,726**	56,444
Net cash generated from financing activities		**187,686**	55,701
Net increase/(decrease) in cash and cash equivalents		**19,944**	(81,446)
Cash and cash equivalents at 1 January		**50,375**	131,821
Cash and cash equivalents at 31 December	*21(a)*	**70,319**	50,375

The notes on pages 53 to 117 form part of these financial statements.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 General information

China Anchu Energy Storage Group Limited (the "Company") was incorporated in the Cayman Islands on 23 December 2013 as an exempted company with limited liability under the Company Law, Cap 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the sales of industrial products to customers located in Saudi Arabia, the sales of menswear apparel, brand licensing and sales of energy storage battery in the PRC.

In preparing these consolidated financial statements, the Directors have considered the future liquidity of the Group. As at 31 December 2023, the Group has net current liabilities of approximately RMB36,899,000 and loss for the year ended 31 December 2023 was approximately RMB4,493,000.

Notwithstanding the aforesaid conditions, these consolidated financial statements have been prepared on a going concern basis on the assumption that the Group will be able to operate as a going concern for the foreseeable future. The Directors have prepared the Group's cash flow projections for the period of not less than 12 months from the end of reporting period after taking into consideration of the following measures and arrangements made subsequent to the reporting date:

(i) The Group has obtained certain banking facilities with banks of maximum credit amounts of RMB458,800,000 by secured certain asset of the Group and financial guarantee from the shareholders of the Company. As at 31 December 2023, the unutilised facilities amount in respect of bank borrowings was approximately RMB76,800,000.

(ii) The Group obtained a financial support from the Company's shareholder for not demand repayment of approximately RMB36,744,000 of loans from a shareholder as at 31 December 2023 for a period of at least 12 months from the date of approval of the financial statements.

(iii) The Group is taking measures to tighten cost controls over various costs and expenses and to seek new investments and business opportunities with an aim of attaining profitable and positive cash flow operations.

On the basis of the foregoing, and after assessing the Group's current and forecasted cash positions, the Directors are satisfied that the Group will be able to meet in full the Group's financial obligations as they fall due for the period of twelve months from the date of consolidated financial statements. Accordingly, the consolidated financial statements of the Group have been prepared on the going concern basis.

(Expressed in Renminbi unless otherwise indicated)

2 Application of new and amendments to International Financial Reporting Standards ("IFRS Accounting Standards")

2.1 New and amendments to IFRS Accounting Standards that are mandatorily effective for the Year

In the Year, the Group has applied the following new and amendments to IFRS Accounting Standards issued by the International Accounting Standards Board ("IASB") for the first time, which are mandatorily effective for the Group annual periods beginning on 1 January 2023 for the preparation of the consolidated financial statements:

IFRS 17	Insurance Contracts and related amendments
Amendment to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendment to IAS 8	Definition of Accounting Estimates
Amendment to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendment to IAS 12	International Tax Reform – Pillar Two Model Rules

Except for described as below, the application of the new and amendments to IFRS Accounting Standards and the committee's agenda decision in the 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.

In accordance with the guidance set out in the amendments, accounting policy information that is standardised information, or information that only duplicates or summarises the requirements of the IFRS Accounting Standards, is considered immaterial accounting policy information and is no longer disclosed in the notes to the consolidated financial statements so as not to obscure the material accounting policy information disclosed in the notes to the consolidated financial statements.

2.2 Amendments to IFRS Accounting Standards in issue but not yet effective

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

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2022)[2]
Amendments to IFRS 16	Lease Liabilities in a Sales and Leaseback[2]
Amendment to IAS 1	Non-current Liabilities with Covenants[2]
Amendment to IAS 7 and IFRS 7	Supplier Finance Agreement[2]
Amendment to IAS 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 anticipate that the application of all other amendments to IFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

3 Material accounting policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards, which includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by IASB and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong.

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

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

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

The principal accounting policies are set out below.

These consolidated financial statements are presented in Renminbi ("RMB") rounded to the nearest thousands, except when otherwise indicated. The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis.

3 Material accounting policies (Continued)

(c) Basis of consolidation

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

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

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

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

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

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3 Material accounting policies (Continued)

(d) 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 (other than freehold lands and properties under construction as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Freehold lands are not depreciated and are measured at cost less subsequent accumulated impairment losses.

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 presented as "right-of-use assets" in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. 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 assets less their residual values over their estimated useful lives, using the straight-line method as follows:

- Buildings held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of the lease and their estimated useful lives, being no more than 30 years after the date of completion.

• Plant and machinery	10 years
• Motor vehicles	5 years
• Furniture, fixtures and equipment	5 years

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

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

(e) Constructions in progress

Buildings in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management including cost of testing whether the related assets is functioning property. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3 Material accounting policies (Continued)

(f) Investment properties

Investment properties are property owned or held under a leasehold interest to earn rental income and/or for capital appreciation. Investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is recognised in profit or loss on a straight-line basis over the shorter of the unexpired term of lease and its estimated useful life, being no more than 30 years after the date of completion.

(g) Lease prepayments

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 IFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 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.

The Group as a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of leasehold properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option.

Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

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

Right-of-use assets 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 is 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 right-of-use asset is presented as a separate line in the consolidated statements of financial position.

3 Material accounting policies (Continued)

(g) Lease prepayments (Continued)

The Group as a lessee (Continued)

Refundable rental deposits

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

Lease liabilities

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

The lease payments include fixed lease payments (including in-substance fixed payments).

The lease liability is presented as a separate line in the consolidated statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

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, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Taxation

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 IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

3 Material accounting policies (Continued)

(g) Lease prepayments (Continued)

The Group as a lessor

The Group enters into lease agreements as a lessor with respect to its investment properties to other parties.

Refundable rental deposits received are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Rental income from leases is recognised in other income on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging a lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

(h) Intangible assets

Intangible assets acquired separately

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

The ERP system is amortised from the date it is available for use and its estimated useful life is 10 years.

The patent is amortised from the date it is available for use and its estimated useful life is 10-20 years.

3 Material accounting policies (Continued)

(i) Credit losses and impairment of assets

(i) Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade other receivables, cash and cash equivalents and pledged bank deposit at bank 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, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognised lifetime ECL for trade receivables. For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless 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.

Measurement of ECLs

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 the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and 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.

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

3 Material accounting policies (Continued)

(i) Credit losses and impairment of assets (Continued)

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

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. 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 since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

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

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

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

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised 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 the amortised cost of the financial asset.

3 Material accounting policies (Continued)

(i) Credit losses and impairment of assets (Continued)

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

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; and

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

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of the reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- construction in progress;
- investment properties;
- right-of-use assets; and
- intangible assets.

If any such indication exists, the asset's recoverable amount is estimated.

3 Material accounting policies (Continued)

(i) Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-current assets (Continued)

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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 time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(j) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost necessary to make the sale includes incremental cost directly attributable to the sale and non-incremental cost which the Group must incur to make the sales.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period when the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

3 Material accounting policies (Continued)

(k) Trade and other receivables

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

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(l) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(m) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(o) Employee benefits

(i) Retirement benefit costs

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

For defined benefit retirement benefit plans including the LSP under the Hong Kong Employment Ordinance and others to specify, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. In determining the present value of the Group's defined benefit obligations and the related current service cost and, where applicable, past service cost, the Group attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than earlier years, the Group attributes the benefit on a straight-line basis from:

(a) the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service) until

(b) the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

3 Material accounting policies (Continued)

(o) Employee benefits (Continued)

(i) Retirement benefit costs (Continued)

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Past service cost is recognised in profit or loss in the period of a plan amendment or curtailment and a gain or loss on settlement is recognised when settlement occurs. When determining past service cost, or a gain or loss on settlement, an entity shall remeasure the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions, reflecting the benefits offered under the plan and the plan assets before and after the plan amendment, curtailment or settlement, without considering the effect of asset ceiling (i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan).

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. However, if the Group remeasures the net defined benefit liability or asset before plan amendment, curtailment or settlement, the Group determines net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments.

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan.

3 Material accounting policies (Continued)

(o) Employee benefits (Continued)

(i) Retirement benefit costs (Continued)

When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (for example contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability or asset.

- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the Group reduces service cost by attributing the contributions to periods of service using the attribution method required by HKAS 19 paragraph 70 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the Group reduces service cost in the period in which the related service is rendered/reduces service cost by attributing contributions to the employees' periods of service in accordance with HKAS 19 paragraph 70.

(ii) Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

(iii) Short-term and other long-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 IFRS Accounting Standards 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, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

3 Material accounting policies (Continued)

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

All deferred tax liabilities and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

3 Material accounting policies (Continued)

(q) Provisions

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

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

(r) Contingent liabilities

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

(s) Revenue recognition

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.

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

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

3 Material accounting policies (Continued)

(t) Foreign currencies

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("functional currency"). The functional currency of the Company and its subsidiaries outside the PRC is Hong Kong Dollars ("HKD") and United State Dollars ("USD") and the functional currency of the subsidiaries in the PRC is RMB.

The consolidated financial statements are presented in RMB since most of the companies comprising the Group are operating in RMB environment and the functional currency of most of the companies comprising the Group is RMB.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of operations outside the PRC are translated into RMB at the average exchange rates for the year which approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(u) Research and development expenditure

Expenditure on research activities is recognised as an expense in the year in which it is incurred. Expenditure on development activities is capitalised if the product or process under development is technically and commercially feasible and the Group has sufficient resources and the intention to complete the development. The expenditure capitalised includes the costs of materials, direct labor, and an appropriate proportion of overheads. Other development expenditure is recognised as an expense in the year in which it is incurred.

(v) Dividends

Dividends are recognised as a liability in the period in which they are declared.

3 Material accounting policies (Continued)

(w) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

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

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

3 Material accounting policies (Continued)

(x) Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value excepts for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 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.

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.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. 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.

Derecognition of financial assets

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

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

3 Material accounting policies (Continued)

(x) Financial instruments (Continued)

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

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

Financial liabilities at amortised cost

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

Convertible bond containing liability and equity components

Convertible bond issued by the Group that contain both liability and conversion option components is classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

On initial recognition of convertible bond issued by the Company, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the conversion option for the holder to convert the convertible bond into equity, is included in equity (convertible bond equity reserve).

In subsequent periods, the liability component of the convertible bond is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bond equity reserve until the embedded option is exercised (in which case the balance stated in convertible bond equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bond equity reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bond are allocated to the liability and equity component in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bond using the effective interest method.

3 Material accounting policies (Continued)

(x) Financial instruments (Continued)

Financial liabilities and equity (Continued)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligation 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.

Modification of financial liabilities

When the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account, all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less then 10 per cent.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities, original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

4 Significant accounting estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

4 Significant accounting estimates and judgements (Continued)

(a) Impairments of non-current assets

If circumstances indicate that the carrying value of an asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in profit or loss. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs of disposal and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, sales revenue and amount of operating costs.

(b) Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on aging of debtors as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

5 Segment information

Operating segments and the amounts of each segment item reported in the consolidated financial statements are identified from the consolidated financial statements provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The main operations of the Group are the sales of industrial products to customers located in Saudi Arabia, the sales of menswear apparel, brand licensing and sales of energy storage battery in the PRC.

The following is an analysis of the Group's revenue and results by segment:

Segment revenue and results

For the year ended 31 December 2023

	Menswear Apparel RMB'000	Industrial Products RMB'000	Energy Storage Battery RMB'000	Unallocated RMB'000	Consolidated RMB'000
Revenue	122,506	517,037	5,541	–	645,084
Segment result before the following items	4,613	107,869	(31,635)	–	80,847
Allowance for ECL, net recognised in profit or loss	(11,803)	8,883	–	–	(2,920)
Depreciation and amortisation	(24,240)	–	(11,646)	–	(35,886)
Segment result	(31,430)	116,752	(43,281)	–	42,041
Other revenue and unallocated gains				1,468	1,468
Corporate and other unallocated losses				(28,637)	(28,637)
Profit before taxation					14,872
Tax expenses	(97)	(19,268)	–	–	(19,365)
					(4,493)

5 Segment information (Continued)

Segment revenue and results (Continued)

For the year ended 31 December 2022

	Menswear Apparel RMB'000	Industrial Products RMB'000	Energy Storage Battery RMB'000	Unallocated RMB'000	Consolidated RMB'000
Revenue	102,635	500,878	398	–	603,911
Segment result before the following items	(19,615)	41,215	(13,847)	–	7,753
Impairment of intangible assets recognised in profit or loss	(6,911)	–	–	–	(6,911)
Allowance for ECL, net recognised in profit or loss	(100,503)	(13,054)	–	–	(113,557)
Depreciation and amortisation	(20,832)	–	(5,521)	–	(26,353)
Segment result	(147,861)	28,161	(19,368)	–	(139,068)
Other revenue and unallocated gains				1,496	1,496
Corporate and other unallocated gains				29,533	29,533
Loss before taxation					(108,039)
Tax credit/(expenses)	24,046	(4,650)	–	–	19,396
					(88,643)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment loss represents the loss from each segment without allocation of central administration costs, directors' emoluments, investment income and finance costs.

Segment assets and liabilities

For the year ended 31 December 2023

	Menswear Apparel RMB'000	Industrial Products RMB'000	Energy Storage Battery RMB'000	Unallocated RMB'000	Consolidated RMB'000
Segment assets	**813,961**	**631,959**	**255,590**	**23,986**	**1,725,496**
Segment liabilities	**464,094**	**423,690**	**20,293**	**130,999**	**1,039,076**

5 Segment information (Continued)

Segment assets and liabilities (Continued)

For the year ended 31 December 2022

	Menswear Apparel RMB'000	Industrial Products RMB'000	Energy Storage Battery RMB'000	Unallocated RMB'000	Consolidated RMB'000
Segment assets	817,297	357,099	123,782	35,474	1,333,652
Segment liabilities	471,265	249,740	24,702	152,589	898,296

Amounts included in measure of segment profit or loss and segment assets

For the year ended 31 December 2023

	Menswear Apparel RMB'000	**Industrial Products RMB'000**	**Energy Storage Battery RMB'000**	**Unallocated RMB'000**	**Consolidated RMB'000**
Addition to non-current assets	**4,030**	**–**	**9,164**	**–**	**13,194**
Depreciation and amortisation	**(24,240)**	**–**	**(11,646)**	**(1,305)**	**(37,191)**
Loss on disposal of property, plant and equipment	**(55)**	**–**	**(5)**	**–**	**(60)**
Allowance for ECL, net recognised in profit or loss	**(11,803)**	**8,883**	**–**	**–**	**(2,920)**

For the year ended 31 December 2022

	Menswear Apparel RMB'000	Industrial Products RMB'000	Energy Storage Battery RMB'000	Unallocated RMB'000	Consolidated RMB'000
Addition to non-current assets	33,144	–	65,435	1,957	100,536
Depreciation and amortisation	(20,832)	–	(5,521)	(7,708)	(34,061)
Loss on disposal of property, plant and equipment	(1,751)	–	–	–	(1,751)
Impairment of intangible assets recognised in profit or loss	(6,911)	–	–	–	(6,911)
Allowance for ECL, net recognised in profit or loss	(100,503)	(13,054)	–	–	(113,557)

5 Segment information (Continued)

Geographical information

The following table presents the Group's geographical information in terms of revenue for the years ended 31 December 2023 and 2022:

	2023 **RMB'000**	2022 RMB'000
PRC	**128,047**	103,033
Saudi Arabia	**517,037**	500,878
	645,084	603,911

Non-current assets

The principal place of the Group's operation is in the PRC. For the purpose of segment information disclosures under IFRS 8, the Group regards the PRC as its country of domicile. Over 90% of the Group's non-current assets are located in the PRC.

Information about major customers

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

	2023 **RMB'000**	2022 RMB'000
Customer A (sale of industrial products)	**80,480**	158,516
Customer B (sale of industrial products)	**–***	144,157
Customer C (sale of industrial products)	**237,062**	121,344
Customer D (sale of industrial products)	**172,995**	62,712

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

6 Revenue

The main business activities of the Group are the sales of industrial products to customers located in Saudi Arabia, the sales of menswear apparel, brand licensing and sales of energy battery in the PRC. Revenue represents the sales value of goods sold less discounts and Value Added Tax.

For the menswear apparel brand licensing, revenue is recognised on monthly basis and recognised to which the Group has a right to invoice and that corresponds directly with the value of performance completed at a point in time.

For the sales of industrial products, sales of menswear apparel and sales of energy storage battery, revenue is recognised when control of the goods has transferred, being at the point the products are delivered to the customer's premise or shipping port when the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been delivered to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Under the Group's standard contract terms, customers have a right to exchange for dissimilar products within 90 days. The Group uses its accumulated historical experience to estimate the number of exchange on a portfolio level using the expected value method. Revenue is recognised for sales which are considered highly probable that a significant reversal in the cumulative revenue recognised will not occur.

Revenue by product type is as follows:

	2023 **RMB'000**	2022 RMB'000
Sales of industrial products	**517,037**	500,878
Sales of menswear apparel	**109,365**	91,976
Menswear apparel brand licensing	**13,141**	10,659
Sales of energy storage battery	**5,541**	398
	645,084	603,911
Timing of revenue recognition		
Over time	**2,830**	–
At a point in time	**642,254**	603,911
	645,084	603,911

7 Other income and other gains or losses

	2023 RMB'000	2022 RMB'000
Interest income	**1,129**	1,276
Rental income from investment properties less direct outgoings	**13,160**	11,013
Government grants	**78**	58
Net foreign exchange (loss)/gain	**(1,187)**	88
Net loss on disposal of property, plant and equipment	**(60)**	(1,751)
Sales of scrap materials	**3,407**	2,763
Others	**596**	2,312
	17,123	15,759

Government grants were received from several local government authorities, of which the entitlements were under the discretion of the relevant authorities.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

8 Profit/(Loss) before taxation

Profit/(Loss) before taxation is arrived at after charging:

		2023 RMB'000	2022 RMB'000
(a)	Finance costs:		
	Interest on corporate bonds	**4,264**	5,745
	Interest on convertible bonds	**11,014**	4,300
	Interest on bank borrowings	**19,411**	20,281
	Interest on lease liabilities	**229**	291
	Interest on loans from a shareholder	**942**	–
		35,860	30,617
(b)	Staff costs (including directors' remuneration):		
	Contributions to defined contribution retirement plans	**3,922**	2,249
	Salaries, wages and other benefits	**27,011**	17,802
		30,933	20,051
(c)	Other items:		
	Amortisation of intangible assets	**5,209**	5,810
	Depreciation of property, plant and equipment	**5,861**	3,428
	Depreciation of investment properties	**14,886**	14,067
	Amortisation of right-of-use assets	**11,235**	10,514
	Auditors' remuneration	**1,500**	1,381
	Research and developments expenses *(note i)*	**1,095**	3,106
	Cost of inventories	**495,318**	461,181
	Allowance for ECL, net	**2,920**	113,557
	Expense related to short-term leases	**593**	–

Note:

(i) Research and developments expenses include staff costs working in the Group's design and product development department.

9 Income tax (expenses)/credit

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2023 **RMB'000**	2022 RMB'000
Current tax		
PRC enterprises income tax credit/(expense) for the year	**109**	(52)
Hong Kong profits tax expenses for the year	**(17,803)**	(6,905)
Deferred tax (expenses)/credit	**(1,671)**	26,353
	(19,365)	19,396

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands ("BVI"), none of the members of the Group are subject to any income tax in the Cayman Islands or BVI.

(ii) Hong Kong profits tax is calculated at 16.5% on the estimated assessable profit for the years ended 31 December 2023 and 2022.

(iii) Pursuant to the income tax rules and regulations of the PRC, provision for PRC enterprises income tax is calculated based on the statutory rate of 25% of the assessable profits of subsidiaries incorporated in the PRC for the years ended 31 December 2023 and 2022.

(iv) According to the Corporate Income Tax law and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. Deferred tax liabilities have been provided for in this regard based on the expected dividends to be distributed from these subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008.

(b) Reconciliation between tax expenses/(credit) and accounting profit at applicable tax rates:

	2023 **RMB'000**	2022 RMB'000
Profit/(Loss) before taxation	**14,872**	(108,039)
Notional tax on loss before taxation, calculated at the rates applicable to loss in the tax jurisdictions concerned	**(3,893)**	(37,590)
Tax effect of non-deductible expenses	**9,562**	3,991
Tax effect of income not taxable for tax purposes	**(512)**	(638)
Tax effect of tax losses not recognised	**14,208**	14,841
Tax expenses/(credit) for the year	**19,365**	(19,396)

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(Expressed in Renminbi unless otherwise indicated)

10 Directors' remuneration

Directors' remuneration disclosed pursuant to are as follows:

Year ended 31 December 2023

	Directors' fees RMB'000	Salaries, allowances and benefit in kind RMB'000 *(note (i))*	Retirement scheme contributions RMB'000	2023 Total RMB'000
Executive Directors				
Mr. Kwok Kin Sun	–	541	–	541
Mr. Kwok Hon Fung	–	541	16	557
Mr. Lu Ke *(note (ii))*	–	762	148	910
Mr. Peng Zuncheng *(note (iii))*	–	266	8	274
Mr. Duan Huiyuan *(note (iv))*	–	67	1	68
Sub-total	–	2,177	173	2,350
Non-executive Director				
Mr. Wang Yan *(note (v))*	–	87	–	87
Independent Non-executive Directors				
Mr. Cheung Chiu Tung	110	–	–	110
Mr. Poon Yick Pang Philip	198	–	–	198
Mr. Ma Yu-heng *(note (vi))*	87	–	–	87
Sub-total	395	–	–	395
Total	395	2,264	173	2,832

10 Directors' remuneration (Continued)

Year ended 31 December 2022

	Directors' fees RMB'000	Salaries, allowances and benefit in kind RMB'000 *(note (i))*	Retirement scheme contributions RMB'000	2022 Total RMB'000
Executive Directors				
Mr. Kwok Kin Sun	–	518	–	518
Mr. Kwok Hon Fung	–	518	16	534
Mr. Lu Ke *(note (ii))*	–	582	119	701
Mr. Peng Zuncheng *(note (iii))*	–	518	16	534
Sub-total	–	2,136	151	2,287
Non-executive Director				
Mr. Wang Yan *(note (v))*	–	44	–	44
Independent Non-executive Directors				
Mr. Cheung Chiu Tung	110	–	–	110
Mr. Poon Yick Pang Philip	190	–	–	190
Mr. Ma Yu-heng *(note (vi))*	66	–	–	66
Sub-total	366	–	–	366
Total	366	2,180	151	2,697

Notes:

(i) Salaries, allowance and benefits in kind paid to or for the executive directors are generally emoluments paid or receivable in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

(ii) Mr. Lu Ke was appointed as an executive director of the Company on 22 June 2022.

(iii) Mr. Peng Zuncheng was resigned as an executive director of the Company on 16 June 2023.

(iv) Mr. Duan Huiyuan was appointed as an executive director of the Company on 16 June 2023.

(v) Mr. Wang Yan was appointed as a non-executive director of the Company on 22 June 2022.

(vi) Mr. Ma Yu-heng was appointed as a non-executive director of the Company on 16 March 2022.

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

The non-executive director's emolument shown above were for their service as director of the Company.

The independent non-executive directors' emoluments shown were for their services as directors of the Company.

None of the directors waived or has agreed to waive emoluments in respect of the years ended 31 December 2023 and 2022.

During both years, no emolument was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the years.

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(Expressed in Renminbi unless otherwise indicated)

11 Individual with highest emoluments

Of the five individuals with the highest emoluments, three (2022: three) are directors whose remuneration is disclosed in note 10 above. The aggregate of the emoluments in respect of the remaining two individuals for 2023 (2022: two) are as follows:

	2023 RMB'000	2022 RMB'000
Salaries and other emoluments	**781**	900
Retirement scheme contributions	**22**	31
	803	931

The emoluments of the two individuals (2021: two) with the highest emoluments fall within the following bands:

	2023 Number of individuals	2022 Number of individuals
Nil to HK$1,000,000	**2**	2

During both years, no emolument was paid by the Group to the above-mentioned individual as an inducement to join or upon joining the Group or as compensation for loss of office.

12 Loss per share

(a) Basic loss per share

The calculation of the basic loss per share attributable to equity owners of the Company is based on the following data:

	2023 RMB'000	2022 RMB'000
Loss		
Loss for the year for the purposes of computation of basic loss per share	**(52,266)**	(100,012)

	Number of shares '000	'000
Number of shares		
Weighted average number of ordinary shares in issue	**2,240,507**	2,142,977

(b) Diluted loss per share

The computation of diluted loss per share for the years ended 31 December 2023 and 2022 did not assume the conversion of outstanding convertible bonds of the Company since their assumed conversion would result in a decrease in loss per share.

13 Dividend

No dividends were paid, declared or proposed for the years ended 31 December 2023 and 2022, nor has any dividend been proposed since the end of the reporting periods.

14 Property, plant and equipment

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Total RMB'000
Cost:					
As at 1 January 2022	65,248	23,216	14,304	18,196	120,964
Additions	4,037	3,112	–	969	8,118
Transfer to investment properties	(28,176)	–	–	–	(28,176)
Disposals	(365)	(19,866)	(398)	(8,568)	(29,197)
Exchange adjustment	7	–	–	24	31
As at 31 December 2022 and 1 January 2023	40,751	6,462	13,906	10,621	71,740
Additions	1,071	7,824	–	206	9,101
Transfer to investment properties	(13,799)	–	–	–	(13,799)
Disposals	–	(8)	(2,297)	(1,518)	(3,823)
Exchange adjustment	–	–	–	5	5
As at 31 December 2023	**28,023**	**14,278**	**11,609**	**9,314**	**63,224**
Accumulated depreciation:					
As at 1 January 2022	33,800	21,032	5,936	18,047	78,815
Charge for the year	1,397	280	1,651	100	3,428
Transfer to investment properties	(10,767)	–	–	–	(10,767)
Written back on disposals	(27)	(17,984)	(378)	(8,526)	(26,915)
Exchange adjustment	1	–	–	14	15
As at 31 December 2022 and 1 January 2023	24,404	3,328	7,209	9,635	44,576
Charge for the year	2,731	1,177	1,651	302	5,861
Transfer to investment properties	(6,224)	–	–	–	(6,224)
Written back on disposals	–	–	(2,182)	(1,516)	(3,698)
Exchange adjustment	–	–	–	3	3
As at 31 December 2023	**20,911**	**4,505**	**6,678**	**8,424**	**40,518**
Carrying amount:					
As at 31 December 2023	**7,112**	**9,773**	**4,931**	**890**	**22,706**
As at 31 December 2022	16,347	3,134	6,697	986	27,164

(a) The buildings held for own use are located and erected on land held in the PRC under medium-term leases.

(b) Certain buildings with carrying amount of RMB4,403,000 (2022: RMB12,552,000) have been pledged to a bank as security for bank borrowings as at 31 December 2023 (see note 23).

14 Property, plant and equipment (Continued)

(c) Due to the loss on segment result on sales of menswear appeals incurred for the year ended 31 December 2023 and 2022, the management concluded there was indication for impairment and conducted impairment assessment on certain assets belongs to the cash-generating-units for sale of menswear appeals segment ("Menswear CGU") and sale of energy storage battery ("Energy Storage Battery CGU").

The Group estimates the recoverable amounts of the Menswear CGU based on higher of fair value less costs of disposal and value in use. The recoverable amount of Menswear CGU is higher than the carrying amount of the relevant assets and therefore no impairment has been recognised.

The recoverable amount of Menswear CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering the following 5 years with a pre-tax discount rate is 14.7% as at 31 December 2023 (2022: 12%), respectively. The annual growth rate used is 2.2% (2022: 2%), which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the relevant industry.

The recoverable amount of Energy Storage Battery CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering the following 5 years with a pre-tax discount rate is 20.7% as at 31 December 2023, respectively. The annual growth rate used is 2.2%, which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the relevant industry.

15 Investment properties

The Group leases out various offices under operating leases with rentals payable monthly. The leases typically run for an initial period of 1 to 10 years (2022: 1 to 10 years), with unilateral rights to extend the lease beyond initial period held by lessees only. Majority of the lease contracts contain market review clauses in the event the lessee exercises the option to extend.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

	2023 **RMB'000**	2022 RMB'000
Cost:		
As at 1 January	**552,658**	491,338
Transfer from property, plant and equipment	**13,799**	28,176
Addition	**4,030**	33,144
As at 31 December	**570,487**	552,658
Accumulated depreciation:		
As at 1 January	**177,234**	152,401
Charge for the year	**14,886**	14,067
Transfer from property, plant and equipment	**6,224**	10,766
As at 31 December	**198,344**	177,234
Carrying amount:		
As at 31 December	**372,143**	375,424
Classify as:		
Construction in progress	**159,560**	155,530
Investment properties	**212,583**	219,894
	372,143	375,424

The investment properties were pledged as security for bank borrowings.

The fair value of the Group's investment properties at 31 December 2023 was RMB394,000,000 (2022: RMB417,000,000). The fair value has been arrived at based on a valuation carried out by independent valuers not connected with the Group.

The fair value was determined based on the income approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The discount rate is determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in the PRC and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties. There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

16 Right-of-use assets

	Land use rights RMB'000 *Notes*	Leasehold properties RMB'000	Total RMB'000
Cost			
As at 1 January 2022	253,129	9,137	262,266
Additions	–	10,568	10,568
Termination of lease	–	(7,607)	(7,607)
Exchange realignment	–	382	382
As at 31 December 2022 and 1 January 2023	253,129	12,480	265,609
Exchange realignment	–	8	8
As at 31 December 2023	**253,129**	**12,488**	**265,617**
Accumulated amortisation			
As at 1 January 2022	21,327	3,265	24,592
Amortisation for the year	7,109	3,405	10,514
Termination of lease	–	(3,702)	(3,702)
Exchange realignment	–	81	81
As at 31 December 2022 and 1 January 2023	28,436	3,049	31,485
Amortisation for the year	7,109	4,126	11,235
Exchange realignment	–	10	10
As at 31 December 2023	**35,545**	**7,185**	**42,730**
Carrying amount			
As at 31 December 2023	**217,584**	**5,303**	**222,887**
As at 31 December 2022	224,693	9,431	234,124

	2023 RMB'000	2022 RMB'000
Expense relating to short-term lease	**593**	–
Total cash outflow for lease	**4,975**	3,958

Notes:

(a) All the Group's land use rights on leasehold land are located in the PRC. As at 31 December 2023, the remaining period of land use rights range from 29 to 32 years (2022: 30 to 33 years).

(b) As at 31 December 2023, the land use rights with carrying value of RMB217,584,000 (2022: RMB224,693,000) were pledged as security for bank borrowings (see note 23).

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17 Intangible assets

	Patent RMB'000	ERP system RMB'000	Distribution network RMB'000	Total RMB'000
Cost:				
As at 1 January 2022	–	17,344	217,000	234,344
Addition	48,600	106	–	48,706
As at 31 December 2022 and 1 January 2023	48,600	17,450	217,000	283,050
Addition	**–**	**63**	**–**	**63**
Disposal	**(114)**	**–**	**–**	**(114)**
As at 31 December 2023	**48,486**	**17,513**	**217,000**	**282,999**
Accumulated amortisation and impairment:				
As at 1 January 2022	–	7,916	217,000	224,916
Charge for the year	3,288	2,522	–	5,810
Impairment	–	6,911	–	6,911
As at 31 December 2022 and 1 January 2023	3,288	17,349	217,000	237,637
Charge for the year	5,197	12	–	5,209
Disposal	(12)	–	–	(12)
As at 31 December 2023	**8,473**	**17,361**	**217,000**	**242,834**
Carrying amount				
As at 31 December 2023	**40,013**	**152**	**–**	**40,165**
As at 31 December 2022	45,312	101	–	45,413

For the year ended 31 December 2022, an impairment loss of approximately RMB6,911,000 was made on ERP system.

18 Inventories

Inventories in the consolidated statement of financial position comprise:

	2023 RMB'000	2022 RMB'000
Raw materials	**3,846**	244
Finished goods	**26,855**	54,064
	30,701	54,308

19 Trade and other receivables

	2023 RMB'000	2022 RMB'000
Trade receivables	**1,088,886**	772,960
Less: Loss allowance for expected credit loss	**(413,313)**	(412,363)
Written-off	**(1,946)**	(3,923)
Trade receivables	**673,627**	356,674
Prepayments to suppliers	**156,939**	16,101
Other deposits, prepayments and receivables	**5,645**	47,539
	836,211	420,314

Aging analysis

At the end of the reporting period, the aging analysis of trade receivables with net of allowance for credit losses, based on invoice date, is as follows:

	2023 RMB'000	2022 RMB'000
Within 3 months	**148,590**	223,565
More than 3 months but within 6 months	**146,731**	5,321
More than 6 months but within 1 year	**296,031**	121,109
Over 1 year	**82,275**	6,679
	673,627	356,674

Trade receivables are normally due for settlement within 90–180 days from the invoice date.

20 Pledged bank deposit

As at 31 December 2022, bank deposit have been pledged as security for bank borrowing, which were repayable within 1 year from the end of the reporting period (see note 23).

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(Expressed in Renminbi unless otherwise indicated)

21 Cash and cash equivalents and fixed deposits held at banks

a. Cash and cash equivalents and fixed deposits held at banks comprise:

	2023 RMB'000	2022 RMB'000
Cash at bank and in hand	**70,319**	50,375

As at 31 December 2023, cash and cash equivalents in the PRC amounted to approximately RMB35,200,000 (2022: RMB33,760,000). Remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

b. Reconciliation of profit/(loss) before taxation to cash generated from operations:

	2023 RMB'000	2022 RMB'000
Profit/(Loss) before taxation	**14,872**	(108,039)
Adjustments for:		
— Depreciation of property, plant and equipment	**5,861**	3,428
— Depreciation of investment properties	**14,886**	14,067
— Amortisation of right-of-use assets	**11,235**	10,514
— Amortisation of intangible assets	**5,209**	5,810
— Interest expense	**35,860**	30,617
— Interest income	**(1,129)**	(1,276)
— Gain from termination of leases	**–**	(439)
— Impairment of intangible assets	**–**	6,911
— Loss on disposal of property, plant and equipment	**60**	1,751
— Foreign exchange loss, net	**236**	11,382
— Allowance for ECL	**33,401**	130,408
— Reversal of allowance for ECL	**(30,481)**	(17,706)
— Gain on modification of corporate bonds	**–**	(1,175)
— Loss on disposal of intangible assets	**102**	–
Changes in working capital:		
— Decrease/(Increase) in inventories	**23,531**	(19,686)
— Increase in trade and other receivables	**(413,372)**	(267,672)
— Increase in trade and other payables	**169,492**	156,753
Cash used in operations	**(130,237)**	(44,352)

22 Trade and other payables

	2023 RMB'000	2022 RMB'000
Trade payables	**420,987**	251,439
Other payables	**39,619**	31,523
Accruals	**53,178**	54,919
	513,784	337,881

The below is an aging analysis of the trade payables at the end of the reporting period based on relevant invoice dates:

	2023 RMB'000	2022 RMB'000
Within 1 month or on demand	**29,582**	51,527
Over 1 month but within 3 months	**54,412**	114,430
Over 3 months but within 6 months	**72,718**	71,288
Over 6 months but within 1 year	**160,402**	3,927
Over 1 year	**103,873**	10,267
	420,987	251,439

23 Bank borrowings

(a) The bank borrowings were repayable as follows:

	2023 RMB'000	2022 RMB'000
Fixed-rate borrowings, within 1 year or on demand	**382,000**	411,121

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2023	2022
Effective interest are:		
Fixed-rate borrowings	**3.7% to 5.66%**	3.15% to 5.85%

23 Bank borrowings (Continued)

(b) Analysed as follows:

	2023 RMB'000	2022 RMB'000
Bank borrowings		
— secured	**335,000**	366,121
— unsecured	**47,000**	45,000
	382,000	411,121

(c) Secured bank borrowings were secured by the following assets of the Group as follows:

	2023 RMB'000	2022 RMB'000
Property, plant and equipment	**4,403**	12,552
Investment properties	**212,583**	219,894
Right-of-use assets	**217,584**	224,693
Pledge bank deposits	**–**	20,000
	434,570	477,139

As at 31 December 2023 and 2022 certain bank borrowings were also guaranteed by Mr. Kwok Kin Sun and Ms. Wong Tung Yau, who is the major shareholder and the spouse of Mr. Kwok Kin Sun of the Company.

(d) Unsecured bank borrowings were guaranteed by:

As at 31 December 2023 and 2022, certain bank borrowing were guaranteed by Mr. Kwok Kin Sun and Ms. Wong Tung Yau, who is the major shareholder and the spouse of Mr. Kwok Kin Sun of the Company.

(e) The amounts of banking facilities and the utilisation at the end of the reporting period are set out as follows:

	2023 RMB'000	2022 RMB'000
Facility amount	**458,800**	560,000
Utilised facilities amount in respect of bank borrowings	**382,000**	411,100

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24 Lease liabilities

	2023 RMB'000	2022 RMB'000
Lease liabilities		
Current	**4,194**	4,159
Non-current	**867**	5,057
	5,061	9,216
Lease liabilities payable		
— Within one year	**4,194**	4,159
— More than one year but not more than two years	**867**	4,190
— More than two years but not more than five years	**–**	867
Present value of lease liabilities	**5,061**	9,216
Analysis as:		
Amounts due for settlement within one year	**4,194**	4,159
Amounts due for settlement after one year	**867**	5,057
	5,061	9,216

The weighted average incremental borrowing rates applied to lease liabilities range from 0.17% to 1.06% (2022: 0.21% to 1.03%).

25 Income tax in the consolidated statement of financial position

(a) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movement during the year are as follows:

Deferred tax arising from:	Withholding tax for undistributed profit RMB'000	Impairment on trade receivable RMB'000	Total RMB'000
As at 1 January 2022	(37,740)	75,576	37,836
Credited to consolidated statement of profit or loss and other comprehensive income	–	26,353	26,353
As at 31 December 2022 and 1 January 2023	(37,740)	101,929	64,189
Credited to consolidated statement of profit or loss and other comprehensive expense	–	(1,671)	(1,671)
As at 31 December 2023	**(37,740)**	**100,258**	**62,518**

(ii) Reconciliation to the consolidated statement of financial position

	2023 RMB'000	2022 RMB'000
Deferred tax assets	**100,258**	101,929
Deferred tax liabilities	**(37,740)**	(37,740)

(b) Deferred tax assets not recognised

At the end of the reporting period, the Group has unused tax losses of approximately RMB70,164,000 (2022: RMB59,913,000) available for offset against future profits. Included in unrecognised tax losses are losses of approximately RMB214,482,000 (2022: RMB146,563,000) with expiry from 2024 to 2028 (2022: 2023 to 2027). Other losses may be carried forward indefinitely.

(c) Deferred tax liabilities not recognised

Pursuant to the PRC Corporate Income Tax Law and its related regulations, the Group is subject to withholding tax at 10% (unless reduced by tax treaties/arrangements) on dividends receivable from its PRC subsidiaries in respect of their profits generated since 1 January 2008. As at 31 December 2023, deferred tax liabilities relating to the undistributed profits of the Company's PRC subsidiaries of approximately RMB982,056,000 (2022: RMB994,287,000) were not recognised as the Company controls the dividend policy of these subsidiaries and it has determined that those profits will not be distributed in the foreseeable future.

26 Corporate bonds

	2023 RMB'000	2022 RMB'000
Unsecured corporate bonds	**35,128**	50,463

The Group's corporate bonds are repayable as follows:

	2023 RMB'000	2022 RMB'000
Within 1 year	**11,436**	28,628
After 1 year but within 2 years	**16,272**	2,416
After 2 years but within 5 years	**7,420**	19,419
	35,128	50,463
Analysed as:		
— Current	**11,436**	28,628
— Non-current	**23,692**	21,835
	35,128	50,463

As at 31 December 2023, the Group issued bonds with a principal amount in a total of RMB48,075,000 carried interest at 0.1%–6.5% per annum (2022: RMB58,834,000 carried interest at 0.1%–6.5% per annum). The bonds are unsecured with maturity date falling on 2–8 years (2022: 2–8 years) of the issue date.

The effective interest rate of the bonds is ranging from 6.73% to 12.75% per annum (2022: 6.73% to 13.35% per annum).

27 Convertible bonds

The Company issued approximately HK$26,205,000, 8.0% per annum convertible bonds on 30 May 2023 ("2023 CB"). The convertible bonds are denominated in Hong Kong dollars. The convertible bond holders are entitled to convert the convertible bonds into ordinary shares of the Company at any time from date of issue to the maturity date on 29 May 2025 at an initial conversion price of HK$0.66 per conversion share. The Company and holder have the callable option to redeem all or some of the convertible bonds plus accrued interest from 30 May 2023 and prior to the maturity date on 29 May 2025. If the convertible bonds have not been converted, it will be redeemed on the maturity date on 29 May 2025 at par. During the year ended 31 December 2023, partial of 2023 CB with amount of approximately HK$22,780,000 was converted. The Company allotted and issued 34,515,000 shares of the Company to the subscriber on 14 December 2023.

During the year ended 31 December 2022, the Company issued HK$60,000,000, 8.0% per annum convertible bond on 21 June 2022 ("2022 CB"). The convertible bond is denominated in Hong Kong dollars. The convertible bond holder is entitled to convert the convertible bond into ordinary shares of the Company at any time from 21 June 2023 to the maturity date on 20 June 2024 at an initial conversion price of HK$0.6 per conversion share. The Company and holder have the callable option to redeem all or some of the convertible bond plus accrued interest from 21 June 2022 and prior to the maturity date on 20 June 2024. If the convertible bond has not been converted, it will be redeemed on the maturity date on 20 June 2024 at par. During the year ended 31 December 2023, 2022 CB was fully converted. The Company allotted and issued 100,000,000 shares of the Company to the subscriber on 14 December 2023.

27 Convertible bonds (Continued)

The convertible bonds contain two components, debt component and equity component. The effective interest rate of the debt component is 20.23% to 25.9%.

The movements of the debt and equity components of the convertible bonds are set out as below:

	Debt component RMB'000	Equity component RMB'000
As at 1 January 2022	–	–
Proceed from the issuance of convertible bond	41,157	8,756
Effective interest expense	2,098	–
Exchange adjustment	3,690	–
As at 31 December 2022 and 1 January 2023	46,945	8,756
Proceeds from the issuance of convertible bonds	**17,620**	**6,063**
Effective interest expense	**5,995**	**–**
Conversion of convertible bonds	**(68,884)**	**(14,026)**
Exchange adjustment	**971**	**–**
As at 31 December 2023	**2,647**	**793**

28 Loans from a shareholder

Loans from a shareholder, Mr. Kwok, Kin Sun. are unsecured, interest bearing at 4% to 5% per annum and repayable within one year.

29 Employee retirement benefits

Defined contribution retirement plans

The PRC subsidiaries of the Group participate in defined contribution retirement benefit schemes (the "Schemes") organised by the PRC municipal and provincial government authorities whereby the PRC subsidiaries are required to make contributions at the rate of 18% of the eligible employees' salaries to the Schemes. The Group has accrued for the required contributions which are remitted to the respective local government authorities when the contributions become due. The local government authorities are responsible for the pension obligations payable to the retired employees covered under the Schemes.

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

The Group has no other material obligation for the payment of pension benefits beyond the contributions described above.

(Expressed in Renminbi unless otherwise indicated)

30 Equity-settled share-based payments for employees

The Company has adopted a share option scheme on 7 October 2015 whereby the directors of the Company are authorised, at their discretion, to invite certain employees of the Group, including certain directors of the Group, to take up share options at consideration of HK$1 for each option holder (equivalent to RMB0.821 at the date of grant). Each option gives the holder the right to subscribe for one ordinary share in the Company and will be settled gross in shares.

(a) Details of share options granted are as follows:

Date of grant		Exercise price	Number of options granted	Vesting period	Exercisable period
Options granted to directors of the Company:					
7 October 2015	Batch 1	HK$0.89	400,000	one year from the date of grant	From 7 October 2016 to 6 October 2021
7 October 2015	Batch 2	HK$0.89	400,000	two year from the date of grant	From 7 October 2017 to 6 October 2022
7 October 2015	Batch 3	HK$0.89	400,000	three year from the date of grant	From 7 October 2018 to 6 October 2023
		HK$0.89	1,200,000		

(b) The number and weighted average exercise prices of share options

	2023 Weighted average exercise price	2023 Number of options	2022 Weighted average exercise price	2022 Number of options
Outstanding at the 1 January	**HK$0.89**	**400,000**	HK$0.89	800,000
Lapsed during the year	**HK$0.89**	**(400,000)**	HK$0.89	(400,000)
Outstanding at 31 December	**N/A**	**–**	HK$0.89	400,000
Exercisable at the end of the year	**N/A**	**–**	HK$0.89	400,000

As at 31 December 2022, nil share options were granted and 400,000 share options became exercisable. The share options outstanding as at 31 December 2022 had an exercise price of HK$0.89 and a weighted average remaining contractual life of 0.8 years.

During the year ended 31 December 2023, 400,000 of share options had been lapsed and no share options remained outstanding as at 31 December 2023.

30 Equity-settled share-based payments for employees (Continued)

(c) Fair value of share options and assumptions

The fair value of the share options determined at date of grant is measured by an independent valuer engaged by the Group, namely Asset Appraisals Limited, based on binomial model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial model.

Fair value of share options at the date of grant and assumptions

Fair value at measurement date (HK$)	0.67–0.68
Share price (HK$)	0.89
Exercise price (HK$)	0.89
Expected volatility (expressed as average volatility used in the modelling under binomial model)	43%
Option life	6–8 years
Expected dividends	10.11%
Risk-free interest rate (based on Hong Kong Government Bond yield)	1.03%–1.30%

The expected volatility is based on the historical volatilities of the share prices of the comparable companies. Expected dividends were estimated by the Company based on its expected dividend policy over the expected terms of the options. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted with a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the grants of the share options.

31 Capital, reserve and dividends

(a) Share capital

	Number of ordinary shares of HK$0.0025	Amount HK$'000
Authorised:		
As at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	**4,000,000,000**	**10,000**

31 Capital, reserve and dividends (Continued)

(a) Share capital (Continued)

	Number of ordinary shares of HK$0.0025	Amount HK$'000	Amount RMB'000
Issued and fully paid:			
As at 1 January 2022	2,092,018,000	5,230	4,163
Issuance of share under subscription *(note)*	120,000,000	300	257
As at 31 December 2022 and 1 January 2023	2,212,018,000	5,530	4,420
Issuance of share under subscription (note)	398,856,000	997	904
Issuance of share under conversion of convertible bonds (note 27)	134,515,000	336	305
As at 31 December 2023	**2,745,389,000**	**6,863**	**5,629**

Note: On 13 July 2022, the Company entered into the subscription agreement with an independent third party, as the subscriber, pursuant to which the subscriber had conditionally agreed to subscribe for 120,000,000 new shares at the subscription price of HK$0.550 per subscription share. The subscription was completed and 120,000,000 of new shares were issued and allotted on 29 July 2022.

On 22 November 2023, the Company entered into the subscription agreement with independent third parties, as the subscribers, pursuant to which the subscribers had conditionally agreed to subscribe for 398,856,000 new shares at the subscription price of HK$0.5 per subscription share. The subscription was completed and 398,856,000 of new shares were issued and allotted on 12 December 2023.

(b) Nature and purpose of reserves

(i) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company.

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to the shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

(ii) Statutory reserve

As stipulated by regulations in the PRC, the Company's subsidiaries established and operated in the mainland China are required to appropriate 10% of their after-tax-profit (after offsetting prior year losses) as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of profits to parent companies.

The statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

31 Capital, reserve and dividends (Continued)

(b) Nature and purpose of reserves (Continued)

(iii) Capital reserve

On 30 April 2014, an amount payable of RMB39,023,000 had been waived by the ultimate controlling party, Mr. Kwok Kin Sun, and capitalised in capital reserve.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statement of foreign operations outside the PRC.

(v) Share-based payment reserve

Share-based payment reserve comprises the following:

— The fair value of services provided by parties other than employees to the Group in connection with the listing of the Company and the services were settled by equity instrument of the Company. The relevant services are recognised in accordance with IFRS 2, *Share-based payment*. Share-based payment was vested pursuant to the listing of the Company on 16 July 2014. Nil has been transferred from the share-based reserve to the share premium account during the years of 2023 and 2022.

— The portion of the grant date fair value of share options granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for the share-based payments in note 3(p)(ii).

(vi) Convertible bond reserve

Convertible bond reserve represents the amount allocated to the equity component of convertible bond issued by the Company.

(c) Distributable reserve

At 31 December 2023, the aggregate amount of reserves (including share premium and retained profits) available for distribution to the shareholders of the Company was approximately RMB192,496,000 (2022: RMB167,151,000).

(d) Capital risk management

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

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure with reference to its debt position. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there are adequate working capital to service its debt obligations. The Group's debt to asset ratio, being the Group's total liabilities (excluding deferred tax liabilities) over its total assets (excluding deferred tax assets), at 31 December 2023 were 62% (2022: 70%).

Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

32 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Categories of financial instruments

	2023 RMB'000	2022 RMB'000
Financial assets		
Trade and other receivables	**674,562**	360,173
Pledged bank deposit	**–**	20,000
Cash and cash equivalents	**70,319**	50,375
Financial assets at amortised cost	**744,881**	430,548
Financial liabilities		
Trade, bills and other payables	**513,436**	337,881
Bank borrowings	**382,000**	411,121
Corporate bonds	**35,128**	50,463
Convertible bond	**2,647**	46,945
Loans from a shareholder	**37,092**	–
Financial liabilities at amortised cost	**970,303**	846,410

32 Financial risk management and fair values of financial instruments (Continued)

(b) Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligations by the counterparties is arising from the carrying amount of respective recognised financial assets as stated in the consolidated statement of financial position of the Group.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures over the customers to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

(i) Trade receivables

As at 31 December 2023, the Group has concentration of credit risk as 12% (2022: 14%) and 86% (2022: 47%) of the total trade receivable was due from the Group's largest debtor and the top five largest debtors respectively. Taking into accounts the creditworthiness of the customers, the credit risk measures and the historical levels of default, the directors consider that such concentration of credit risk would not result in significant credit default exposure to the Group.

As part of the Group's credit risk management, the Group applied internal credit rating for its customers. The Group's trade receivables are assessed collectively by reference to past default experience and current past due exposure of each of the debtor. The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2023 and 2022:

For the year ended 31 December 2023

	Expected loss	Gross carrying amount RMB'000	Loss allowance RMB'000
Within 3 months	0.23%	148,932	343
More than 3 months but within 6 months	0.4%	147,326	595
More than 6 months but within 1 year	0.51%	297,551	1,520
Over 1 year	83.32%	493,130	410,855
		1,086,939	413,313

32 Financial risk management and fair values of financial instruments (Continued)

(b) Credit risk (Continued)

(i) Trade receivables (Continued)

For the year ended 31 December 2022

	Expected loss	Gross carrying amount RMB'000	Loss allowance RMB'000
Within 3 months	3.98%	232,820	9,255
More than 3 months but within 6 months	5.18%	106,906	5,534
More than 6 months but within 1 year	7.37%	27,051	1,993
Over 1 year	98.34%	402,260	395,581
		769,037	412,363

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets at amortised cost
Good	The counterparty has a low risk of default	Lifetime ECL — not credit-impaired	12m ECL
Low risk	Debtor frequently repays after due dates but usually settles in full	Lifetime ECL — not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

32 Financial risk management and fair values of financial instruments (Continued)

(b) Credit risk (Continued)

(i) Trade receivables (Continued)

The table below details the credit risk exposures of the Group's trade receivables, which are subject to ECL assessment:

As at 31 December 2023	External credit rating	Internal credit rating	12 m or lifetime ECL	Gross carrying amount RMB'000
Financial assets at amortised cost				
Trade receivables	**N/A**	**Good**	**Lifetime ECL — (not credit-impaired)**	**231,207**
	N/A	**Low risk**	**Lifetime ECL — (not credit-impaired)**	**147,326**
	N/A	**Doubtful**	**Lifetime ECL — (not credit-impaired)**	**297,551**
	N/A	**Loss**	**Lifetime ECL — (credit-impaired)**	**410,855**
	N/A	**Written-off**	**Amount is written off**	**1,946**
Other receivables	**N/A**	**Doubtful**	**Lifetime ECL — (not credit-impaired)**	**937**
Cash and cash equivalents	**A1–Baa3**	**N/A**	**12m ECL**	**70,319**

As at 31 December 2022	External credit rating	Internal credit rating	12 m or lifetime ECL	Gross carrying amount RMB'000
Financial assets at amortised cost				
Trade receivables	N/A	Good	Lifetime ECL — (not credit-impaired)	239,499
	N/A	Low risk	Lifetime ECL — (not credit-impaired)	106,906
	N/A	Doubtful	Lifetime ECL — (not credit-impaired)	27,051
	N/A	Loss	Lifetime ECL — (credit-impaired)	395,581
	N/A	Written-off	Amount is written off	3,923
Other receivables	N/A	Doubtful	Lifetime ECL — (not credit-impaired)	3,497
Cash and cash equivalents	A1–Baa3	N/A	12m ECL	50,375

32 Financial risk management and fair values of financial instruments (Continued)

(b) Credit risk (Continued)

(i) 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 is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

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

	Lifetime ECL — (credit-impaired) RMB'000	Lifetime ECL — (not credit-impaired) RMB'000	Total RMB'000
As at 1 January 2022	297,799	4,307	302,106
Change due to financial instruments recognised as at 1 January 2022			
— Written-off	(3,923)	–	(3,923)
— Transfer to credit-impaired	4,307	(4,307)	–
— Impairment loss recognised	115,104	16,782	131,886
— Impairment loss reversed	(17,706)	–	(17,706)
As at 31 December 2022 and 1 January 2023	395,581	16,782	412,363
Change due to financial instruments recognised as at 1 January 2023			
— Written-off	(1,946)	–	(1,946)
— Transfer to credit-impaired	16,782	(16,782)	–
— Impairment loss recognised	30,919	2,458	33,377
— Impairment loss reversed	(30,481)	–	(30,481)
As at 31 December 2023	**410,855**	**2,458**	**413,313**

The Group does not hold any collateral over these balances.

(ii) Pledged bank deposit and cash and cash equivalents

The credit risk on pledged bank deposit and cash and cash equivalents is limited because the major counterparties are reputable banks operating in Hong Kong and in the PRC. Other than the concentration of cash and cash equivalents which are deposited with several reputable banks in Hong Kong and in the PRC, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

(iii) Other receivables and deposits

For other receivables and deposits, the management makes periodic individual assessment on the recoverability of other receivables and 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 other receivables and deposits are insignificant and thus no loss allowance is recognised and the amount of impairment made.

32 Financial risk management and fair values of financial instruments (Continued)

(c) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the management and directors when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

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

	Contractual undiscounted cash flows			
	Within 1 year or on demand	**More than 1 year**	**Total**	**Carrying amount**
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2023				
Bank borrowings	**390,870**	**–**	**390,870**	**382,000**
Loans from a shareholder	**37,092**	**–**	**37,092**	**37,092**
Trade and other payables	**513,436**	**–**	**513,436**	**515,436**
Lease liabilities	**4,291**	**872**	**5,163**	**5,061**
Corporate bonds	**10,802**	**29,905**	**40,707**	**35,128**
Convertible bond	**–**	**3,601**	**3,601**	**2,647**
	956,491	**34,378**	**990,869**	**977,364**
As at 31 December 2022				
Bank borrowings	421,350	–	421,350	411,121
Trade and other payables	337,881	–	337,881	337,881
Lease liabilities	4,387	5,161	9,548	9,216
Corporate bonds	28,987	29,847	58,834	50,463
Convertible bond	–	62,949	62,949	46,945
	792,605	97,957	890,562	855,626

32 Financial risk management and fair values of financial instruments (Continued)

(d) Interest rate risk

The Group's interest rate risk arises primarily from bank borrowings, corporate bonds and convertible bond. Bank borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's interest rate profiles as monitored by management are set out below.

Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period.

	2023		2022	
	Effective interest rate	**Amount RMB'000**	Effective interest rate	Amount RMB'000
Fixed rate borrowings:				
Bank borrowings	**4.75%**	**382,000**	5.04%	411,121
Corporate bonds	**10.42%**	**35,128**	11.15%	50,463
Convertible bond	**25.94%**	**2,647**	20.23%	46,945
Total bank borrowings		**419,775**		508,529
Net fixed rate borrowings as a percentage of total borrowings		**100%**		100%

(e) Fair value

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2023 and 2022.

33 Commitments

(a) Capital commitments

Capital commitments of the Group in respect of construction in progress as at 31 December 2023 and 2022 that were not provided for in the consolidated financial statements were as follows:

	2023 **RMB'000**	2022 RMB'000
Contracted for	**197,677**	203,226

(b) Operating leases arrangements

As lessor

At the ended of the reporting period, the Group had total future minimum lease receivable, in respect of land and buildings, under non-cancellable operating lease with its tenants falling due as follows:

	2023 **RMB'000**	2022 RMB'000
Within one year	**14,728**	12,616
In the second years to fifth years, inclusive	**55,746**	44,780
After five years	**37,475**	43,689
	107,949	101,085

34 Material Related Party Transactions

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into the following material related party transactions.

Key management personnel compensation

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 10 and certain of the highest paid employees as disclosed in note 11, is as follows:

	2023 RMB'000	2022 RMB'000
Short-term employee benefits	**2,544**	2,543
Retirement scheme contributions	**75**	48
	2,619	2,591

The above remuneration is included in "staff costs" (note 8(b)).

35 Reconciliation of liabilities arising from financing activities

	Bank borrowings RMB'000	**Lease liabilities** RMB'000	**Corporate bonds** RMB'000	**Convertible bond** RMB'000	**Loans from shareholder** RMB'000	**Total** RMB'000
As at 1 January 2022	398,500	6,181	59,211	–	–	463,892
Financing cashflows	(7,660)	(3,958)	(19,038)	(2,202)	–	(32,858)
Modification of lease	–	(4,344)	–	–	–	(4,344)
Modification of corporate bonds	–	–	(1,175)	–	–	(1,175)
New lease entered	–	10,568	–	–	–	10,568
Issuance of convertible bond	–	–	–	41,157	–	41,157
Exchange adjustments	–	478	5,720	3,690	–	9,888
Interest expenses	20,281	291	5,745	4,300	–	30,617
As at 31 December 2022 and 1 January 2023	411,121	9,216	50,463	46,945	–	517,745
Financing cashflows	(48,532)	(4,382)	(19,611)	(68,884)	36,150	(105,259)
Issuance of convertible bonds	–	–	–	17,620	–	17,620
Exchange adjustments	–	(2)	12	971	–	981
Interest expenses	19,411	229	4,264	5,995	942	30,841
As at 31 December 2023	**382,000**	**5,061**	**35,128**	**2,647**	**37,092**	**461,928**

36 Company-level statement of financial position

	Notes	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment		**48**	68
Investment in a subsidiary		**–**	–
Right-of-use assets		**856**	1,538
		904	1,606
Current assets			
Other receivables		**678**	2,231
Amounts due from subsidiaries		**370,779**	405,049
Cash and cash equivalents		**21,726**	23,977
		393,183	431,257
Current liabilities			
Accrual and other payables		**15,836**	13,236
Amounts due to subsidiaries		**106,278**	109,709
Lease liabilities		**711**	687
Corporate bonds		**11,436**	28,628
		134,261	152,260
Net current assets		**258,922**	278,997
Total assets less current liabilities		**259,826**	280,603
Non-current liabilities			
Lease liabilities		**154**	863
Corporate bonds		**23,692**	21,835
Convertible bond		**2,647**	46,945
		26,493	69,643
Net assets		**233,333**	210,960
Capital and reserves			
Share capital	*31(a)*	**5,629**	4,420
Reserves	*31(b)*	**227,704**	206,540
Total equity		**233,333**	210,960

Approved and authorised for issue by the board of directors on 27 March 2024.

Kwok Kin Sun
Chairman

Kwok Hon Fung
Director

36 Company-level statement of financial position (Continued)

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Convertible bonds RMB'000	Share-based payment reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2022	4,163	214,184	3,836	–	111	(136,034)	86,260
Total comprehensive income for the year	–	–	26,742	–	–	32,758	59,500
Initial recognitions of convertible bond	–	–	–	8,756	–	–	8,756
Issuance of shares	257	56,187	–	–	–	–	56,444
Transfer of share option reserve upon the expiry of share option	–	–	–	–	(56)	56	–
As at 31 December 2022 and 1 January 2023	4,420	270,371	30,578	8,756	55	(103,220)	210,960
Total comprehensive (expense)/income for the year	**–**	**–**	**3,837**	**–**	**–**	**(237,137)**	**(233,300)**
Initial recognitions of convertible bonds	**–**	**–**	**–**	**6,063**	**–**	**–**	**6,063**
Issuance of shares	**904**	**179,822**	**–**	**–**	**–**	**–**	**180,726**
Conversion of convertible bonds	**305**	**82,605**	**–**	**(14,026)**	**–**	**–**	**68,884**
Transfer of share option reserve upon the expiry of share option	**–**	**–**	**–**	**–**	**(55)**	**55**	**–**
As at 31 December 2023	**5,629**	**532,798**	**34,415**	**793**	**–**	**(340,302)**	**233,333**

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

37 Particulars of investments in subsidiaries

Details of the Group's principal subsidiaries are as follows. The class of shares held is ordinary unless otherwise stated.

Name of Company	Place of incorporation/ registration/ operation	Issued and fully paid up capital	Proportion of ownership interest and voting power held by the Company 2023 Direct	2023 Indirect	2022 Direct	2022 Indirect	Principle activities
Bigtime Global Limited ("Bigtime Global")	BVI	US$10	**100%**	**–**	100%	–	Investment holding
Tiger Capital Fashion (Holdings) Company Limited ("Tiger Capital HK")	Hong Kong	HK$100,000	**–**	**100%**	–	100%	Investment holding
Tiger Capital (China) Fashion Co., Ltd. *(note (i) and (ii))* ("Tiger Capital Fashion") (虎都(中國)服飾有限公司)	PRC	HK$100,000,000	**–**	**100%**	–	100%	Wholesale of menswear
Fordoo (China) Industrial Ltd., Co *(note (i) and (ii))* ("Fordoo Industrial") (虎都(中國)實業有限公司)	PRC	HK$353,436,677	**–**	**100%**	–	100%	Manufacture and wholesale of menswear
Huian Tiger Capital Technology Company Limited *(note (i) and (ii))* ("Tiger Capital Technology") (惠安虎都科技有限公司)	PRC	RMB30,000,000	**–**	**100%**	–	100%	Research and development
Quanzhou Fordoo Commercial and Trading Company Limited *(note (i), (ii) and (iv))* (泉州虎都商貿有限公司)	PRC	–	**–**	**100%**	–	100%	Trading of menswear
Quanzhou Fordoo Creative Park Management Limited *(note (i), (ii) and (v))* (泉州虎都創意園管理有限公司)	PRC	–	**–**	**100%**	–	100%	Research and development
Beijing Haoyin Clothing Co., Ltd. *(note (i) and (ii))* (北京浩垠服飾有限公司)	PRC	RMB5,000,000	**–**	**100%**	–	100%	Retail of menswear
Oriental Starway Limited	Hong Kong	HK$1	**–**	**51%**	–	51%	Sales of industrial products
Jiangsu HengAn Energy Technology Co., Ltd. *(note (i), (ii) and (vi))* ("Jiangsu HengAn") (江蘇恒安儲能科技有限公司)	PRC	–	**–**	**100%**	–	100%	Power storage industry

Notes:

(i) The English translation of the companies' names is for reference only. The official names of these companies are in Chinese.

(ii) All of the subsidiaries established in the PRC are wholly foreign owned enterprises.

(iii) The Directors are of the opinion that a complete list of the particulars of all subsidiaries of the Company is of excessive length and therefore the above list contains only the particulars of subsidiaries which principally affect the results or finance position of the Group.

(iv) This subsidiary was established in 2016, the capital has not been paid up as at 31 December 2023 and 2022.

(v) This subsidiary was established in 2020, the capital has not been paid up as at 31 December 2023 and 2022.

(vi) This subsidiary was established in 2021, the capital has not been paid up as at 31 December 2023 and 2022.

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

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

37 Particulars of investments in subsidiaries (Continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		(Loss)/Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2023	2022	**2023**	2022	**2023**	2022
				RMB'000	RMB'000	**RMB'000**	RMB'000
Rosy Estate Global Limited and its subsidiary ("Rosy Estate Group")							
Rosy Estate Global Limited	BVI	**49%**	49%	**(7)**	(6)	**(22)**	(15)
Oriental Starway Limited	Hong Kong	**49%**	49%	**47,780**	11,530	**68,313**	20,220

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Rosy Estate Group

	2023	2022
	RMB'000	RMB'000
Non-current assets	**787**	2,257
Current assets	**631,172**	361,081
Current liabilities	**(492,589)**	322,103
Equity attributable to owners of the Company	**71,079**	21,030
Non-controlling interest	**68,291**	20,205
Revenue	**517,037**	500,878
Expenses	**(419,539)**	(477,357)
Profit for the year	**97,498**	23,521
Other comprehensive income	**635**	2,744

37 Particulars of investments in subsidiaries (Continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

Rosy Estate Group (Continued)

	2023 RMB'000	2022 RMB'000
Profit attributable to:		
Owners of the Company	49,725	11,997
Non-controlling interests	47,773	11,524
	97,498	23,521
Other comprehensive income attributable to:		
Owners of the Company	324	1,398
Non-controlling interests	311	1,346
	635	2,744
Total comprehensive income attributable to:		
Owners of the Company	50,049	13,395
Non-controlling interests	48,084	12,870
	98,133	26,265

38 Approval of the consolidation financial statements

The consolidation financial statements were approved and authorised for issue by the board of Directors on 27 March 2024.

Five Years Summary

	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Revenue	**645,084**	603,911	373,861	270,070	358,987
Profit/(Loss) from operations	**50,732**	(77,422)	(118,349)	(545,594)	(307,992)
Finance costs	**(35,860)**	(30,617)	(28,710)	(34,250)	(28,810)
Profit/(Loss) before taxation	**14,872**	(108,039)	(147,059)	(579,844)	(336,802)
Income tax (expenses)/credit	**(19,365)**	19,396	(19,879)	27,615	33,059
Loss for the year from continuing operations	**(4,493)**	(88,643)	(166,938)	(552,229)	(303,743)
Loss per share (RMB cents)					
From continuing and discontinued operations					
Basic and diluted	**(2.33)**	(4.67)	(9.22)	(28.71)	(16.16)
From continuing operation					
Basic and diluted	**(2.33)**	(4.67)	(9.03)	(28.71)	(15.79)
Assets and liabilities					
Non-current assets	**788,265**	788,655	703,764	730,244	1,092,465
Current assets	**937,231**	544,997	412,681	475,603	701,887
Current liabilities	**974,130**	786,719	593,651	592,577	588,465
Net current (liabilities)/assets	**(36,899)**	(241,722)	(180,970)	(116,974)	113,422
Total assets less current liabilities	**751,366**	546,933	522,794	613,270	1,205,887
Non-current liabilities	**64,946**	111,577	68,782	69,896	111,713
NET ASSETS	**686,420**	435,356	454,012	543,374	1,094,174
Capital and reserves					
Share Capital	**5,629**	4,420	4,163	3,819	3,819
Reserves	**612,655**	410,884	442,514	539,555	1,090,355
Equity attributable to equity holders of the Company	**618,284**	415,304	446,677	543,374	1,094,174
Non-controlling interest	**68,136**	20,052	7,335	–	–
Total equity	**686,420**	435,356	454,012	543,374	1,094,174