DOYEN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability) Stock Code: 668

2023

2023 ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors
Mr. Lo Siu Yu, *Chairman*
Mr. Tai Xing, *Chief Executive Officer*
Mr. Cho Chun Wai

Non-executive directors
Ms. Sun Lin
Mr. Pan Chuan

Independent non-executive directors
Mr. Chan Ying Kay
Mr. Leung Kin Hong
Mr. Wang Jin Ling

AUDIT COMMITTEE

Mr. Chan Ying Kay, *Committee Chairman*
Mr. Leung Kin Hong
Mr. Wang Jin Ling

REMUNERATION COMMITTEE

Mr. Leung Kin Hong, *Committee Chairman*
Mr. Chan Ying Kay
Mr. Wang Jin Ling

NOMINATION COMMITTEE

Mr. Lo Siu Yu, *Committee Chairman*
Mr. Chan Ying Kay
Mr. Leung Kin Hong

COMPANY SECRETARY

Mr. Cho Chun Wai

AUTHORISED REPRESENTATIVES

Mr. Lo Siu Yu
Mr. Cho Chun Wai

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Wanchai, Hong Kong

SHARE TRANSFER OFFICE

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Wanchai, Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of Communications Co., Ltd. Hong Kong Branch
China Everbright Bank Hong Kong Branch

SOLICITORS

Mason Ching & Associates
Chiu & Partners Solicitors

AUDITOR

Baker Tilly Hong Kong Limited

STOCK CODE

668

WEBSITE

http://www.doyenintl.com

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**"), I hereby present the annual report of Doyen International Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") for the year ended 31 December 2023.

MARKET AND BUSINESS REVIEW

Looking back at 2023, the People's Republic of China (the "**PRC**") faced an increased number of unfavorable factors in the international politics, economy and the environment with wars occurring in many regions. There was high interest rates on the US dollar. At the same time, the PRC was expected to achieve 5.20% GDP growth in 2023 as a result of the relaxation of the epidemic. However, the PRC economy still faced several challenges, including the weak market sentiment, the real estate control and the uncertainties brought about by US-China-Taiwan tensions. In the face of these challenges, with a series of measures adopted by the PRC government to optimize its structure and stimulate consumption to expand the domestic demand, the PRC economy gradually boosted high-quality development and supported the economic development in PRC.

Adhering to the principle of prudent operation, the Group moved forward in unity, and fully leveraged the accumulated experience and resource advantages to continuously optimize the business structure. With clearly defined goals and persistence in practical action, the smooth operation of all our business segments was realized.

For the loan financing business, under the impact of the changes in the macroeconomic environment as well as the industry regulatory system in the PRC, the number of companies engaged in the financial leasing industry and the balance of the financial leasing business decreased in 2023. According to the Development Report on the Chinese Leasing Industry regarding H1 2023, as at the end of June 2023, the balance of finance leasing contracts nationwide was approximately Renminbi ("**RMB**") 5,766 billion, representing a decrease of approximately RMB84 billion or 1.44% from RMB5,850 billion at the end of 2022. In view of the continuous slump of the financial leasing market in 2023, the Group's subsidiary 東葵融資租賃(上海)有限公司 (for identification purpose, Dongkui Financial Leasing (Shanghai) Co., Ltd. ("**Shanghai Dongkui**")), intends to reduce its risk in the finance leasing business and to devote resources to the factoring business with shorter life cycle and lower risks to cope with the uncertain economic environment as well as to ensure stable and sustainable operation of the Group.

For the factoring business, it has a significant presence and development potential in the Chinese market. Companies can convert accounts receivable into immediately available cash flow, improving their financing capabilities and fund utilization efficiency through factoring transactions. According to the circular entitled "Action Plan for Promoting the High-Quality Development of Industrial Internet Platforms in Shanghai (2023-2025)" jointly issued by the Shanghai Municipal Economic and Informatization Commission, Shanghai Municipal Commission of Commerce and Shanghai Municipal Development and Reform Commission, on 18 July 2023, the factoring business was considered an important component of the development of industrial Internet platforms. The action plan clearly states that industrial Internet platforms should carry out in-depth collaboration with financial institutions such as banks and insurers as well as financial organizations in relation to finance leasing, commercial factoring and financing guarantees, so as to provide diversified services to upstream and downstream enterprises. Such collaboration can realize risk transfer of accounts receivable, thereby reducing credit risks and working capital risks for enterprises and improving their risk resistance. The Group's subsidiary, 東鋭商業保理(上海)有限公司 (for identification purpose, Dongrui Factoring (Shanghai) Co. Ltd. ("**Shanghai Dongrui**")), is dedicated to the development of the factoring business. Shanghai Dongrui actively utilizes its platform advantages accumulated through its own business system to strengthen its market competitiveness and sustainability by enhancing risk control measures and consistently improving on both the quality and quantity of its clients.

CHAIRMAN'S STATEMENT

For the investment properties holding business, the recovery of the consumer market in Chongqing has brought potential opportunities for this business. According to the measures of the Chongqing Development and Reform Commission, namely the "Measures to Restore and Expand Consumption", the development of consumption will be strongly promoted, which will have a positive effect on the commercial real estate market in Chongqing. Dong Dong Mall ("**Dong Dong Mall**") held by the Group's subsidiary 重慶寶旭商業管理有限公司 (for identification purpose, Chongqing Baoxu Commercial Property Management Ltd. ("**Chongqing Baoxu**")) will continue to undergo business adjustment and development to meet people's shopping needs. At the same time, the Group will focus on the development of the children-oriented offerings to attract more consumers and enhance the operating efficiency of shopping malls by organizing cultural and art activities and family entertainment programmes. In addition, the Group acquired an office premises in Chengdu for property investment purposes in 2023. Chengdu enjoys a superior geographical location and sound infrastructure. In addition, the Chengdu government attaches great importance to economic development and actively promotes the upgrades and innovation of industrial structure, which provides a good business environment for enterprises. With the continuous downturn in the PRC in recent years, the Group will seek potential quality properties in the market to increase rental income. The Group is committed to capitalizing on these advantages, actively engaging in the economic development of Chengdu, explore more opportunities and achieve long-term investment returns.

For the sales of flowers and plants business, the sales performance declined in 2023 due to the downturn in the real estate sector of the PRC, which decreased the demand for landscape greening and the floral market and resulted in reduced sales of the business. However, in order to support the recovery of the real estate market, on 20 September 2023, the Chongqing government promulgated the Decision of the Chongqing Municipal People's Government on Modification of the Provisional Measures on Trial Reform of Imposing Real Estate Tax on Certain Individual Residential Properties in Chongqing Municipality and the Detailed Rules for the Implementation of the Administration of Individual Residential Property Tax Collection in Chongqing Municipality. With the steady recovery of the property market, it is believed that the demand for landscape greening and floral market would increase gradually. It is expected that with the recovery of the real estate industry in Chongqing, the PRC property market will be sustained, and it will create more room for development of the sales of flowers and plants business in 2024.

For the distressed assets management business, in recent years, the macroeconomic and financial environment of the PRC faced severe challenges. Against this backdrop, the supply of the distressed asset management market has continued to grow, bringing new opportunities to the industry. On 21 August 2023, the Ministry of Finance and the State Taxation Administration of the PRC issued the Announcement on the Continued Implementation of the Tax Policy on the Setting Off of Non-performing Debts of Banking Financial Institutions and Financial Asset Management Companies against Their Debts, which supports banking financial institutions and financial asset management companies in disposal of non-performing debts with a view to effectively prevent financial risks. In the future, the Group will actively seek investment opportunities in the distressed asset management industry and explore innovative distressed asset management models under the principals of risk management, compliance and substitutability.

Looking ahead to 2024, the Group will strive to achieve steady development in this environment full of challenges and opportunities through continuous adjustment of the business layout and flexible response to market changes. The Group will prudently undertake risk management, make good use of resources, actively cultivate and introduce outstanding talents to ensure steady progress. The Group will continue to endeavour to keep pace with the times and make positive contributions to the prosperous development of the PRC economy.

CHAIRMAN'S STATEMENT

APPRECIATION

On behalf of the Board and all staff, I would like to thank our shareholders, customers and business partners for their continued understanding and support of the Group. In 2024, the Group will continuously progress its business in a stable manner. Building on the foundation of existing businesses, we will continue to expand our market development efforts and explore the customer resources in depth to create greater value for our shareholders, business partners, staff and stakeholders.

Lo Siu Yu
Chairman

Hong Kong, 22 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS

BUSINESS REVIEW

The Company is principally engaged in investment holding. Its subsidiaries are principally engaged in properties investment and rental activities, and sales of flowers, seedlings and plants in the PRC, provision of loan financing to customers in the PRC and distressed assets management.

Shanghai Dongkui, a 77.58% owned subsidiary of the Company, is mainly engaged in provision of loan financing. The registered capital of Shanghai Dongkui amounted to US$51.3 million (equivalent to approximately HK$400.1 million).

The loan financing segment of the Group (the "**Loan Financing Segment**") is categorized into the loan financing business ("**Loan Financing Business**"), short-term loan business ("**Short-term Loan Business**") and factoring and refactoring business ("**Factoring/Refactoring Business**").

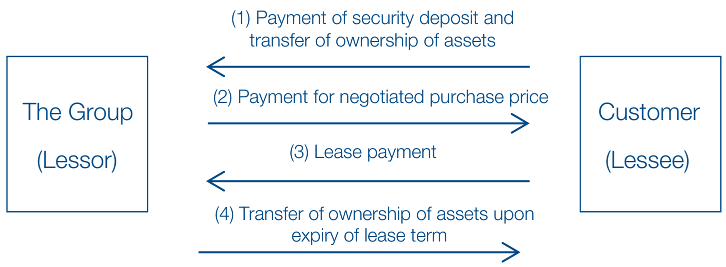
Below sets forth an overview of the Loan Financing Segment of the Group:

Loan Financing Business

The Group's Loan Financing Business has been selectively concentrated on sale-leaseback of specialty equipment, i.e., medical equipment from the hospitals in the PRC.

In a sale-leaseback, the Group's customer (as lessee) sells its existing assets to the Group (as lessor) at a negotiated purchase price, and the lessor then leases such assets back to the lessee for its use in return for periodic lease payments. The lessee would also be required to pay a security deposit, which typically ranges from approximately 4.00% to 10.00% of the negotiated purchase price at the time of purchase. Under the sale-leaseback model, the Group will be the owner of such equipment until the lease payment has been paid in full, which will provide additional protection of the Group's interests. The Group also typically provides consultancy services regarding relevant industry analysis and update in connection with the provision of financial leasing services on the request of its customers. Usually in the period from one to five years, the lessee repays the purchase price of the assets, interests and other fees to the lessor. At the end of the lease term, the ownership of the assets will be transferred to the lessee at a nominal consideration or for nil consideration. During the lease term, the lessee remains in possession of the underlying assets.

The following diagram illustrates the relationship between our customer and the Group at sale-leaseback:



The revenue of the loan financing operation is recognised by the interest income generated by provision of loan financing services to the customers.

Short-term Loan Business

Short-term loan generally refers to a loan that is scheduled for repayment within one year, which is generally used to meet the liquidity needs of the borrower for their production and/or business operations. The key characteristic of the short-term loan business is the liquidity and profitability of loans within a relatively short period of time. As such, the Group selects its short-term loan customers based on certain criteria, including capital return, security and credit rating of the customers.

The revenue of the short term loan operation is recognised by the interest income generated by provision of short term loans to the customers.

Pursuant to the Interim Measures for the Supervision and Administration of Financial Leasing Companies* (《融資租賃公司監督管理暫行辦法》) (the "**Interim Measures**") issued on 26 May 2020 by the China Banking and Insurance Regulatory Commission, financial leasing companies could only engage in financial leasing transactions. Other forms of lending activities, including the short-term loans, would be prohibited. As such, since the Interim Measures have come into effect on 1 July 2020, the Group has not entered into any new short-term loan agreements.

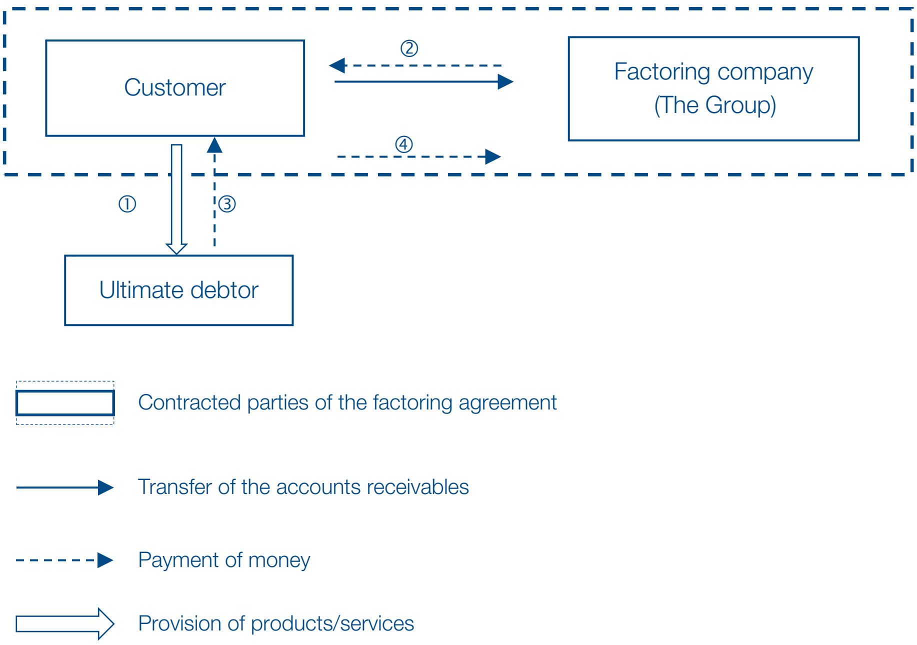
In January 2021, the Shanghai Local Financial Supervision and Administration Bureau issued the Notice on the Issuance of the Guidelines for Regulating Relevant Businesses Involving Individual Customers of Loan Financing Companies and Commercial Factoring Companies in Shanghai, which further clarified the requirements for loan financing companies and commercial factoring companies registered in Shanghai to carry out business involving individual customers in accordance with the laws. Pursuant to this guideline, the Group has made appropriate adjustments to its short-term loan business to cater for the relevant regulations in the PRC.

Factoring Business

In May 2020, the Company established Shanghai Dongrui, with a registered capital of RMB50 million (equivalent to approximately HK$59.4 million). It is principally engaged in importing and exporting factoring business, domestic and offshore factoring business and consulting services related to commercial factoring.

Factoring is a financing arrangement in which a business owner pledges its accounts receivables to the Group as security to obtain financing.

The following diagram illustrates a typical business flow of a factoring business arrangement:



Notes:

1. Customer provides products/services to ultimate debtor, which generates accounts receivables.
2. Factoring company (the Group) provides financing to the customer and acquires accounts receivables from the customer as security for the financing.
3. Ultimate debtor settles the receivables with the customer upon the expiry of the relevant term of the accounts receivables.
4. Customer repays the outstanding loan to factoring company (the Group) pursuant to the terms of the factoring agreement.

Under the factoring agreement, it is the direct counterparty of the Group (i.e. the borrower of the loans) who is obliged to repay the loans to the Group. The relevant accounts receivables assigned to the Group only serve as additional security where the Group may go after the ultimate debtor of the accounts receivables in case of default by the customers of the Group.

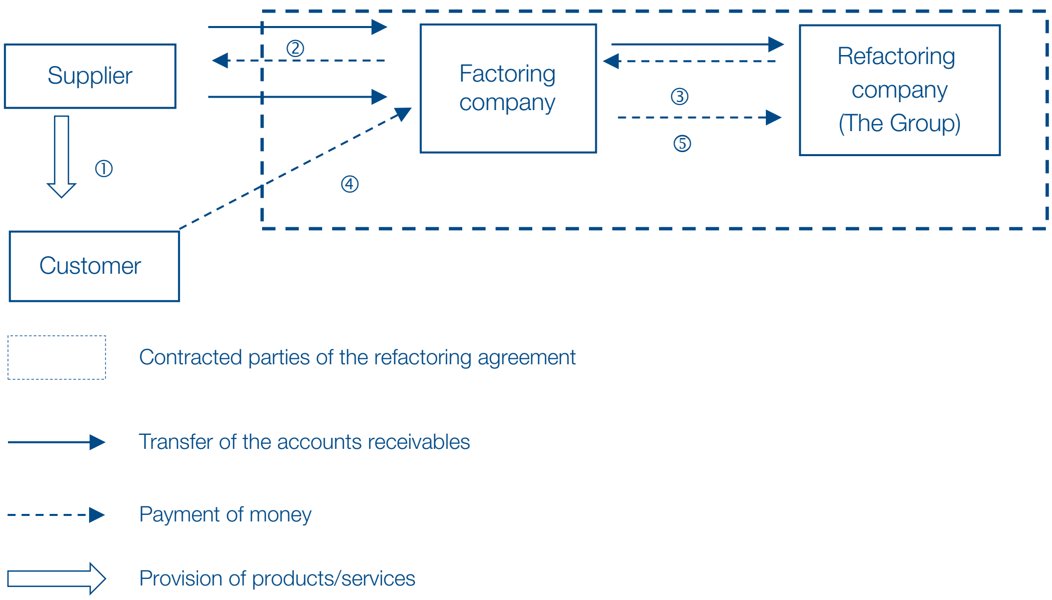
As all of the Group's existing factoring agreements are with recourse, the customer is obliged to repay the loans to the Group no matter whether the customers can collect the outstanding amount under the relevant accounts receivables from the original debtors.

The revenue of the factoring operation is recognised by the interest income generated by provision of factoring services to the customers.

Refactoring Business

The Group's factoring business also includes refactoring business. Refactoring refers to an arrangement where the Group provides financing being secured by accounts receivables assigned to a factoring company from its factoring customers for a specified period of time, which typically ranged from 6 months to 12 months. The Group would pay the factoring company the specified loan amount upon transfer of outstanding accounts receivables. The Group's refactoring agreement is with recourse, where the Group may demand the factoring company to repurchase all the relevant outstanding accounts receivables upon the end of the term, including but not limited to the principal amount of the relevant outstanding accounts receivables, interest and other related expenses incurred by the outstanding accounts receivables. As such, even if there is any default of the underlying accounts receivables by the ultimate debtors, the Group could demand repayment of the principal and the relevant interest directly from the factoring company.

The following diagram illustrates a typical business flow of a refactoring arrangement:



Notes:

1. Supplier provides products/services to customer, which generates accounts receivables.
2. Factoring company acquires receivables from the supplier at a certain purchase price.
3. Refactoring company (the Group) acquires a series of receivables from the factoring company at a specified price.
4. Customer settles the receivables with the factoring company upon the expiry of the relevant term of the accounts receivables.
5. Factoring company repays the specified amount to refactoring company (the Group) pursuant to the terms of the refactoring agreement.

Under the refactoring agreement, it is the direct counterparty of the Group (i.e. the factoring company) who is obliged to repay the loans to the Group. The relevant accounts receivables assigned to the Group only serve as an additional security where the Group may go after the original debtor of the accounts receivables in case of default by the direct counterparty of the Group.

Since the direct counterparty of the Group under the refactoring agreement is the factoring company and the factoring company is obliged to repay the loans to the Group no matter whether the factoring company can collect the outstanding amount under the relevant accounts receivables from the original debtors, the debt recovery actions would be taken against the factoring company primarily.

Since the ownership of the relevant accounts receivables is assigned to the Group as security of the outstanding loans, the Group is also entitled to undertake relevant debt recovery actions against the ultimate debtors if situations require.

The revenue of the refactoring operation is recognised by the interest income generated by provision of refactoring services to the customers.

CLIENTS SIZE AND DIVERSITY

Target customers of Loan Financing Business

The business model of the Group regarding its loan financing operation and choice of customers have always been focusing on projects with reliable ratings, sufficient security and controllable risks, the loan financing customers were mainly Grade III and Grade II hospitals in the PRC which have sizable operations or substantive assets, and thereby reducing the potential risk of default and enhancing security for the Group's assets.

So far as the Directors are aware of, the Grade III and Grade II hospitals are primarily hospitals of larger scale with stable profitability and guaranteed reputation and operation systems, the Group considers that they are more reliable and safer in terms of recovery of loans as they tend to have more stable cash-flow and lower risk of default. At the same time, Grade III and Grade II hospitals typically prefer to enter into financial leasing with providers with credible source of capital and management team, like the Group, being a listed company on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with sound reputation in the region. The management of the Group considers that targeting Grade III and Grade II hospitals for the provision of loan financing services is a viable business with sound prospects.

Target customers of Factoring/Refactoring Business

For the year ended 31 December 2023, through cooperation with a number of selected factoring companies, the Group has more than 100 ultimate end-customers, including real estate developers, construction companies, construction material companies and landscaping design companies in various regions of the PRC.

MAJOR TERMS OF THE LOAN FINANCING SEGMENT

Loan Financing Business and Factoring/Refactoring Business

The loan financing agreements entered into by the Group mainly has a term of one year. The Group's loan financing customers are mainly selected for their relatively large operation scale, relatively stable income sources or large assets, and have strong repayment ability and can afford higher capital costs.

The Group's loan financing agreements are generally priced at a fixed rate. The interest rate is determined taking into account of factors including (i) prevailing market rates; (ii) risk premium through the assessment of the customer's industry and financial condition; and (iii) the Group's funding cost. The risk premium for pricing the Group's loan financing is determined by (i) negotiation on a case-by-case basis with each individual customer based on its industry and scale of business; and (ii) assessment on the customer's financial condition. The interest rate of the Group's loan financing agreements ranged from approximately 9.80%.

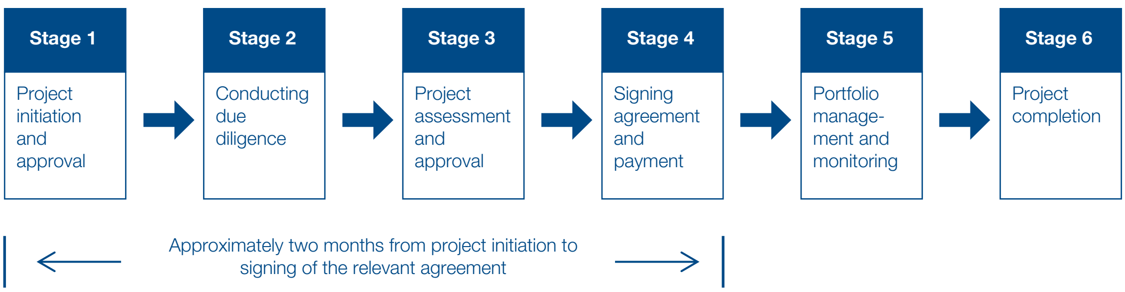
In relation to the factoring and refactoring agreements, the majority of the factoring/refactoring agreements entered into by the Group has a term of six months to one year. Based on the Director's information and belief, it is an industry norm that the majority of factoring/refactoring agreements are short-term agreements with terms not longer than one year as factoring/refactoring companies tend to mitigate bad debt risks and improve cash flow by obtaining accounts receivables that can be collected within one year.

The Group's factoring/refactoring agreements are generally priced at a fixed rate. The interest rate is determined taking into account of factors including (i) prevailing market rates; (ii) risk premium through the assessment of (a) the underlying accounts receivables, which would take into account the industry and financial condition of the underlying accounts receivables of the end customers (in the context of refactoring, the factoring companies); (b) the Group's counterparty (for factoring, the end customers and in the context of refactoring, the factoring companies), which would take into account of its scale, financial capacities and track record performance; and (iii) the Group's funding cost. The interest rate of the Group's factoring/refactoring agreements ranged from approximately 9.41% to 11.00%.

The Group has been able to provide a higher degree of flexibility on the terms of the factoring/refactoring and collateral required to meet the financial needs at the requests of the customers. By comparing the additional collateral which is normally required by financial institutions such as properties, equities, personal guarantees and third-party guarantees, the Group mainly considers and assesses the authenticity of the business operation and the repayment ability of the end customers (and in the context of refactoring, the factoring companies) and evaluates the default risk of such end customers (and in the context of refactoring, the factoring companies) as a whole, which allows the Group to be more flexible based on the business model and situations of individual customers.

OPERATIONAL WORKFLOW OF THE LOAN FINANCING SEGMENT

Over the years, the Group has designed a systematic operational workflow and applied to each of its loan financing and factoring/refactoring transactions. Under this workflow, various risk control measures and procedures are consistently applied to every loan financing and factoring/refactoring transaction. The chart below sets out the typical process workflow of our loan financing and factoring business operations:



Since the operation workflow of both Loan Financing Business and Factoring/Refactoring Business are similar, staff in each operating segment in the loan financing team of the Group, namely the business development segment, asset development segment, accounting and finance segment, and human resources and administration segment would all be involved in both loan financing and financing/refactoring at the same time.

The Short-term Loan Business and Loan Financing Business carried out by the Group over the years have equipped the Group and its staff with effective and mature procedures for internal and external risk identification and evaluation, expertise and know-how, alongside with relationship with potential customers and access to the financial services market. The other core members of the loan financing team are also equipped with experience in energy, manufacturing, real estate and other industries, as well as having professional backgrounds in finance, asset management and trusts.

The expertise, experience accumulated and the procedures developed from the operation of Loan Financing Business are shared and applied to the management of factoring business, and applied throughout the Group's Loan Financing Segment.

Stage 1: Project initiation and approval

The Group would analyse the needs for loan financing and/or factoring services in the targeted markets, gather potential customer's information, assess the customer's financial needs and understand the proposed use of the financing. Wherever relevant, the Group takes into consideration of the prevailing general conditions in which the customers operate, such as the PRC and local legislations and regulations, especially those specifically affect the customer's business, industry performance and macroeconomic conditions.

Regarding loan financing, upon receiving an application for loan financing services, the Group shall take into consideration the commercial feasibility based on the information provided by the customers. After accepting such application, the Group will prepare a project initiation report which contains, among others, the basic information of the lessee, the principal amount, condition and valuation of the equipment, collateral, guarantee, purpose of the proposed use of funds, source of repayment and/or proposed project plan (as the case may be).

Regarding factoring/refactoring, the end customers (and in the context of refactoring, the factoring companies) will usually first provide the Group with information in relation to the factoring/refactoring project, including the ultimate owner of the accounts receivables to be factored against, including its corporate structure, business operations, financial conditions and historical credit performance, and the Group will also prepare a project initiation report which contains, among others, basic information of the end customers (and in the context of refactoring, the factoring companies), purpose of the proposed use of funds, source of repayment and/or proposed project plan, accordingly.

The project initiation report for the loan financing projects and factoring/refactoring projects (as the case may be) stated above (collectively, the "**Project Initiation Report**") will first be submitted for review and pre-vetting approval by the general manager of the loan financing team, before passing the Project Initiation Report to the project approval committee ("**PAC**"), which consists three members, namely Mr. Cho Chun Wai, the executive Director and two members of the loan financing team, for approval. Based on the applicant's information, the PAC will assess, including, (i) whether the potential customer meets our requirements; and (ii) whether the business nature, business scale, pricing, term, interest, funds payment method as disclosed in the project proposal align with the Group's business policy.

Stage 2: Perform due diligence

The credit risk assessment of customers of the Group is mainly conducted by the due diligence work conducted by the Group.

Loan Financing Business

Regarding loan financing, the project team will conduct on-site investigation and due diligence on the background and credit-worthiness of the potential lessee (i.e. the borrower), including, but not limited to, (i) attending the potential lessee's office(s) to review and verify corporate documents, which include its legal representative's basic information; (ii) reviewing and verifying financial status concerning its solvency, operation and profitability; (iii) attending to respective government departments to review and inspect title documents of the leased assets and conduct valuation of leased assets; and (iv) evaluating the feasibility of the financing. The project team will also conduct due diligence on the guarantors (if applicable) of the potential lessee on the guarantors' basic information, including its financial status, such as solvency, operation and profitability, credit situation and its ultimate beneficial owners' basic information.

In respect of the asset appraisal, the Group requires the lessee to provide the purchase records for the leased assets or appoint independent asset appraisal agency to substantiate our assessment of the value of the leased assets. For certain more universal medical equipment/leased assets, the Group normally compiles a due diligence checklist on the assets based on documentation received and conducts on-site due diligence to verify the usage and status of the leased assets. For certain more specific leased or sophisticated leased asset that cannot be evaluated based on the above procedures, the Group requires the lessee to provide a valuation report issued by a qualified third-party asset valuer, and will make reasonable judgements and evaluations on the value of the asset based on the valuation report. After performing due diligence and discussing the potential risk and compliance of relevant laws and regulations internally, a due diligence report for each case (the "**Due Diligence Report**") will be prepared. The Due Diligence Report, along with relevant underlying documents, and the Project Initiation Report will be submitted to the Group's PAC for their review.

After approving such loans to the customer, the Company also has a series of on-going procedures as the risk management measures to continually monitor the customer.

Factoring Business

As all of the Group's existing factoring agreements are with recourse, meaning that the customer is obliged to repay the loans to the Group no matter whether the customer can collect the outstanding amount under the relevant accounts receivables from the original debtors, the principal focus of the due diligence work regarding factoring services is reviewing the operating conditions, operating risks, and repayment capabilities of the customer. With regards to the due diligence, the Group would also review the authenticity of the underlying transactions which generate the relevant accounts receivables.

In assessing each of the customer and the ultimate debtors during the loan approving procedures, the Group would generally obtain and review the following information and documents in respect of the customer (or the ultimate debtor) (as the case may be), including but not limited to:

(i) comprehensive information of the customer (or the ultimate debtor, as the case may be), including, but not limited to its business licence, identity proof of its legal representative, articles of association, account opening permit, business scope, history and development related information, equity structure and background of its shareholders and relevant organisational structure;

(ii) financial condition and major business operations of the customer;

(iii) credit status of the customer, including subject rating report (主體評級報告) (if any) and credit report from the relevant central bank;

(iv) information regarding the relevant transactions which generate the relevant accounts receivables, including but not limited to the relevant sales and purchase agreements and relevant sales and purchase invoices; and

(v) in the case of the ultimate debtor, document proof evidencing the ultimate debtor's internal approval (or pre-approval) of the payment in respect of the transaction.

Apart from the review of the above-mentioned documents and information, the Group will also conduct interviews with the relevant business manager of the customer (or the ultimate debtor, as the case may be) on site or through other communication means to understand their business conditions and financial conditions, the authenticity of the transaction and the rationality of the transaction.

The Group would also cross-check the information and documents given by the customer regarding the relevant ultimate debtor.

After performing the above-mentioned due diligence process and discussing the potential risk and compliance of relevant laws and regulations internally, a Due Diligence Report also will be prepared.

After approving such loans to the customers, the Company also has a series of on-going procedures as the risk management measures to continually monitor the customers and ultimate debtor.

Refactoring Business

Regarding refactoring, the Group will conduct due diligence regarding each of the underlying accounts receivables to be refactored, such as reviewing the authenticity of the transaction which created such accounts receivables and cross-checking the relevant payment records and invoices against the relevant ledgers and accounts. The project team will also request the factoring company to conduct due diligence on the factoring end customer on its financial status, credit status and record and external guarantee status.

The principal focus of the due diligence work regarding refactoring services is reviewing the operating conditions, operating risks, and repayment capabilities of factoring companies.

In assessing each of the factoring company, the supplier and the ultimate debtors during the loan approving procedures, the Group would generally obtain and review the following information and documents in respect of the factoring company, the supplier and the ultimate debtors (as the case may be) including, but not limited to:

(i) comprehensive information of the factoring company, the supplier and the ultimate debtors (as the case may be), including but not limited to its business licence, identity proof of its legal representative, articles of association, account opening permit, business scope, history and development related information, equity structure and background of its shareholders and relevant organisational structure;

(ii) the financial condition and major business operations of the factoring company, the supplier and the ultimate debtors (as the case may be);

(iii) credit status of the factoring company, including subject rating report (if any) and credit report from the relevant central bank;

(iv) in the case of the supplier and the ultimate debtors' information regarding the relevant transactions which generate the relevant accounts receivables, including but not limited to the relevant sales and purchase agreements, relevant sales and purchase invoices;

(v) in the case of the ultimate debtors, document proof evidencing the ultimate debtor's internal approval (or pre-approval) of the payment in respect of the transaction.

In addition, the Group would also request from the factoring company documents including (i) factoring contract entered into between the factoring company and relevant suppliers, and (ii) documents evidencing the assignment of the relevant accounts receivables from the relevant supplier to the factoring company.

Apart from the review of the above-mentioned documents and information, the Group will also conduct interviews with the relevant business manager of the factoring company, the supplier and the ultimate debtors (as the case may be) on site or through other communication means to understand their business conditions and financial conditions.

The Group would also cross-check the information and documents given by the factoring company regarding the relevant ultimate debtor.

After performing the above-mentioned due diligence process and discussing the potential risk and compliance of relevant laws and regulations internally, a Due Diligence Report will be prepared.

After approving such loans to the refactoring companies, the Company also has a series of on-going procedures as the risk management measures to continually monitor the factoring companies, suppliers and ultimate debtor.

Stage 3: Project feasibility assessment and approval
Upon reviewing the Due Diligence Report for the loan financing and factoring/refactoring projects (as the case may be), the PAC will review and assess the completeness of relevant information and the Due Diligence Report before approving the proposed loan financing and factoring/refactoring projects. The PAC may advise to amend the proposed loan financing or factoring/refactoring project plan and/or adopt reinforcement measures in relation to conditions precedent of payment or post-lease/post-factoring management.

Stage 4: Signing agreement and payment
Upon obtaining approval from the PAC, the project team will negotiate and finalise the loan financing/factoring/refactoring structure and contract terms based on the internal approved terms and conditions. After execution of the relevant agreements, the project team will inspect and ensure the fulfilment of the conditions precedent under the relevant agreements before Mr. Cho Chun Wai, the executive Director and the general manager of the loan financing team approves the payment by the Group.

Stage 5: Portfolio management and monitoring
Please refer to the description of monitoring loan repayment and recovery below.

Stage 6: Project completion
At completion stage, regarding loan financing, the customer purchases the leased assets from the Group at a nominal consideration or for nil consideration, and the project team will be responsible for the final settlement and relevant ownership transfer process.

Regarding factoring, the borrower of the loan repays the principal amount of the relevant outstanding accounts receivables, interest and other related expenses incurred by the outstanding accounts receivables to the Group upon expiry of the term.

Regarding refactoring, the factoring company repays the principal amount of the relevant outstanding accounts receivables, interest and other related expenses incurred by the outstanding accounts receivables to the Group upon expiry of the term.

Monitoring loan repayment
The project team is responsible for post-finance/post-factoring portfolio management through timely collection of periodic payments. In particular, the asset development segment of the project team is responsible for portfolio management and on-going monitoring and analysis of the Group’s loan financing projects, including handling the collection of payments under the loan financing projects. It also cooperates with other departments of the Group, such as the legal department, to undertake suitable actions in case of delay or unsuccessful collection of debts.

Loan Financing Business
Regarding loan financing, the project team will handle and follow up with the asset title registration with relevant government organisations and monitoring each project status and monitor loan repayment and recovery, and preparation of regular (by quarter or interim) on-site inspection reports on the leased assets, which will cover the following key aspects: (i) whether the leased assets have been maintained in good and complete condition; (ii) whether the lessee overuses and abuses the leased assets; and (iii) whether the relevant registration is duly completed. The Group also conducts valuation on our leased assets by our in-house specialist on a periodic basis, so that we can keep track of and evaluate our lessee’s creditworthiness.

Factoring/Refactoring Business

Regarding factoring/refactoring, the project team will normally (i) contact the end customers (and in the context of refactoring, the factoring companies) by telephone to obtain update on their latest status; (ii) regularly conduct media and other desktop searches against the end customers (and in the context of refactoring, the factoring companies) to monitor whether there is public information and updates regarding its operations and financial status, etc.; (iii) require the end customers (and in the context of refactoring, the factoring companies) to provide their audited reports and credit-worthiness report for each financial year to the Group for records; and (iv) issue repayment reminder to the end customers (and in the context of refactoring, the factoring companies) typically one month before the scheduled repayment date.

In particular, after the release of funds to the end customers (and in the context of refactoring, the factoring companies), the Group will conduct regular checking and monitoring on the the end customers (and in the context of refactoring, the factoring companies).

Loan Recovery

Loan Financing Business

If any of the payment is not received on time, the project team will follow up with the respective counterparty for repayment as soon as practicable. In particular, the asset development segment of the project team cooperates with other departments of the Group, such as the legal department, to undertake suitable actions in case of delay or unsuccessful collection of debts.

Under the Group's loan financing agreements, the Group is usually entitled to several remedies, including, among other things, acceleration of loan financing receivables repayment when a customer defaults the loan financing agreement. The Group may decide on whether to exercise such remedy by considering (i) the credit record of the customer; (ii) our relationship with the customer; (iii) the current status and the prospects of the customer's financial condition; and (iv) the difficulty of repossessing the assets underlying our leases and realising their value.

Factoring Business

Since the direct counterparty of the Group under the factoring agreement is the customer and the customer is obliged to repay the loans to the Group no matter whether the customer can collect the outstanding amount under the relevant accounts receivables from the original debtors, the debt recovery actions to be detailed below would be taken against the customer primarily.

Since the ownership of the relevant accounts receivables is assigned to the Group as security of the outstanding loans, the Group is also entitled to undertake relevant debt recovery actions against the ultimate debtor if situations require.

Refactoring Business

Since the direct counterparty of the Group under the refactoring agreement is the factoring company and the factoring company is obliged to repay the loans to the Group no matter whether the factoring company can collect the outstanding amount under the relevant accounts receivables from the original debtor, the debt recovery actions would be taken against the factoring company primarily.

Since the ownership of the relevant accounts receivables is assigned to the Group as security of the outstanding loans, the Group is also entitled to undertake relevant debt recovery actions against the ultimate debtors if situations require.

Procedures for default

The detailed procedures to be taken by the Group against the Group's direct counterparty across the Group's financing products, such as loan financing and factoring/refactoring, in case of default are set out as follows:

Stage one

The Group will approach and contact the counterparty through various means to confirm the repayment details typically two weeks before the scheduled repayment date.

Stage two

In the event that the counterparty indicates that it is unable to repay the agreed amount on time, the Group will commence preliminary negotiation process with them, including issuing relevant notifications to inform them of their obligation to repay and the possible consequences of its default (including but not limited to possible penalty interest and relevant legal actions which could be taken by the Group to recover the outstanding amounts).

Stage three

In case where preliminary negotiation with the counterparty is not successful or the counterparty continues to fail to settle the outstanding amount under the renegotiated repayment arrangements, the Group will proceed to undertake further action against the counterparty, including but not limited to (i) requesting arbitration or intervention from the relevant competent authority, municipal or district-level administrative authorities; and (ii) engaging the Group's PRC legal adviser to issue letter to inform the counterparty of the possible contractual and/or legal liability and consequence under the agreements.

Stage four

In case where the abovementioned actions taken by the Group cannot lead to satisfactory results, the Group will engage the PRC legal adviser to proceed with the necessary legal actions against the relevant counterparty.

In addition to the above procedures, if the Group considers the possibility of recovering the default loans is low, the Group may also explore the possibility of cooperating with third-party asset management companies for partial or complete transfer of the relevant bad debts to recover part of the outstanding amount in order to reduce the overall risk exposure of the Group.

Actions taken by the Board in respect of default

For the year ended 31 December 2023, the Group had on-going legal action against 陝西太白山投資集團有限公司 (for identification purpose, Shaanxi Taibai Mountain Investment Group Co., Ltd. ("**Shaanxi Taibai**")) to recover the outstanding loans subsequent to its default.

Since October 2019 and for the year ended 31 December 2021, 2022 and 2023, Shaanxi Taibai has failed and/or refused to pay the lease rent and purchase price of RMB35,426,293.77 (equivalent to approximately HK$39.0 million) payable under the loan financing agreement dated 25 October 2018 and entered into with the Group (the "**Shaanxi Taibai Agreement**"), despite repeated requests and demands by the Group. In April 2020, the Group commenced legal action against Shannxi Taibai and the guarantor of the Shaanxi Taibai Agreement, for the breach of the Shaanxi Taibai Agreement (the "**Legal Proceedings**"). On 6 November 2020, the Group received a judgment from Shanghai Pudong New District People's Court dated 26 October 2020 regarding the Legal Proceedings (the "**Judgment**") in its favour. As stated in the Judgment, Shaanxi Taibai was ordered to pay to the Group (i) all the outstanding lease rent and purchase price of approximately RMB33.0 million (equivalent to approximately HK$36.3 million); (ii) the default interest till 10 March 2020 totaling approximately RMB0.6 million (equivalent to approximately HK$0.7 million) and the default interest from 11 March 2020 till the actual date of repayment of the default interest; and (iii) the legal fee incurred by the Group of RMB0.3 million (equivalent to approximately HK$0.3 million) (collectively, the "**Judgement Debt**"). As stated in the Judgment, the guarantor of the Shaanxi Taibai Agreement is also found to be jointly and severally liable for the repayment obligations of Shaanxi Taibai.

For the year ended 31 December 2023, to the best of the Board's knowledge, information and belief, save as the legal proceedings against Shaanxi Taibai, no member of the Group was engaged in any litigation, arbitration or claim to recover the outstanding loans from its customers for the year ended 31 December 2023.

IMPAIRMENT AND WRITE-OFF OF LOANS

The circumstances leading to impairment primarily involve (i) ECL (as defined and explained below) made based on the ordinary discount made to the present value of the loan receivables concerned; (ii) the deterioration of the financial conditions and/or credit ratings of the counterparty of the relevant financial leasing agreements and factoring/refactoring agreements; and (iii) actual default of loan concerned.

ECL reflected the ordinary discount made to the present value of the loan receivables based on external factors such as changes in macro-economic environment and the financial conditions of the counterparties, which were beyond the control of the Group and were not resulted from any default of the relevant loans concerned. As a matter of fact, only Shaanxi Taibai has been fully written-off due to the default of the relevant loan.

The Group will make an impairment on the loan receivables when there has been a change in credit risk since initial recognition. The Directors assess the credit risk of the loan receivables of the Group on a monthly basis.

Practically speaking, the impairment loss on loan receivables was derived from the expected credit loss ("**ECL**") accrued by the Group since the adoption of HKFRS 9. The Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the loan receivables has not increased significantly since initial recognition, the Group measures the loss allowance for the relevant loan receivables at an amount equal to 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a loan receivable. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan receivable that are possible within 12 months after the reporting date.

When making the impairment loss on loan receivables, the Group presumes that the credit risk on its loan receivables has increased significantly since initial recognition as the loan receivables contain a significant financing component, unless the Group has reasonable and supportable information that demonstrates otherwise.

The basis of determining the amount of impairment

Category	**Group definition of category**	**Basis for recognition of ECL provision**
Stage one	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12m ECL. Where the expected lifetime of an asset is less than 12 months, ECL is measured at its expected lifetime
Stage two	Receivables for which there is a significant increase in credit risk since initial recognition	Lifetime expected credit losses (not credit-impaired)
Stage three	Receivables for which there is credit loss since initial recognition	Lifetime expected credit losses (credit-impaired)

Impairment of financial assets subject to impairment assessment under HKFRS 9

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

– significant financial difficulty of the issuer or the borrower;

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

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

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

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

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

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

The ECL represents the difference between all contractual cash flows that are due to the Group in accordance with the relevant contracts and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

During the Reporting Period, the Group has engaged independent professional valuers, who has extensive experience in business valuation in the Hong Kong, Macau and the PRC, to perform the report and assessment of ECL for certain loans and factoring receivables owned by the Group (the "**Valuation Report**") and the amount of ECL was based on the Valuation Report.

Based on the Valuation Report, the ECL was determined by the independent professional valuers with reference to, among others, (i) the financial information, project documentation and other pertinent data of the Group's customers; (ii) default study report published by an international rating agency; and (iii) the discussion with the management of the Group.

The assumptions of the valuations include, among others, (i) the forecasted probabilities of default receivables as at 31 December 2023 which were based on historical default and the forward looking factor, which was based on regression analysis; (ii) recovery rates of receivables as at 31 December 2023 which were based on historical recovery rates; and (iii) regression input.

After due and careful consideration of the reasons of impairment as set out in the Valuation Report, the Directors assessed the provision for impairment of loan receivables set out in the Valuation Report and decided to recognise impairment, and circulated the Valuation Report for the consideration of the auditor of the Group. While performing its auditing, the auditor of the Group discussed with the management to understand the management's identification of significant increase in credit risk, defaults and credit-impaired loans, corroborated management's explanation with supporting evidence. The auditors have also evaluated the competence, capabilities and objectivity of the Group's independent professional valuers accordingly.

Impairment of Loans

Within the Group's loan portfolio, only the loan financing agreement with Shaanxi Taibai has been fully written-off due to the default of Shaanxi Taibai for its breach of the loan financing agreement entered into with the Group. For other loan financing agreements and factoring/refactoring agreements, ECL was properly determined in accordance with HKFRS 9 with reference to the ordinary discount made to the present value of the loan receivables concerned, and/or changes in the financial conditions and credit ratings of the counterparty of the relevant loan financing agreements and factoring/refactoring agreements.

The approval of all the loan financing agreements, factoring/refactoring agreements (as the case may be) (including the credit risk assessment and mechanism in determining the terms of the financial leasing agreements and factoring/refactoring agreements), performance of due diligence, assessment and approval of the projects, signing and payment of the relevant loan financing agreements and factoring/refactoring agreements (as the case may be), management and monitoring of the loan portfolios were carried out in accordance with the established operational workflow applied to the Group's loan financing and factoring/refactoring transactions, and the Board considered that the Company's internal control procedures were sound and effective. For the year ended 31 December 2023, the Directors are not aware of any material deviation occurred in the approval process of the relevant loans which have been impaired and/or written-off.

For the year ended 31 December 2023, there was a reversal of impairment losses on loan receivables (net of recognised impairment losses) of approximately HK$6.7 million (2022: net of impairment losses in the amount of approximately HK$0.3 million). After discussing with the auditors and understanding the assessment criteria, the Board believed that the such impairment is appropriate.

Despite the above, the Board will closely monitor the development of the macro economy of the PRC, the market structure of the money lending business in the PRC and the development of the principal laws, rules and regulations in the PRC which are material to the Group's Loan Financing Segment, and shall optimise and improve the operational workflow to the Group's loan financing and factoring/refactoring transactions from time to time.

FINANCIAL HIGHLIGHT

The results of the Group are summarized as follows:

	For the year ended 31 December 2023 HK$'000	For the year ended 31 December 2022 HK$'000
Revenue	**72,582**	107,120
Profit/(loss) before tax	**38,507**	(15,394)
Income tax expense	**(18,616)**	(3,105)
Profit/(loss) for the year	**19,891**	(18,499)

The assets and liabilities as at 31 December of the Group are summarized as follows:

	2023 HK$'000	2022 HK$'000
Non-current assets	**324,472**	316,722
Current assets	**678,099**	687,809
Current liabilities	**59,290**	59,931
Non-current liabilities	**5,412**	4,047
Equity attributable to owners of the Company	**763,246**	764,019

BUSINESS REVIEW

For the year ended 31 December 2023, the Group recorded revenue of approximately HK$72.6 million (2022: approximately HK$107.1 million), representing a decrease of 32.21%. The decrease in total revenue was mainly attributable by the decrease in revenue from sales of flowers and plants. On the other hand, the revenue from Shanghai Dongkui, a subsidiary in which the Company owns 77.58% equity interest, and Shanghai Dongkui's subsidiary, are principally engaged in the provision of secured loan financing, short-term loan business, factoring and refactoring business (collectively, the "**Dongkui Business**"). In 2023, Dongkui Business operations remained stable.

The profit attributable to owners of the Company for the year ended 31 December 2023 was approximately HK$13.3 million (2022: loss of approximately HK$17.3 million). The increase in profit was mainly due to the assessed fair value gains on investment properties of approximately HK$4.8 million (2022: fair value losses of approximately HK$31.4 million); and net reversal of impairment losses on loan receivables of approximately HK$6.7 million (2022: net reversal of impairment losses on loan receivables of approximately HK$0.3 million).

DONGKUI BUSINESS

In 2023, as the customers repaid their loans on time, and thanks to the efforts from our team. the business operation of Shanghai Dongkui remained sound and stable. The Group will maintain a cautious approach in its business development planning to deliver a solid growth in the long run.

For the year ended 31 December 2023, the Dongkui Business segment, being the loan financing segment of the Group, contributed revenue of approximately HK$50.5 million (2022: revenue of approximately HK$58.4 million), representing a decrease of approximately 13.53%. This segment has recorded profit after tax of approximately HK$36.8 million (2022: profit after tax of approximately HK$41.6 million). The decrease in profit was mainly due to the decrease in revenue of Dongkui Business. Below sets out all the agreements entered into between the Group and its customers in the Dongkui Business segment for the year ended 31 December 2023.

Loan Financing Business

On 13 January 2023, Shanghai Dongkui entered into a loan financing agreement with 重慶隆雅特金屬材料有限公司 (for identification purpose, Chongqing Longyate Metal Material Co., Ltd. ("**Chongqing Longyate**")), pursuant to which, Shanghai Dongkui purchased the machinery and equipment from Chongqing Longyate for a total consideration of RMB2 million (equivalent to approximately HK$2.2 million), which was leased back to Chongqing Longyate for a term of 1 year in accordance with the loan financing agreement at the interest rate of 9.80% per annum.

Short-term Loan Business

As at 22 October 2021, 儋州中誠裝修有限公司 (for identification purpose, Dan Zhou Zhongcheng Decoration Co., Ltd. ("**Dan Zhou Zhongcheng**")) has not repaid the loan of RMB25 million (equivalent to approximately HK$27.5 million) together with all outstanding accrued interest (i.e. interest of approximately RMB0.3 million (equivalent to approximately HK$0.3 million) on the last instalment of payment), totalling approximately RMB25.3 million (equivalent to approximately HK$27.8 million). On 20 March 2023, auction of a property of the guarantor, a villa on Bandao Longwan, Nanbian Hailu, Sanya City, the PRC (the "**Property**") was held by the Suburban People's Court of Sanya City, Hainan Province (the "**Sanya Court**") according to the judgment from the Sanya Court dated 18 June 2022. The Property was auctioned and sold for approximately RMB28.8 million (equivalent to approximately HK$31.7 million) to an independent third party. After deducting miscellaneous costs and charges as directed by the Sanya Court, approximately RMB23.6 million (equivalent to approximately HK$26.0 million) was repaid to the Group to partly satisfy its claim in relation to the debts under the loan agreement on 24 July 2023. For further details, please refer to the announcements of the Company dated 21 October 2019, 23 October 2020, 25 October 2021, 28 September 2022 and 26 July 2023.

Factoring/Refactoring Business

On 19 April 2023, Shanghai Dongrui entered into a factoring agreement with 重慶嘉望商貿有限公司 (for identification purpose, Chongqing Jia Wang Industrial Co., Ltd. ("**Chongqing Jia Wang**")), pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivable of approximately RMB21.1 million (equivalent to approximately HK$23.2 million) assigned to Chongqing Jia Wang from the factoring customers of Chongqing Jia Wang for a period of 1 year from the date of execution of the factoring agreement, with the factoring principal amount of RMB19 million (equivalent to approximately HK$20.9 million) at the interest rate of 11.00% per annum. Please refer to the announcement of the Company dated 19 April 2023.

On 29 June 2023, Shanghai Dongrui entered into a factoring agreement with 武漢合縱創展貿易有限公司 (for identification purpose, Wuhan Hezong Chuangzhan Trade Company Limited ("**Wuhan Hezong**")), pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivable of approximately RMB18.9 million (equivalent to approximately HK$20.8 million) assigned to Wuhan Hezong from the factoring customers of Wuhan Hezong for a period of 1 year from the date of execution of the factoring agreement, with the factoring principal amount of RMB17 million (equivalent to approximately HK$18.7 million) at the interest rate of 11.00% per annum. Please refer to the announcement of the Company dated 29 June 2023.

On 19 December 2022, Shanghai Dongrui entered into a factoring agreement with 上海翃眩實業有限公司 (for identification purpose, Shanghai Hongxuan Industrial Company Limited ("**Shanghai Hongxuan**")), pursuant to which Shanghai Dongrui agreed to provide financing secured by accounts receivable of approximately RMB6.7 million (equivalent to approximately HK$7.4 million) assigned to Shanghai Hongxuan from the factoring customers of Shanghai Hongxuan for a term of 1 year from the date of execution of the factoring agreement with the factoring principal amount of RMB6 million (equivalent to approximately HK$6.6 million) at the interest rate of 12.00% per annum. On 15 September 2023, Shanghai Dongrui entered into a factoring agreement with Shanghai Hongxuan, pursuant to which Shanghai Dongrui agreed to provide financing secured by accounts receivable of approximately RMB20.0 million (equivalent to approximately HK$22.0 million) assigned to Shanghai Hongxuan from the factoring customers of Shanghai Hongxuan for a term of 1 year from the date of execution of the factoring agreement with the factoring principal amount of RMB18 million (equivalent to approximately HK$19.8 million) at the interest rate of 11.00% per annum. Please refer to the announcement of the Company dated 15 September 2023.

On 19 December 2022, Shanghai Dongrui entered into a factoring agreement with 重慶璞美苗木有限公司 (for identification purpose, Chongqing Pumei Miaomu Company Limited ("**Chongqing Pumei**")), pursuant to which Shanghai Dongrui agreed to provide financing secured by accounts receivable of approximately RMB6.2 million (equivalent to approximately HK$6.8 million) assigned to Chongqing Pumei from the factoring customers of Chongqing Pumei for a term of 1 year from the date of execution of the factoring agreement with the factoring principal amount of RMB5.5 million (equivalent to approximately HK$6.1 million) at the interest rate of 12.00% per annum. On 15 September 2023, Shanghai Dongrui entered into a factoring agreement with Chongqing Pumei, pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivable of approximately RMB9.9 million (equivalent to approximately HK$10.9 million) assigned to Chongqing Pumei from the factoring customers of Chongqing Pumei for a term of 1 year from the date of execution of the factoring agreement, with the factoring principal amount of RMB9 million (equivalent to approximately HK$9.9 million) at the interest rate of 11.00% per annum. For further details, please refer to the announcement of the Company dated 15 September 2023.

On 19 December 2022, Shanghai Dongrui entered into a factoring agreement with 重慶茂同裝飾工程有限公司 (for identification purpose, Chongqing Maotong Decoration Engineering Company Limited ("**Chongqing Maotong**")), pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivable of approximately RMB6.7 million (equivalent to approximately HK$7.4 million) assigned to Chongqing Maotong from the factoring customers of Chongqing Maotong for a term of 1 year from the date of execution of the factoring agreement, with the factoring principal amount of RMB6 million (equivalent to approximately HK$6.6 million) at the interest rate of 12.00% per annum. On 15 September 2023, Shanghai Dongrui entered into a factoring agreement with Chongqing Maotong pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivable of approximately RMB9.4 million (equivalent to approximately HK$10.3 million) assigned to Chongqing Maotong from the factoring customers of Chongqing Maotong for a term of 1 year from the date of execution of the factoring agreement, with the factoring principal amount of RMB8.5 million (equivalent to approximately HK$9.4 million) at the interest rate of 11.00% per annum. For further details, please refer to the announcement of the Company dated 15 September 2023.

On 19 December 2022, Shanghai Dongrui entered into a factoring agreement with 重慶柏翠苗木有限公司 (for identification purpose, Chongqing Baicui Tree Nurseries Company Limited ("**Chongqing Baicui**")), pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivable of approximately RMB2.8 million (equivalent to approximately HK$3.1 million) assigned to Chongqing Baicui from the factoring customers of Chongqing Baicui for a term of 1 year from the date of execution of the factoring agreement, with the factoring principal amount of RMB2.5 million (equivalent to approximately HK$2.8 million) at the interest rate of 12.00% per annum. On 15 September 2023, Shanghai Dongrui entered into a factoring agreement with Chongqing Baicui, pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivable of approximately RMB9.4 million (equivalent to approximately HK$10.3 million) assigned to Chongqing Baicui from the factoring customers of Chongqing Baicui for a term of 1 year from the date of execution of the factoring agreement, with the factoring principal amount of RMB8.5 million (equivalent to approximately HK$9.4 million) at the interest rate of 11.00% per annum. For further details, please refer to the announcement of the Company dated 15 September 2023.

On 15 September 2023, Shanghai Dongrui entered into a refactoring agreement with 深圳盛世嘉誠保理有限公司 (for identification purpose, Shenzhen Sheng Shi Jia Cheng Factoring Company Limited ("**Sheng Shi**")), pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivable of approximately RMB8.6 million (equivalent to approximately HK$9.5 million) assigned to Sheng Shi from the factoring customers of Sheng Shi for a term of 1 year from the date of execution of the refactoring agreement, with the factoring principal amount of approximately RMB7.9 million (equivalent to approximately HK$8.7 million) at the interest rate of 9.41% per annum. For further details, please refer to the announcement of the Company dated 15 September 2023.

On 11 October 2023, Shanghai Dongrui entered into a factoring agreement with 重慶潮豐聯物資有限公司 (for identification purpose, Chongqing Chaofung United Material Supplies Limited ("**Chongqing Chaofung**")), pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivable of approximately RMB58.4 million (equivalent to approximately HK$64.2 million) assigned to Chongqing Chaofung from the factoring customers of Chongqing Chaofung for a period of 1 year from the date of signing of the factoring agreement, with the factoring principal amount of RMB53 million (equivalent to approximately HK$58.3 million) at the interest rate of 10.00% per annum. For further details, please refer to the announcement of the Company dated 11 October 2023.

On 17 October 2023, Shanghai Dongrui entered into a factoring agreement Chongqing Maotong, pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivable of approximately RMB44.4 million (equivalent to approximately HK$48.8 million) assigned to Chongqing Maotong from the factoring customers of Chongqing Maotong for a period of 1 year from the date of signing of the factoring agreement, with the factoring principal amount of RMB40 million (equivalent to approximately HK$44.0 million) at the interest rate of 11.00% per annum. For further details, please refer to the announcement of the Company dated 17 October 2023.

On 27 September 2023, Shanghai Dongrui entered into a factoring agreement with Chongqing Pumei, pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivable of approximately RMB44.4 million (equivalent to approximately HK$48.8 million) assigned to Chongqing Pumei from the factoring customers of Chongqing Pumei for a term of 1 year from the date of execution of the factoring agreement, with the factoring principal amount of RMB40 million (equivalent to approximately HK$44.0 million) at the interest rate of 11.00% per annum. On 17 October 2023, Shanghai Dongrui entered into a factoring agreement with Chongqing Pumei, pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivable of approximately RMB22.2 million (equivalent to approximately HK$24.4 million) assigned to Chongqing Pumei from the factoring customers of Chongqing Pumei for a period of 1 year from the date of signing of the factoring agreement, with the factoring principal amount of RMB20 million (equivalent to approximately HK$22.0 million) at the interest rate of 11.00% per annum. For further details, please refer to the announcement of the Company dated 17 October 2023.

On 31 October 2023, Shanghai Dongrui entered into a refactoring agreement with Sheng Shi, pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivable of RMB29 million (equivalent to approximately HK$31.9 million) assigned to Sheng Shi from the factoring customers of Sheng Shi for a term of 1 year from the date of execution of the refactoring agreement, with the factoring principal amount of approximately RMB26.5 million (equivalent to approximately HK$29.2 million) at the interest rate of 9.41% per annum. For further details, please refer to the announcement of the Company dated 31 October 2023.

On 2 November 2023, Shanghai Dongrui entered into a refactoring agreement with 磐嶼商業保理有限公司 (for identification purpose, Pun Yu Commercial Factoring Limited ("**Pun Yu**")), pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivable of approximately RMB54.2 million (equivalent to approximately HK$59.6 million) assigned to Pun Yu from the factoring customers of Pun Yu for a term of 1 year from the date of execution of the refactoring agreement, with the factoring principal amount of approximately RMB49.6 million (equivalent to approximately HK$54.6 million) at the interest rate of 9.41% per annum. For further details, please refer to the announcement of the Company dated 2 November 2023.

On 6 November 2023, Shanghai Dongrui entered into a factoring agreement with Chongqing Baicui, pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivable of approximately RMB74.4 million (equivalent to approximately HK$81.8 million) assigned to Chongqing Baicui from the factoring customers of Chongqing Baicui for a period of 1 year from the date of signing of the factoring agreement, with the factoring principal amount of RMB67 million (equivalent to approximately HK$73.7 million) at the interest rate of 11.00% per annum. For further details, please refer to the announcement of the Company dated 6 November 2023.

On 28 November 2023, Shanghai Dongrui entered into a factoring agreement with Shanghai Hongxuan, pursuant to which Shanghai Dongrui agreed to provide financing being secured by accounts receivable of approximately RMB41.1 million (equivalent to approximately HK$45.2 million) assigned to Shanghai Hongxuan from the factoring customers of Shanghai Hongxuan for a period of 1 year from the date of signing of the factoring agreement with the factoring principal amount of RMB37 million (equivalent to approximately HK$40.7 million) at the interest rate of 11.00% per annum. For further details, please refer to the announcement of the Company dated 28 November 2023.

On 19 December 2023, Shanghai Dongrui entered into a factoring agreement with Chongqing Maotong, pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivables of approximately RMB22.2 million (equivalent to approximately HK$24.4 million) assigned to Chongqing Maotong from the factoring customers of Chongqing Maotong for a term of 1 year from the date of signing the factoring agreement, with the factoring principal amount of RMB20.0 million (equivalent to approximately HK$22.0 million) and an interest rate of 11.00% per annum. For further details, please refer to the announcement of the Company dated 19 December 2023.

On 22 December 2023, Shanghai Dongrui entered into a refactoring agreement with Pun Yu, pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivables of approximately RMB18.9 million (equivalent to approximately HK$20.8 million) assigned to Pun Yu from the factoring customers of Pun Yu for a term of 1 year from the date of signing the refactoring agreement, with the factoring principal amount of approximately RMB17.3 million (equivalent to approximately HK$19.0 million) and an interest rate of 9.41% per annum. For further details, please refer to the announcement of the Company dated 22 December 2023.

During the year ended 31 December 2023, the Group entered into (i) one loan financing agreement with one borrower; and (ii) 17 factoring/refactoring agreements with nine borrowers. Such borrowers include:

– Chongqing Longyate (which is principally engaged in processing of rebar, sales of construction materials);

– Chongqing Jia Wang (which is principally engaged in sales of building construction materials and machinery);

– Wuhan Hezong (which is principally engaged in sales of, among others, building materials and office equipment);

– Shanghai Hongxuan (which is principally engaged in, among others, technology development of computing software and electronic products);

– Chongqing Pumei (which is principally engaged in, among others, planting and sales of flowers and seedlings);

– Chongqing Maotong (which is principally engaged in construction related business);

– Chongqing Baicui (which is principally engaged in, among others, tree nurseries, planting and selling flowers and plants);

– Sheng Shi (which is principally engaged in, among others, investment consultation);

– Chongqing Chaofung (which is principally engaged in building and construction services); and

– Pun Yu (which is principally engaged in provision of loan factoring services)

all of which are private companies. The majority of such borrowers have credit ratings ranging from AAA to A.

Loan receivables

As at 31 December 2023, the Group's total loan receivables amounted to approximately HK$495.5 million (2022: approximately HK$520.1 million). The breakdown of the loan receivables of the Group as at 31 December 2023, categorised into the three segments in the Loan Financing Segment, namely Loan Financing Business, Short-term Loan Business and Factoring/Refactoring Business are as follows:

	Gross carrying amount HK$'000	**Loss allowance** HK$'000	**Net carrying amount** HK$'000
Loan Financing Business	2,397	(47)	2,350
Short-term Loan Business	–	–	–
Factoring/Refactoring Business	493,744	(629)	493,115
Total	496,141	(676)	495,465

For details of the loan receivables from the five largest borrowers during the year ended 31 December 2023, please refer to the section headed "The five largest borrowers in terms of loan receivables" in the Report of the Directors in this annual report.

INVESTMENT PROPERTIES HOLDING

Dong Dong Mall

Chongqing Baoxu, a subsidiary of which 70% equity interest is owned by the Company, is principally engaged in the commercial business of Dong Dong Mall, a shopping arcade for commercial use and located at No. 2, Second Lane, Nanping East Road, Nanan District, Chongqing in the PRC with a total gross floor area of approximately 18,043.45 square meters ("**sq.m.**"). Nanping East Road in Nan'an District, Chongqing Municipality, is a bustling commercial area. Due to the convenient public transportation, Dong Dong Mall has become a hot-spot of fashion, shopping, entertainment and business for residents around south Chongqing. This area attracts numerous consumers and tourists because it offers a variety of high-quality goods and services as well as various entertainment and leisure options.

In order to revive and expand consumption, the PRC government has launched a series of policies. These policies aim to increase residents' income through various channels and improve the consumption environment, thereby enabling the ongoing recovery of the consumer market. With the effectiveness of these policies gradually becoming more apparent, the consumer market is expected to continue to recover, bringing development opportunities to Dong Dong Mall.

To maintain a stable leasing rate for commercial space and good customer relationships, Dong Dong Mall mitigated the pressure on the merchants by providing them with various incentives, such as rent concessions. As of 2023, Dong Dong Mall had granted rent concessions of a total of approximately RMB0.42 million (equivalent to approximately HK$0.46 million) for the merchants, which accounted for approximately 3.08% of Dong Dong Mall's revenue in 2023.

Chengdu Office

On 25 April 2023, 三亞清石實業有限公司 (for identification purpose, Sanya Qingshi Industrial Co., Ltd. ("**Sanya Qingshi**")), a wholly-owned subsidiary of Shanghai Dongkui, entered into a contract with 成都東銀信息傳媒有限公司 (for identification purpose, Chengdu Dongyin Information Media Co., Ltd.), pursuant to which Sanya Qingshi agreed to purchase a property (i.e. Rooms no. 1 and 2 of 4th Floor, Unit 1, Building 6 of a scientific research office building of 天府新谷 (for identification purpose,Tianfu Xingu, on the land located at No. 399 West Section of Fucheng Avenue, Chengdu, PRC) (the "**Chengdu Office**"), with the aggregate gross floor area of each of Rooms no. 1 and 2 being 1,437.93 sq.m. and 974.76 sq.m. respectively, at a total consideration of RMB19 million (equivalent to approximately HK$20.9 million).

As one of the central cities in the Western region of the PRC, the continuous economic growth of Chengdu brings an increasing demand for office buildings. Being located in the business district of Chengdu, the Chengdu Office will continue to benefit from the economic growth of the city. In June 2023, Sanya Qingshi has entered into tenancy agreements with the tenants for the Chengdu Office for terms of nearly 10 years at an aggregate annual rent of approximately RMB1.6 million (equivalent to approximately HK$1.8 million). This will bring stable income to the Group in the future.

For the year ended 31 December 2023, the Group's investment properties holding segment contributed revenue of approximately HK$15.8 million (2022: approximately HK$9.7 million), representing an increase of approximately 62.89%, which was mainly attributable to the increase in rental income of Dong Dong Mall and Chengdu Office. For the year ended 31 December 2023, the assessed fair value gains of Dong Dong Mall and Chengdu Office accounted for approximately HK$4.8 million (2022: fair value loss of approximately HK$31.4 million). For the year ended 31 December 2023, this segment recorded profit after tax of approximately HK$8.0 million (2022: loss after tax of approximately HK$20.5 million).

SALES OF FLOWERS AND PLANTS

In 2023, the sluggishness of the real estate market in the PRC continuously led to a decrease in demand for flowers and plants in the market, thus affecting the sales revenue of flower and plant business owners. As a result, the Group experienced a relative decline in the sales of flowers and plants during the year. For the year ended 31 December 2023, the Group's sales of flowers and plants segment has contributed revenue of approximately HK$6.3 million (2022: approximately HK$39.0 million), representing a decrease of approximately 83.85%. Despite the fact that the downturn in the real estate market in Chongqing has posed certain challenges to the flower and plants market, the Group has made proactive efforts to adapt to the market demand and expand its sales channels in order to maintain its competitiveness.

DISTRESSED ASSETS MANAGEMENT

Shanghai Dongkui, a 77.58% owned subsidiary of the Company, acquired 安信萬邦資產管理有限公司 (for identification purpose, Anxin Wanbang Asset Management Co., Ltd. ("**Anxin Wanbang**")) with a cash amount of RMB60,000 (equivalent to approximately HK$73,620 as at the date of acquisition). On the date of acquisition, the net liabilities of Anxin Wanbang were approximately RMB1.7 million (equivalent to approximately HK$1.9 million), the purchase price was RMB60,000 (equivalent to approximately HK$66,000), and the registered capital of Anxin Wanbang was RMB50 million (equivalent to approximately HK$55.0 million). Anxin Wanbang is principally engaged in the provision of services and distressed assets management. In June 2022, Shanghai Dongkui disposed the entire interest in Anxin Wanbang to an independent third party for a consideration of RMB0.1 million (equivalent to approximately HK$0.1 million) (the "**Disposal**"). After the Disposal, the Group is still in the process of finding a suitable team to design and optimize a business model that suits the management practices and features of a listed company.

For the year ended 31 December 2023, the Group's distressed assets management segment has not contributed revenue (2022: Nil). Accordingly, this segment recorded loss after tax of approximately HK$0.1 million for the year ended 31 December 2023 (2022: loss after tax of approximately HK$3.3 million).

PROSPECTS

Looking ahead to 2024, it is expected that the PRC economy will continue its trend of recovery. In the face of domestic and international challenges, the PRC government will continue to strengthen its support for the economy and has been seeking progress in a stable manner in order to achieve high-quality development. The Group will closely monitor domestic and international economic dynamics while consistently assessing the changes in policy risks. On the basis of ensuring safety and compliance, the Group will undergo business expansion prudently and strive for long-term high-quality development.

Dongkui Business

In 2024, Shanghai Dongkui will continue to invest its resources in the factoring/refactoring business. Shanghai Dongkui will follow the operation principles of professionalism, standardization and marketization, and enhance risk control measures, thus consistently improving customer quality, reducing operational risks and ensuring the smooth operation of the Dongkui Business.

Commercial factoring plays an important role in serving the real economy, addressing financing hurdles for small and medium-sized enterprises, and reducing leverage for large enterprises. In recent years, the PRC government has emphasized the importance of healthy development of the supply chain finance industry, including commercial factoring, and has introduced a series of supportive policies to guide the standardized and healthy development of the commercial factoring industry.

On 18 July 2023, Shanghai Municipal Economic and Informatization Commission, Shanghai Municipal Commission of Commerce and Shanghai Municipal Development and Reform Commission issued a circular entitled “Action Plan for Promoting the High-Quality Development of Industrial Internet Platforms in Shanghai (2023-2025)”. The action plan states that industrial Internet platforms should carry out in-depth collaboration with financial institutions (including banks and insurers) as well as financial organizations in relation to finance leasing, commercial factoring and financing guarantees, so as to provide diversified services to upstream and downstream enterprises. At the same time, the circular also promotes financial institutions and industrial Internet platforms to jointly explore trustworthy models based on blockchain technology to increase supply chain financial services.

Shanghai Dongkui will continue to adhere to the philosophy of compliant operation in accordance with laws and regulations, continue to strengthen business processes and internal control mechanisms, and strengthen risk control management of the approval business. On the basis of compliance, the Group will keep developing the sub-segments of its services while also proactively seeking business innovation, expanding market space and potential, creating new points of growth for its businesses, and activating the momentum of innovation and development.

Investment Properties Holding

Dong Dong Mall

With the economy and society returning to a state of normality, the implementation of various policies to promote consumption and the accelerated return of offline consumption, the consumer market in Chongqing sustained recovery on a whole. On 27 November 2023, the Chongqing Development and Reform Commission issued the “Measures to Restore and Expand Consumption”, which aim to further stabilise the consumption potential and promote the sustained recovery of consumption in terms of five aspects: vigorously promoting automobile consumption, comprehensively improving housing and household consumption, improving the quality and development of new types of consumption, continuously expanding cultural and tourism consumption, and making every effort to create a good consumption environment.

In addition to meeting people’s shopping needs, Dong Dong Mall, a property held by the Group, also provides consumers with a full range of facility services for dining and entertainment, as well as a wide range of shops, including fashion boutiques, restaurants and lifestyle centres. Positioned as a family-oriented shopping centre serving the neighbourhood, Dong Dong Mall is designed to attract customers and merchants by focusing on children-oriented businesses through restructuring, investment, operation and promotion. Moreover, there are a number of themed plazas and event venues, where various cultural and art activities and parent-child entertainment programmes are held from time to time to provide consumers with more entertainment and cultural experiences.

In the future, Dong Dong Mall will focus its brand as a “parent-child centre”, actively establish comfortable and healthy venues for commercial consumption, constantly upgrade facilities and shopping mall services, and hold diversified programmes and activities to turn Dong Dong Mall into an imaginative and fresh parent-child leisure destination, so as to revive the consumption experience of the neighbourhood and unleash development vitality.

Chengdu Office

As a major city in the Western region of the PRC, Chengdu has extensive prospects and massive development potential. Especially under the government’s increased support for the service industry, the office market of Chengdu will receive long-term stable support. Chengdu has a good foundation in the service industry, and it is expected that in the future, there will be economic opportunities brought by industry transformation and the demographic structure when the government increases its support for the service industry. Industries such as finance, real estate, tourism and technology will experience rapid development, providing long-term support for the office market of Chengdu.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS

The Chengdu Office held by the Group is located in a business district with a strategic location. In June 2023, Sanya Qingshi entered into a tenancy contract with an independent third party tenant for the Chengdu Office for a term of nearly 10 years. With good communication with customers, the leasing of the Chengdu Office will generate stable income for the Group in the foreseeable future.

Although property prices in China continue to fall, rents in Chongqing and Chengdu showed signs of stabilization and an upward trend. The Group will continue to monitor the market changes and identify suitable property markets with stable returns in order to increase the Group's rental income.

Sales of Flowers and Plants

In recent years, the real estate market in Chongqing was subject to continued downward pressure and the market has not yet recovered in confidence. The development pace of real estate developers has slowed down, resulting in reduced demand for flowers and plants. In order to support the recovery of the real estate market, on 20 September 2023, the Chongqing Municipal People's Government promulgated the Decision of the Chongqing Municipal People's Government on Modification of the Provisional Measures on Trial Reform of Imposing Real Estate Tax on Certain Individual Residential Properties in Chongqing Municipality and the Detailed Rules for the Implementation of the Administration of Individual Residential Property Tax Collection in Chongqing Municipality to reduce the cost of purchase of residential property and encourage housing demand.

On 3 July 2023, Chongqing Municipal People's Government and the National Forestry and Grassland Administration jointly issued the Notice of the Chongqing Municipal People's Government and the National Forestry and Grassland Administration on Issuing the Implementation Plan for the Construction of Chongqing as a Scientific Greening Pilot Demonstration City, which proposed to fully utilize the potential of greening and vigorously launch tree planting and courtyard greening, with the goal of greening, beautification and improving the living environment.

The recovery of the real estate market and the construction of the eco-city will positively impact the development of the Group's business of sales of flowers and plants. The Group is committed to providing flowers and plants of high quality for landscape greening and to providing products and services to customers at competitive prices. The Group will continue to seek market opportunities and explore new sales channels to enhance the quality and efficiency of its operations and maintain its competitiveness in the market.

Distressed Assets Management Business

With the economic downturn and the advancement of supply-side reform, some industries and enterprises have entered into a period of adjustment, and distressed assets have continued to increase, which has brought new development potential to the distressed assets industry. On 21 August 2023, the Ministry of Finance and the State Taxation Administration issued the Announcement on the Continued Implementation of the Tax Policy on the Setting Off of Non-performing Debts of Banking Financial Institutions and Financial Asset Management Companies against Their Debts, which supports banking and financial institutions and financial asset management companies in disposal of non-performing debts with a view to effectively prevent financial risks.

In the future, the Group will continue to seek development opportunities in the distressed asset management industry and identify suitable team members. We would like to design an optimized business model to meet the requirements of the industry practices and features of a listed company. At the same time, we will establish effective disposal processes and systems, and look for high-quality disposal service agencies for cooperation, in order to enhance our disposal capacity and efficiency. In this way, we are able to seize the opportunities of the development of the distressed asset management industry and actively contribute to economic development and financial stability.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group had bank and cash balances of approximately HK$159.5 million as at 31 December 2023 (2022: approximately HK$147.3 million). The management believes that the Group has sufficient cash and cash equivalents to fund its operations and future development. As at 31 December 2023, the current ratio of the Group, representing current assets divided by current liabilities, was approximately 11.4. (2022: approximately 11.5).

As at 31 December 2023, the Group had no gearing ratio (2022: nil), which is calculated as net debt divided by total capital. Net debt is calculated as amounts due to related companies and lease liabilities less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position, plus net debt. As at 31 December 2023 and 2022, the Group's gross debt had not exceeded cash and cash equivalents.

Capital Structure

As at 31 December 2023, the Group had no current and non-current borrowings (2022: nil).

The Group did not use any derivative to hedge its exposure to interest rate risks for the years ended 31 December 2023 and 2022. The Group monitored its capital by maintaining a sufficient net cash position to satisfy its commitments and working capital requirements.

Pledge of Assets

For the years ended 31 December 2023 and 2022, the Group had no pledged asset.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group operates in Hong Kong and the PRC with most of the transactions denominated and settled in local currencies.

Currently, the Group does not use any derivative financial instrument to hedge its exposure to foreign exchange risks.

Employees and remuneration policy

As at 31 December 2023, the Group had 29 employees (31 December 2022: 30 employees). During the year ended 31 December 2023, the total staff costs recognized as expenses were approximately HK$15.8 million (2022: HK$18.1 million).

In terms of talent training, the Group will further enhance its employee training program with internal and external resources. The employee training programs primarily cover key areas in the Group's business operations, which provide continuous training to its existing employees at different levels to specialize and strengthen their skill sets.

The Group adopts remuneration policies similar to its peers in the industry. The remuneration payable to its staff is fixed by reference to the duties and the prevailing market rates. The Group is subject to social insurance contribution plans or other pension schemes prescribed by the local governments and is required to pay on behalf of its employees, a monthly social insurance funds covering pension fund, medical insurance, work-related injury insurance, maternity insurance and unemployment insurance, and the housing provident fund, or to contribute regularly to mandatory provident fund schemes on behalf of its employees.

In determining the remuneration and compensation packages of the Directors and senior management, the Group will take into account, among other things, salaries paid by comparable companies, time commitment and their respective responsibilities and performance of the Group.

Contingent Liabilities or Commitments

As at 31 December 2023 and 2022, the Group had no significant contingent liability nor did it incur any significant capital expenditure or enter into any significant commitment in respect of any capital expenditure.

Significant events after the year ended 31 December 2023

There were no significant events arising subsequent to the year ended 31 December 2023 as at the date of this annual report.

Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: nil).

AUDIT COMMITTEE AND REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The audit committee of the Board (the "**Audit Committee**") currently consists of three independent non-executive Directors, namely Mr. Chan Ying Kay (Chairman of the Audit Committee), Mr. Leung Kin Hong and Mr. Wang Jin Ling. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2023 and discussed with the management and the auditor of the Company on the accounting principles and practices adopted by the Group and other financial reporting matters.

SCOPE OF WORK OF BAKER TILLY HONG KONG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023, as set out in the annual results announcement for the year ended 31 December 2023 of the Company, have been agreed by the Group's auditor, Baker Tilly Hong Kong Limited ("**Baker Tilly Hong Kong**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Baker Tilly Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Baker Tilly Hong Kong on the announcement.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lo Siu Yu ("Mr. Lo"), aged 54, was appointed as the Chairman and an executive Director of the Company in October 2009. Mr. Lo possesses over 10 years of experience in the sale of automobile accessories and properties investment. He is the founder and is currently the chairman and general manager of 重慶東銀控股集團有限公司 (for identification purpose, Chongqing Doyen Holdings Group Co., Ltd. ("**Chongqing Doyen**")), a private company established with limited liability under the laws of the PRC. Mr. Lo and his spouse are the ultimate beneficial owners of Chongqing Doyen as at the date of this report. Chongqing Doyen is principally engaged in investment holding, and its subsidiaries are principally engaged in special vehicle manufacturing, machine manufacturing, property investment and development. As at the date of this report, Chongqing Doyen is beneficially interested in approximately 35.55% of the issued share capital of 重慶市迪馬實業股份有限公司 (for identification purpose, Dima Holdings Co., Ltd. ("**Chongqing Dima**")), a company listed on the Shanghai Stock Exchange of the PRC, and approximately 25.55% of the issued share capital of 江蘇農華智慧科技股份有限公司 (for identification purpose, Jiangsu Nonghua Intelligent Agriculture Technology Co. Ltd. ("**Jiangsu Nonghua**")), a company listed on the Shenzhen Stock Exchange of the PRC. Mr. Lo holds a degree of Economics from 重慶工商大學 (for identification purpose, Chongqing Technology and Business University) (formerly known as 渝州大學 (for identification purpose, Yuzhou University)) in Chongqing City, the PRC.

Mr. Tai Xing ("Mr. Tai"), aged 50, was appointed as an executive Director and the Chief Executive Officer ("**CEO**") of the Company in October 2017. Mr. Tai obtained a bachelor's degree in economics from Chongqing Technology and Business University. He obtained qualification of a trading representative of 海南中商期貨交易所 (for identification purpose, China-Commodity Future Exchange, Inc. of Hainan) in 1996, and has been a registered management consultant authorised by the People's Government of Sichuan since 2001. Mr. Tai has 23 years' experience in the field of finance and corporate management in the PRC. He joined Chongqing Doyen in 2003 and had been appointed as supervisor, vice supervisor and general manager in various subsidiaries of Chongqing Doyen. Mr. Tai had resigned as employee of a connected company controlled by Mr. Lo and his spouse from December 2019. He was the vice general manager of 上海東勝股權投資有限公司 (for identification purpose, Shanghai Dongsheng Equity Investment Company Ltd. ("**Shanghai Dongsheng**")), a subsidiary of Chongqing Doyen. In December 2019, Mr. Tai had resigned as the vice general manager of Shanghai Dongsheng.

Mr. Cho Chun Wai ("Mr. Cho"), aged 47, was appointed as the financial controller of the Company in August 2012, the company secretary in February 2015 and an executive Director in September 2016. Mr. Cho was appointed as Director of Shanghai Dongkui in December 2016. He holds a master degree of corporate finance and a bachelor degree of accountancy awarded from the Hong Kong Polytechnic University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants. He has over 20 years of experience in financial management for listed companies.

NON-EXECUTIVE DIRECTORS

Mr. Pan Chuan ("Mr. Pan"), aged 45, was appointed as a non-executive Director in November 2018. Mr. Pan, graduated from 四川外國語大學 (for identification purpose, Sichuan International Studies University) in the PRC in 1998 with a major in English language. Mr. Pan has more than 10 years of managerial experience in the PRC, including working in 重慶海德大酒店 (for identification purpose, Chongqing Hoitak Hotel) and Chongqing Dima. Mr. Pan joined Chongqing Doyen in 2009 as the office supervisor. He had been appointed as a supervisor of Chongqing Dima since 2010.

Ms. Sun Lin ("Ms. Sun"), aged 50, was appointed as a non-executive Director in 4 July 2022. Ms, Sun, graduated from 中國人民解放軍重慶通信學院 (for identification purpose, Chongqing Communication Institute) and obtained her bachelor's degree in electronic audio and video profession in 1997. In 2015, Ms. Sun was awarded the certificate of higher human resources management issued by 人力資源部和社會保障局 (for identification purpose, Ministry of Human Resources and the Social Security Bureau). Prior to joining the Group, Ms. Sun had worked for the Chinese People's Pictorial as editing reporter during the period from 1997 to 2000; Chongqing Dima as head of marketing department during the period from 2000 to 2003; 重慶嘉發房地產公司 (for identification purpose, Chongqing Jiafa Real Estate Company) as head of planning department and assistant to the chairman during the period from 2003 to 2009; and 重慶河東集團 (for identification purpose, Chongqing Hedong Group) as human and administrative director during the period from 2009 to 2015. Ms. Sun has been the assistant to the chairman of Chongqing Doyen, a company beneficially owned by Mr. Lo and his wife, since July 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Ying Kay ("Mr. Chan"), aged 60, was appointed as an independent non-executive Director of the Company in October 2009. During the period of January 2020 and January 2023, Mr. Chan had been appointed as a financial controller of a Hong Kong company. In April 2019, Mr. Chan had been appointed as the company secretary and the chief financial officer of Zhuoxin International Holdings Limited ("**Zhuoxin**"), a company listed on the GEM ("**GEM**") of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"). In June 2019, Mr. Chan had resigned as the company secretary and the chief financial officer of Zhuoxin. In October 2017, Mr. Chan had been appointed as the company secretary and the chief financial officer of Beautiful China Holdings Company Limited ("**Beautiful China**"), a company listed on the main board of the Stock Exchange. In July 2018, Mr. Chan had resigned as the chief financial officer of Beautiful China. In October 2018, Mr. Chan had resigned as the company secretary of Beautiful China. In July 2016, Mr. Chan had been appointed as an independent non-executive director of China Oil Gangran Energy Group Holdings Limited ("**China Oil Gangran**"), a company listed on the GEM of the Stock Exchange. In August 2018, Mr. Chan had resigned as an independent non-executive director of China Oil Gangran. Mr. Chan has over 30 years of experience in accounting and finance. Mr. Chan graduated from the University of Sheffield with a master of business administration, and is currently a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

Mr. Leung Kin Hong ("Mr. Leung"), aged 53, was appointed as an independent non-executive Director of the Company in July 2019. He obtained his master degree of finance in 2002 from the Curtin University of Technology. He has been an associate member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants since 1998. He has been the Group Financial Controller of Shanghai Industrial Urban Development Group Limited, a company listed on the main board of the Stock Exchange (stock code: 563), where his duties include overseeing the finance activities, business planning and corporate finance since November 2012. Prior to that, Mr. Leung had worked in an international professional accounting firm and several listed companies in Hong Kong to gain his extensive experience in financial and general management.

Mr. Wang Jin Ling ("Mr. Wang"), aged 85, was appointed as an independent non-executive Director of the Company in October 2009. Mr. Wang was qualified as a senior engineer by 煤炭工業部 (for identification purpose, The Ministry of Coal Industry) of the PRC in 1995, and was appointed as the chief engineer at 義馬礦務局 (for identification purpose, Yima Mining Bureau) of the 中國統配煤礦總公司 (for identification purpose, China National Coal Corporation) in Henan Province, the PRC in 1991. Mr. Wang was invited to act as the technical consultant of 永煤集團股份公司 (for identification purpose, Yongmei Group Company Ltd.) in 2000.

REPORT OF THE DIRECTORS

The Board presents the annual report together with the audited consolidated financial statements for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding. Its subsidiaries are principally engaged in properties investment and rental activities, and sales of flowers, seedlings and plants in the PRC, provision of loan financing to customers in the PRC and distressed assets management.

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2023 are set out in note 40 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of profit or loss on page 82.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Same).

RESERVES

Movements in the reserves of the Group and of the Company during the year ended 31 December 2023 are set out in the consolidated statement of changes in equity on page 85 and note 39(b) to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

The Company had no distributable reserves as at 31 December 2023 and 2022.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 32(a) to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 19 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of the movements in investment properties of the Group are set out in note 21 to the consolidated financial statements.

BORROWINGS

As at 31 December 2023, the Group had no current and non-current borrowing (2022: nil).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last 5 financial years is set out on page 150 of this report.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares for the year ended 31 December 2023.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors of the Company as at the date of this report and those who were in office during the year are:

Executive Directors
Mr. Lo Siu Yu, *Chairman*
Mr. Tai Xing, *CEO*
Mr. Cho Chun Wai

Non-executive Directors
Ms. Sun Lin
Mr. Pan Chuan

Independent non-executive Directors
Mr. Chan Ying Kay
Mr. Leung Kin Hong
Mr. Wang Jin Ling

In accordance with Articles 90 to 92 of the Articles of Association of the Company (the "**Articles of Association**"), Mr. Lo, Mr. Pan and Mr. Chan will retire at the forthcoming Annual General Meeting (the "**AGM**") but, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

An executive Director has entered into service contract with the Company on 15 October 2009. An executive Director has entered into a service contract with the Company on 29 September 2016. An executive Director has entered into a service contract with the Company on 17 October 2017. Such contracts will continue unless and until they are terminated by either party by prior written notice.

Each appointment letter entered into between the Company and Ms. Sun (on 4 July 2022) and Mr. Pan (on 12 November 2018), all being the non-executive Directors of the Company is without fixed terms of office, and such contracts will continue unless and until they are terminated by either party by prior written notice.

Each appointment letter entered into between the Company and Mr. Chan, Mr. Wang (both on 13 October 2023) and Mr. Leung (on 5 July 2023), all being the independent non-executive Directors of the Company, are for a fixed term of one year, and renewable annually upon expiry, unless and until terminated by either party by a prior written notice.

Save as disclosed above, no Director of the Company has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

DIRECTORS OF SUBSIDIARIES

A list of names of all the Directors who have served on the Board of the Company's subsidiaries during the year and up to the date of this report is available on the Company's website at http://www.doyenintl.com.

INDEPENDENCE CONFIRMATION

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of ("**Listing Rules**"). The Company considers they are independent.

DIRECTORS' REMUNERATIONS

A summary of the Directors' remuneration is set out in note 15 to the consolidated financial statements.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

There were no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATED CORPORATION

As at 31 December 2023, the following Directors of the Company had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") to be notified to the Company and the Stock Exchange:

Long positions of the Directors' interests in the shares and underlying shares of the Company:

Name of director	Capacity	Corporate interest	Personal interest	Interests in underlying share pursuant to share options	Total number of shares interested	Approximate percentage of the Company's issued shares
Mr. Lo Siu Yu	Interest of controlled corporation and beneficial owner	760,373,018 (note a)	25,000,000 (note b)	–	785,373,018	61.64%
Mr. Cho Chun Wai	Beneficial owner	–	10,000	–	10,000	0.00%

Notes:

a. 670,373,018 shares were held by Money Success Limited ("**Money Success**"), a company wholly-owned by Wealthy In Investments Limited ("**Wealthy In**"), which is in turn wholly-owned by Mr. Lo. 60,000,000 shares were held by Sino Consult Asia Limited ("**Sino Consult**") and 30,000,000 shares were held by Full Brilliant Limited ("**Full Brilliant**"), both are companies wholly-owned by Money Success.

b. Such interests are held jointly with Ms. Chiu Kit Hung ("**Ms. Chiu**"), the spouse of Mr. Lo.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATED CORPORATION *(CONTINUED)*

Save as disclosed above, as at 31 December 2023, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME AND DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES AND DEBENTURES OF THE COMPANY

The share option scheme and the share options were expired on 1 December 2020. As at 31 December 2023, the Group had no share option and no new share option scheme was adopted.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate granted to any Director or their respective spouses or children under 18 years of age, or were any such rights exercised by them; or were the Company or any of its holding companies, fellow subsidiaries and subsidiaries a party to any arrangement to enable the Company's Directors, their respective spouses or children under 18 years of age to acquire such rights in any other body corporate.

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

As at 31 December 2023, according to the register of interests in shares in the Company and short positions of the Company required to be kept by the Company under section 336 of the SFO, the following persons or corporations, other than Directors or chief executive of the Company, had interests or short positions in the shares or underlying shares which would fall to be disclosed by the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY *(CONTINUED)*

Long positions of substantial shareholders' interests in the shares of the Company:

Name of substantial shareholder	Capacity	Number of shares interested	Approximate percentage of the Company's issued shares
Galaxy Bond Holdings Limited	Person having a security interest in shares (Note a)	785,373,018	61.64%
Mr. Xue Yuewu	Interest of controlled corporation (Note b)	785,373,018	61.64%
	Beneficial owner	108,000,000	8.48%
Chongqing Mingna Trading Co., Ltd.	Person having a security interest in shares (Note c)	785,373,018	61.64%
Mr. Lin Xuegang	Interest of controlled corporation (Note d)	785,373,018	61.64%
Ms. Chen Aini	Interest of spouse (Note e)	785,373,018	61.64%
Ms. Chiu Kit Hung	Interest of spouse (Note f)	785,373,018	61.64%
Wealthy In Investments Limited	Interest of controlled corporation (Note g)	760,373,018	59.68%
Money Success Limited	Beneficial owner (Note h)	670,373,018	52.62%
	Interest of controlled corporation	90,000,000	7.06%
Jiangsu Huaxi Group Co. Ltd.	Interest of controlled corporation (Note i)	140,000,000	10.99%
Baoli International (Hong Kong) Trading Co., Limited	Beneficial owner (Note i)	140,000,000	10.99%
Hong Kong Jin Hua Jun Chang Industrial Limited	Beneficial owner (Note j)	70,000,000	5.49%
Mr. You Tao	Interest of controlled corporation (Note j)	70,000,000	5.49%

Notes:

a. Galaxy Bond Holdings Limited ("**Galaxy Bond**") is a company incorporated in BVI with limited liability and 100% of the shareholdings of Galaxy Bond was owned by Mr. Xue Yuewu ("**Mr. Xue**").

b. 100% of the shareholdings of Galaxy Bond was owned by Mr. Xue.

c. Chongqing Mingna Trading Co., Ltd. ("**Chongqing Mingna**") is a company established with limited liability under the PRC. 90% and 10% of the shareholdings of Chongqing Mingna were owned by Mr. Lin Xuegang ("**Mr. Lin**") and Ms. Chen Aini ("**Ms. Chen**") respectively.

d. 90% of the shareholdings of Chongqing Mingna were owned by Mr. Lin.

e. Ms. Chen is the spouse of Mr. Lin. 10% of the shareholdings of Chongqing Mingna were owned by Ms. Chen.

f. Ms. Chiu is the spouse of Mr. Lo, who is the Chairman and an executive Director of the Company.

g. Wealthy In is a company wholly-owned by Mr. Lo.

h. 670,373,018 shares were held by Money Success, a company wholly-owned by Wealthy In, which is in turn wholly-owned by Mr. Lo. 60,000,000 shares were held by Sino Consult and 30,000,000 shares were held by Full Brilliant, both are companies wholly-owned by Money Success.

i. Jiangsu Huaxi Group Co. Ltd. ("**Jiangsu Huaxi Group**") is a company established with limited liability under the laws of the PRC. Jiangsu Huaxi Group held 75% equity interest of Jiangyin Huaxi Steel Co., Ltd. ("**Jiangyin Huaxi Steel**"), which in turn wholly-owned Baoli International (Hong Kong) Trading Co., Limited ("**Baoli**"). Baoli is a company incorporated in Hong Kong with limited liability.

j. Hong Kong Jin Hua Jun Chang Industrial Limited is a company established in Hong Kong and wholly-owned by Mr. You Tao.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY *(CONTINUED)*

Save as disclosed above, as at 31 December 2023, the Company had not been notified by any persons or corporations (other than Directors or chief executives of the Company) who had an interest directly or indirectly and/or short position in the shares or underlying shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of SFO.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2023.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the best knowledge of the Board, there was 25% or more of the listed issued share capital of the Company being held in public hands as at the latest practicable date prior to printing of this report.

PERMITTED INDEMNITY PROVISION

The Articles of Association provide that subject to the provisions of the Companies Ordinance every Director shall be indemnified out of the assets of the Company against all liabilities incurred by him/her as a Director in defending any proceedings. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the directors and officers of the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group recognizes its responsibility to protect the environment when conducting its business activities. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities in order to minimise these impacts if possible. Details of the Group's environmental, social, and governance practices are set out in the "Environmental, social and governance report".

COMPETING INTERESTS

Save as the interests of Mr. Lo, being an executive Director and the Chairman of the Company, and certain of his associates (including his spouse) in investment properties holding business which may likely compete, either directly or indirectly with the business of the Group, none of the Directors or the chief executive of the Company and their respective close associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group for the year ended 31 December 2023 that are required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations which have a significant impact to the Group. As at the date of this annual report, except as disclosed in the annual report, the Group complied with, in all material respects, all the relevant and applicable laws and regulations and the Group has obtained all licenses, permits and certificates for the purpose of operating its business.

As at the date of this annual report, the Company's subsidiaries, joint ventures and associated company were not involved in and the Board is not aware of any non-compliance incidents that might adversely affect the value of the Company's interests in them.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2023, our five largest customers accounted for approximately 41.02% (2022: approximately 59.88%) of the Group's total revenue and our largest customer accounted for approximately 8.32% (2022: approximately 36.37%) of our total revenue. Due to the nature of our business, we do not have any significant contribution from major suppliers during the normal course of our business. However, we relied substantially on interest-bearing borrowings to operate our business. To the knowledge of the Directors, none of the Directors or their respective close associates as defined in the Listing Rules or any of the shareholders who own more than 5% of the Company's issued shares has any interest in any of the Group's five largest customers or suppliers or lenders.

THE FIVE LARGEST BORROWERS IN TERMS OF LOAN RECEIVABLES

The amount and percentages of the Group's five largest borrowers in terms of loan receivables are as follows:

2023

Rankings	Name of company	2023	
		HK$'000	Percentage
1	Chongqing Baicui	83,983	16.95%
2	Chongqing Pumei	77,712	15.68%
3	Chongqing Maotong	76,407	15.42%
4	Pun Yu	73,935	14.92%
5	Sheng Shi	61,412	12.39%
		373,449	

As at 31 December 2023, the Group's total loan receivables amounted to approximately HK$495.5 million (2022: approximately HK$520.1 million) and the largest borrower, being Chongqing Baicui, accounted for approximately 16.95% (2022: approximately 11.63%) of the total loan receivables.

CONNECTED TRANSACTIONS

During the year ended 31 December 2023, none of the related party transactions constitute as non-exempt connected transactions or non-exempt continuing connected transactions of the Group in accordance with the Listing Rules during the year ended 31 December 2023.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company, or subsisted during the year ended 31 December 2023.

REPORT OF THE DIRECTORS

CHARITABLE DONATIONS

During the year ended 31 December 2023, the Group had no charitable and other donations (2022: nil).

RELATED PARTY TRANSACTIONS

The related party transactions during the year ended 31 December 2023 are being disclosed in note 37 to the consolidated financial statements.

AUDITOR

Baker Tilly Hong Kong will retire and, being eligible, offer themselves for re-appointment. The Company will propose a resolution re-appointing Baker Tilly Hong Kong at the AGM. There were no changes in auditor of the Company during the past three years.

PROFESSIONAL TAX ADVICE RECOMMENDED

If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the Shares, they are advised to consult an expert. The Company is not aware of any tax relief or exemption available to the Shareholders of the Company due to their holding of the Company's securities.

By Order of the Board

Tai Xing
CEO

Hong Kong, 22 March 2024

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the importance of good corporate governance practices and believes that it is essential to enhance shareholders' value and safeguard shareholders' interests. The Directors are of the opinion that the Company has complied with the code provisions (the "**Code Provision**") as set out in the CG Code (the "**CG Code**") in Appendix C1 to the Listing Rules throughout the year ended 31 December 2023.

The Company regularly reviews its corporate governance practices to ensure that they comply with the CG Code and align with the latest developments.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in code provision A.2.1 of the CG Code.

The Board determines the Company's corporate governance policies and performs corporate governance duties set out in the CG Code. Its corporate governance duties include, among others, (i) to develop and review the Company's policies and practices on corporate governance; (ii) to review and monitor the training and continuous professional development of Directors and senior management; (iii) to review and monitor the Company's policies and practices on compliance with legal or regulatory requirements; and (iv) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report

CORPORATE CULTURE

The Group recognizes that a good corporate culture is vital to its corporate governance and has gradually developed a pragmatic and prudent corporate culture since its establishment, which has been reflected in the overall operations and management of the Group, in order to facilitate the long-term sustainability of the Group. The Group attaches great importance to create an honest corporate environment of integrity and is committed to preventing corruption in any form and adheres to the zero-tolerance policy for the aforementioned behavior. In order to establish a healthy corporate culture and promote high ethical standards within the Group, the Group has established an anti-corruption and whistle-blowing policy, which set outs, including but not limited to, (i) the types of breaches and conduct issues, and the personnel to which the policies apply; (ii) responsibilities of the relevant departments; (iii) consequences for breaching the relevant policies; and (iv) whistle-blowing incentives, with an aim to establish standardized principles that must be followed in daily operations and prevent any possible management risks which may arise from corruption, and to promote an anti-corruption culture, and help detect and deter misconduct or malpractice in the Group respectively, so as to facilitate the establishment of a good image of the Group and strengthen the sense of recognition and trust of all stakeholders of the Group.

THE BOARD

The Board currently comprises 3 executive Directors, including the Chairman and chief executive officer, 2 non-executive Directors, and 3 independent non-executive Directors.

The Board is collectively accountable to the shareholders and is responsible for the leadership and control of the Group including overseeing the Group's businesses, formulating strategic directions, setting objectives and business development plans, and monitoring the performance of both the financial results and the senior management. The Board takes responsibility to oversee internal controls and risk management systems and review of the effectiveness of such systems, and determining the policy for corporate governance.

BOARD INDEPENDENCE

The Board has also adopted a policy to ensure independent views are in place to safeguard the ability of an independent non-executive Director to: (i) scrutinise the Board's major decisions and the Company's performance; (ii) make independent judgements free from the influence of any interests; and (iii) initiate independent studies of special issues, through engaging external advisers. This confers greater transparency and in turn Shareholders' confidence in decision(s) made by the Board. The Company will conduct a regular review on the implementation and effectiveness of such policy annually. Upon making request to the Board, each Director is able to seek independent professional advice at the Company's expenses, when necessary.

Pursuant to code provision E.1.9 of the CG Code, the Company generally should not grant equity-based remuneration (e.g. share options or grants) with performance-related elements to independent non-executive Directors as this may lead to bias in their decision-making and compromise their objectivity and independence. The independent non-executive Directors were not granted equity-based remuneration up to the date of this annual report.

The independent non-executive Directors serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. Each of the independent non-executive Directors has confirmed in his annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers such Directors to be independent.

Despite the fact that each of Mr. Chan Ying Kay and Mr. Wang Jin Ling has served as an independent non-executive Director for more than nine years, (i) the Board considers that each of Mr. Chan and Mr. Wang has remained independent as each of them has satisfied all the criteria for independence set out in Rule 3.13 of the Listing Rules and affirmed that each of Mr. Chan and Mr. Wang remains independent; (ii) the Nomination Committee (as defined below) has assessed and is satisfied of the independence of each of Mr. Chan and Mr. Wang; (iii) the Board considers that each of Mr. Chan and Mr. Wang has made positive contributions to the Company's strategies and policies by providing independent advice from their areas of expertise during their tenure as independent non-executive Directors; and (iv) the Board also considers that each of Mr. Chan and Mr. Wang remains independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement. In view of the above factors and the experience and knowledge of each of Mr. Chan and Mr. Wang in the business segments in which the Company operates, the Board considers that the re-appointment of each of Mr. Chan and Mr. Wang as independent non-executive Directors will continue to bring wide range of valuable and professional insights to the Board. So far as the Board is aware of, there is no circumstance suggesting that each of Mr. Chan and Mr. Wang's service with the Company for more than nine years will impair their independence.

All Directors have distinguished themselves in their field of expertise so as to give a balance of skills, knowledge and experience required for the running of an effective board. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operation of its businesses to its executive Directors and senior management. Biographical details and responsibilities of each Board member and senior management are set out in pages 31 to 32 of this report. Mr. Pan and Ms. Sun are employees of a related company that was controlled by Mr. Lo and his spouse. Save as disclosed above, there is no other relationship (including financial, business, family or other material relationship) among members of the Board and substantial shareholders.

DIRECTOR'S ATTENDANCE RECORDS

Regular Board meetings are held at approximately quarterly intervals and involve the active participation of Directors, either in person or through other electronic means of communications. The attendance record of each Director at the Board meetings and general meetings of the Company during the year under review is set out below:

	Number of Board meetings Directors attended/eligible to attend	AGM
Executive Directors		
Mr. Lo Siu Yu, *Chairman*	22/22	1/1
Mr. Tai Xing, *CEO*	22/22	1/1
Mr. Cho Chun Wai	22/22	1/1
Non-executive Directors		
Ms. Sun Lin	22/22	0/1
Mr. Pan Chuan	22/22	0/1
Independent non-executive Directors		
Mr. Chan Ying Kay	22/22	1/1
Mr. Leung Kin Hong	22/22	1/1
Mr. Wang Jin Ling	22/22	0/1

To supplement the formal Board meetings, the Chairman held regular meetings with Director(s) to consider issues in both formal and informal settings.

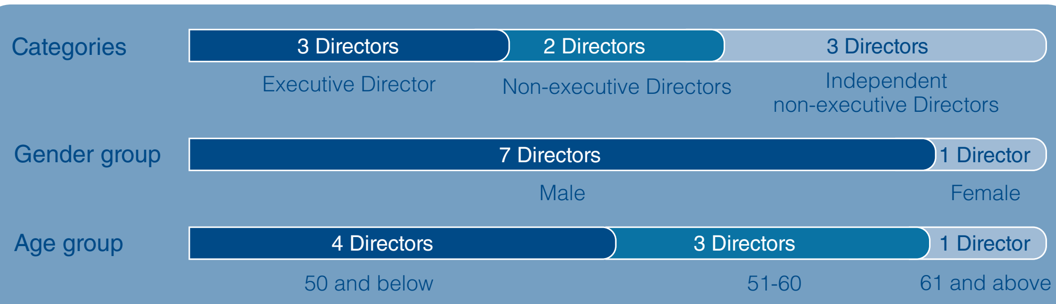
BOARD DIVERSITY POLICY

The Board has adopted the board diversity policy (the "**Board Diversity Policy**") and revised the terms of reference for the nomination committee of the Company (the "**Nomination Committee**"). In order to achieve a diversity of perspectives amongst the structure, size and composition of the Board, when making the recommendation to the Company for appointment or re-appointment of Directors and succession planning of Directors, the Nomination Committee will take into account a number of factors including but not limited to, gender, age, cultural and educational background, professional experience, skills and knowledge, and length of service. The measurable objectives of diversity are subject to review from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

The Board believes that gender diversity is a representing manifestation of board diversity, among all other measurable objectives. Under the Board Diversity Policy, the Company sets the target of appointing at least one director of different gender at any given time in order to achieve a female representation in the Board. The Board will review the progress of the Board Diversity Policy to ensure its effectiveness annually.

Expertise and skills of the Directors include economics, finance and property development, etc.. The Nomination and Remuneration Committee considers that the Board is sufficiently diversified.

CORPORATE GOVERNANCE REPORT



Note: The information is as of 31 December 2023.

The Company will also ensure that there is gender diversity when recruiting staff at mid to senior levels so that it will have a pipeline of female senior management and potential successors to the Board going forward. It is the Company's objective to maintain an appropriate balance of gender diversity with reference to the stakeholders' expectation and international and local recommended best practices. As at 31 December 2023, the gender ratio in the workforce (including senior management) was approximately 17.24% male and 82.76% female. Accordingly, the Company considers that gender diversity is achieved in its workforce.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

The Company has arranged appropriate insurance coverage for Directors' and officers' liabilities in respect of legal actions against its Directors and officers arising out of corporate activities of the Group.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and the CEO are separated, with a clear segregation of duties. The Chairman is responsible for formulating corporate strategies and overall business development planning. The CEO's duty is to oversee the execution of daily operation of the business activities. The segregation of duties is to ensure a balance of power and authority.

MEETING BETWEEN THE CHAIRMAN AND INDEPENDENT NON-EXECUTIVE DIRECTORS

Under Code Provision C.2.7, the Chairman should at least annually hold meetings with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. There was one meeting held between the Chairman of the Company and the independent non-executive Directors, without the presence of the executive Directors for the year ended 31 December 2023.

RESPONSIBILITIES OF DIRECTORS

Each Director shall from time to time have knowledge of his/her responsibilities as Director, as well as the operations, business activities and development of the Company and shall ensure that sufficient time and effort will be put to deal with the Company's affairs. The Company offers induction materials to each Director on the first occasion of his/her appointment as well as necessary information and training during his/her term of appointment to ensure that he/she has appropriate knowledge of the Company's operations and business as well as the responsibility of director under applicable laws.

COMPANY SECRETARY

The Company has appointed Mr. Cho as the company secretary of the Company (the "**Company Secretary**") since February 2015. During the year under review, Mr. Cho received not less than 15 hours of relevant professional training. Biographical details of Mr. Cho are set out in the section headed "**Biographical Details of Directors and Senior Management**" of this annual report.

TRAINING AND SUPPORT FOR DIRECTORS

(A) Training

Pursuant to the CG Code, all Directors shall participate in the continuous professional development programme to develop and update their knowledge and skills so that they can contribute to the Board. During the year ended 31 December 2023, the Company offered several appropriate training sessions for Directors. The training sessions were related to the internal controls, anti-fraud policies and site visiting. The Company has received from each of the Directors the individual training record of Directors pursuant to Code Provision C.1.4 and time involved in public companies or organizations and description of other significant commitments pursuant to Code Provision C.1.5.

During the year ended 31 December 2023, the Directors participated in the following trainings:

	Attendance[1]
Executive Directors	
Mr. Lo Siu Yu	✔
Mr. Tai Xing	✔
Mr. Cho Chun Wai	✔
Non-executive Directors	
Ms. Sun Lin	✔
Mr. Pan Chuan	✔
Independent non-executive Directors	
Mr. Chan Ying Kay	✔
Mr. Leung Kin Hong	✔
Mr. Wang Jin Ling	✔

Note:

1. Trainings may include

   (a) seminar(s)/programme(s)/conference(s)/forums relevant to the business or directors' duties; and/or

   (b) reading newspaper, journals and updates relating to the economy, general business or directors' duties etc.; and/or

   (c) Company's site visiting.

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

(B) Support

The Company continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes, such as sending the latest version of "**A Guide on Directors' Duties**" published by the Hong Kong Companies Registry and guidelines published by The Hong Kong Institute of Directors, are issued to Directors and senior management of the Company where appropriate to ensure awareness of best corporate governance practices.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding dealings in the securities of the Company by the Directors and the relevant employees (who are likely to be in possession of inside information relating to the Company or its securities) (the "**Guidelines for Securities Transactions by Relevant Employees**") on terms no less exacting than the Model Code as set out in Appendix C3 to the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code and the Guidelines for Securities Transactions by Relevant Employees for the year ended 31 December 2023.

In addition, no incident of non-compliance of the Model Code and Guidelines for Securities Transactions by Relevant Employees by the relevant employees of the Group was noted by the Company throughout the year ended 31 December 2023.

NOMINATION COMMITTEE

The Company established the Nomination Committee with written terms of reference on 4 November 2009. The Nomination Committee comprises the Chairman, Mr. Lo and two independent non-executive Directors, Mr. Chan and Mr. Leung.

The principal duties of the Nomination Committee include:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorship;

(c) to assess the independence of the independent non-executive Directors; and

(d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and CEO.

In conjunction with the Board Diversity Policy, the Nomination Committee carries out the process of selecting and recommending candidates for directorships by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

In compliance with the amendments to the Listing Rules which was effective on 1 April 2012, the terms of reference of the Nomination Committee was revised and approved by the Board on 20 March 2012.

During the year ended 31 December 2023, one Nomination Committee meeting was held. The individual attendance of each committee member is set out below:

	Number of meetings Directors attended/ eligible to attend
Executive Director and Chairman	
Mr. Lo Siu Yu, *Committee Chairman*	1/1
Independent non-executive Directors	
Mr. Chan Ying Kay	1/1
Mr. Leung Kin Hong	1/1

In accordance with the Articles of Association, each of Mr. Lo, Mr. Pan and Mr. Chan shall retire, and being eligible, offer themselves for re-election at the forthcoming AGM.

A circular containing detailed information of the Directors of the Company standing for re-election at the forthcoming AGM would be sent to the shareholders.

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

According to the Articles of Association, 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) should retire from office by rotation at each AGM of the Company provided that every Director shall be subject to retirement by rotation at least once every 3 years. Furthermore, any Director appointed to fill a casual vacancy or as an addition to the existing Board should hold office only until the next following AGM and would then be eligible for re-election at that meeting. The existing independent non-executive Directors of the Company have fixed term of office but their termination are determinable by either party with a written notice in advance, as well as subject to the aforesaid retirement from office on a rotational basis.

AUDIT COMMITTEE

The Audit Committee has been established since 1999 with written terms of reference pursuant to all the duties set out in Code Provision D.3.3 of the CG Code. Currently, there are three committee members, all of whom are independent non-executive Directors of the Company, namely Mr. Chan (Committee Chairman), Mr. Leung and Mr. Wang. Mr. Chan possesses extensive experience in accounting and financial matters and meets the requirements of Rule 3.21 of the Listing Rules.

The Audit Committee is accountable to the Board and its principal duties include the review and supervision of the financial reporting process and internal control system of the Group.

During the year ended 31 December 2023, the Audit Committee held two meetings. The Audit Committee reviewed the accounting policies and practices adopted by the Group and discussed auditing, internal audit functions, risk management, internal controls system and financial reporting matters. It also reviewed the consolidated financial statements of the Group and the Company's annual and interim reports.

The individual attendance of each committee member is set out below:

	Number of meetings Directors attended/ eligible to attend
Independent non-executive Directors	
Mr. Chan Ying Kay, *Committee Chairman*	2/2
Mr. Leung Kin Hong	2/2
Mr. Wang Jin Ling	2/2

In compliance with the amendments to the Listing Rules which was effective on 1 April 2012, the terms of reference of the Audit Committee was revised and approved by the Board on 6 December 2016.

REMUNERATION COMMITTEE

The Remuneration Committee (the "**Remuneration Committee**") was established in October 2007 with written terms of reference pursuant to all the duties set out in Code Provision E.1.2 of the CG Code. Currently, there are three committee members, all of whom are independent non-executive Directors, namely Mr. Leung (Committee Chairman), Mr. Chan and Mr. Wang.

The Remuneration Committee is accountable to the Board and its principal duties include review and determination of the Board policy for the remuneration of executive Directors and senior management and make recommendation to the Chairman and the executive members of the Board of Directors' remuneration.

During the year ended 31 December 2023, the Remuneration Committee held one meeting. The Remuneration Committee reviewed the framework of remuneration policy, considered discretionary bonus to staff, remuneration packages of executives and provided the guideline of annual salary review. In determining the remuneration and compensation packages of the Directors and senior management, the Group will take into account, among other things, salaries paid by comparable companies, time commitment and their respective responsibilities and performance of the Group.

The individual attendance of each committee member is set out below:

	Number of meetings Directors attended/ eligible to attend
Independent non-executive Directors	
Mr. Leung Kin Hong, *Committee Chairman*	2/2
Mr. Chan Ying Kay	2/2
Mr. Wang Jin Ling	2/2

In compliance with the amendments to the Listing Rules which was effective on 1 January 2023, the terms of reference of the Remuneration Committee was revised and approved by the Board on 4 January 2023.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility to prepare consolidated financial statements that give a true and fair view of the state of affairs of the Group and of the results and cash flows for each financial periods. The statement of the Group's auditor about their reporting responsibilities on financial statements is set out in the Independent Auditor's Report on pages 76 to 81.

Having made appropriate enquiries, the Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Company's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

AUDITOR'S REMUNERATION

During the year ended 31 December 2023, the remuneration for the Company's auditor, Baker Tilly Hong Kong, for services rendered is as follows:

	HK$'000
Audit fee	1,700

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has overall responsibilities for maintaining sound and effective risk management and internal control systems of the Group. The systems play an important role in maintaining and improving accountability and transparency in the conduct of the Group's business and are designed for the Group to identify and manage the significant risks including environmental, social and governance (ESG) risks to achieve its business objectives, safeguard the interests of the Company's shareholders, ensure compliance with relevant laws and regulations and assists in enhancing investor's confidence. The risk management and internal control systems of the Group are designed to manage rather than eliminate the risk of failure to achieve business objectives, and provide reasonable but not absolute assurance against material risk issues or loss.

The risk management and internal control systems of the Group 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 all risk issues. A bottom-up approach is applied for identification, assessment and mitigation of risk at all business unit levels and across all functional areas. The Company established an internal audit function to perform annual financial review and risk management and assessment on internal control systems. The Board and the Audit Committee are responsible to review and monitor the effectiveness of the risk management and internal control systems. These systems are reviewed on a regular basis for the controls of handling and dissemination of information. Reasonable measures are taken from time to time to ensure adequate disclosure policy has been adopted.

In relation to the Loan Financing Segment, taking into account that (i) the Group has an established operational workflow to the Group's loan financing and factoring/refactoring transactions, in particular, the comprehensive due diligence performed against the relevant customers (including the potential lessees (i.e. the borrowers) in the loan financing agreements; and the customers and the ultimate debtor in the factoring/refactoring agreements as mentioned above); (ii) the business model of the Group regarding its operation in the Loan Financing Segment and the choice of customers have always been focusing on projects with reliable ratings, sufficient security and controllable risks, the credit risk or the rates of default had been relatively low; and (iii) additional impairment loss was made in respect of default of a certain loan, while all other impairment loss merely reflected changes in macro-economic environment and the financial conditions of the counterparties, which were beyond the control of the Group, the Directors consider the existing internal procedures of loan approval were sound and effective.

PROCESS USED TO IDENTIFY, EVALUATE AND MANAGE SIGNIFICANT RISKS

During the process of risk assessment, the Board is responsible for identifying the risk of the Group and deciding on the risk levels and the Board is responsible for assessing and determining the nature and extent of the risks that are acceptable to the Group when achieving its strategic objectives. After discussing and taking into consideration the risk response, the relevant departments and business units shall be assigned to implement the risk management solutions in accordance with their respective roles and responsibilities.

During the year, the Board has reviewed the effectiveness of the risk management and internal control systems through the Board. The Board considered the risk management and internal control systems effective and adequate in all material aspects in both design and operations, and no material internal control deficiencies were identified by the Board for the year ended 31 December 2023.

INSIDE INFORMATION

With respect to the procedures and internal controls for the handling and dissemination of inside information, the Company takes seriously of its obligations under Part XIVA of the SFO and the Listing Rules. The Company has adopted a continuous disclosure compliance policy which sets out guidelines and procedures to the Directors and officers of the Group to ensure inside information of the Group is to be disseminated to the public in equal and timely manner.

Each business unit is responsible for monitoring any potential inside information within its operations. If there is any potential inside information, such information will be escalated to the senior management and the company secretary of the Company so that an assessment will be made as to whether an announcement will need to be made. If an announcement will be made including considering whether any safe harbour is available under the SFO, such announcement will be made by the Company on timely basis to enable the public, namely Shareholders, potential investors and other stakeholders of the Company, to assess such information. All inside information is kept strictly confidential and is restricted to relevant parties on a need-to-know basis to ensure confidentiality until disclosure has been made to the public by way of an announcement.

DIVIDEND POLICY

The Board has adopted a dividend policy (the "**Dividend Policy**"), pursuant to which, the Board shall consider the following factors before declaring or recommending any dividends:

1. The declaration, form, frequency and amount of any dividend payout of the Company must be in accordance with relevant laws, rules and regulations and subject to the Articles of Association.

2. The Company may by ordinary resolution declare dividends according to the respective rights of the shareholders, but no dividend shall exceed the amount recommended by the Board and be payable except out of the profits of the Company.

3. The Board may also pay to the shareholders interim dividends and declare special dividends from time to time as appear to the Board to be justified by the position of the Company.

4. The dividends may be paid up in the form of the Company's shares in addition to cash, by the distribution of specific assets of any kind or by distribution of any form.

5. Subject to compliance with applicable laws, rules, regulations and the Articles of Association, in deciding whether to propose any dividend payout, the Board will take into account, among other things, the financial results, the earnings, losses and distributable reserves, the operations and liquidity requirements, the debt ratio and possible effects on the credit lines, and the current and future development plans of the Company.

The Board will review the Dividend Policy from time to time and reserves its right in its sole and absolute discretion to update, amend, modify and/or cancel the Dividend Policy. There can be no assurance that dividends will be paid in any particular amount for any given period.

SHAREHOLDER RIGHTS

The Company has only one class of shares, all shares have the same voting rights and are entitled to the dividends declared. The Articles of Association set out the rights of our shareholders.

Procedures for the Shareholders to convene an extraordinary general meeting

Shareholder(s) holding not less than one-twentieth of the paid-up capital of the Company may request the Board to convene a general meeting pursuant to Section 566 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The objects of the meeting must be stated in the related requisition deposited at the registered office of the Company.

Procedures for the Shareholders to put forward proposals at general meeting

For including a resolution relating to other matters in a general meeting, shareholders are requested to follow the requirements and procedures as set out in Section 615 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). Shareholders may put forward proposals at general meeting by sending written notice of their proposals to the Company Secretary. The contact details of the Company are as follows:

Doyen International Holdings Limited
Address: Suite 2206, 22/F., Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong
Tel: 852 2596 0668
Fax: 852 2511 0318
E-mail: enquiry@doyenintl.com
Attn: The Company Secretary

Procedures for the Shareholders to propose a person for election as a director

Pursuant to Article 75 of the Articles of Association, if a shareholder wishes to propose a person other than a retiring Director for election as a Director at a general meeting, the shareholder should deposit a written notice of nomination which shall be given to the company secretary within the 7-day period commencing the day after the despatch of the notice of the meeting (or such other period as may be determined and announced by the Directors from time to time). In order for the Company to inform all shareholders of that proposal, the written notice must state the full name of the person proposed for election as a Director, his/her biographical details as required by rule 13.51(2) of the Listing Rules, and be signed by the shareholder concerned and that person indicating his/her willingness to be elected. If the notice is received less than fifteen (15) business days prior to that general meeting, the Company will need to consider adjournment of the general meeting in order to (i) assess the suitability of the proposed candidate; and (ii) publish an announcement or circulate a supplementary circular in relation to the proposal to the shareholders not less than ten (10) business days prior to the general meeting.

Shareholders' right to receive corporate information

Shareholders have the right to receive corporate communication issued by the Company in hard copies or through electronic means.

Shareholders whose shares held in the Central Clearing and Settlement System (CCASS) may notify us from time to time through Hong Kong Securities Clearing Company Limited if they wish to receive our corporate communications.

SHAREHOLDERS' COMMUNICATION POLICY

The Company understands that maintaining close and effective communication with its Shareholders is an integral part of its sustainable corporate development. Therefore, the Group has proactively adopted initiatives to enhance close communication with its Shareholders by collecting opinions and understanding the expectations of its Shareholders via various channels, thereby facilitating the establishment of the Company's corporate operational policies and enhancing its corporate values. Meanwhile, the Company will also conduct regular review on the effectiveness of its Shareholders' communication policy annually, and revise the Shareholders' communication policy based on the results of the review.

In order to ensure a smooth, timely and effective communication between the Company and its Shareholders, Shareholders and other stakeholders may send their enquiries and raise questions to the Board at any time in writing by addressing to the Company Secretary. The Company Secretary will then forward (i) communication relating to matters within the Board's purview to the Directors; (ii) communication relating to matters within a Board committee's terms of reference to the chairman of the relevant committee; and (iii) communications relating to ordinary business of the Group matters, such as suggestions, inquiries and consumer complaints, to the appropriate executives of the Group.

The contact details of the Company are as follows:

Doyen International Holdings Limited
Address: Suite 2206, 22/F., Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong
Tel: 852 2596 0668
Fax: 852 2511 0318
E-mail: enquiry@doyenintl.com
Attn: The Company Secretary

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to given effect thereto. Shareholders' information may be disclosed as required by law. The Company will not normally deal with verbal or anonymous enquiries.

The Board considered the Shareholders' Communication Policy effective and adequate in all material aspects in both design and operations.

CONSTITUTIONAL DOCUMENTS

During the year 2023, the Company has not made any amendment to its Articles of Association. The Company's Articles of Association is available on the websites of the Company and the Stock Exchange.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THIS REPORT

The Group is pleased to present this Environmental, Social and Governance Report (the "**Report**") to provide a comprehensive report on the Group's environmental, social and governance ("**ESG**") policies, initiatives and performance for the period from 1 January 2023 to 31 December 2023 (the "**Reporting Period**"), to enhance stakeholders' understanding of and confidence in the Group's sustainability efforts, and to respond to the expectations and needs of all parties.

1.1. Basis of preparation and reporting principles

The Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Guide**") in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") published by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), and based on the four reporting principles set out in the ESG Guide: materiality, quantitative, balance and consistency. In addition, the Group adheres strictly to the mandatory disclosure requirements and the "**comply or explain**" provisions in an effort to fully reflect the Group's approach, strategy, relevance and objectives in relation to ESG.

In the preparation of the Report, the Group's application of the reporting principles set out in the ESG Guide is as follows:

Reporting principles	Application
Materiality	The Group identified its materiality issues for the Reporting Period by carrying out materiality assessment and highlighted the materiality issues verified by the Board; For details of the materiality assessment process, please refer to section 2.2 Materiality survey of the Report.
Quantitative	The Group made quantitative disclosures of the applicable key performance indicators ("**KPIs**") set out in the ESG Guide and stipulated the standards, methodologies, assumptions and/or references for the calculation of the quantitative KPIs.
Balance	The Group detailed the sustainability issues that had a material impact on its businesses and should present a fair picture of the its overall sustainability performance, including the results achieved and the challenges faced.
Consistency	The Group maintained a substantially consistent scope of disclosure and reporting methodology with that of the previous reporting period to enhance comparability of environmental and social performance. If the statistical methodology and the method for collecting KPI-related information for the current Reporting Period is different from that of previous reporting periods, the Group will specify such difference in the form of a note.

1.2. Reporting scope

The contents of the Report, including policy papers, statements and figures, primarily cover the Group's principal subsidiaries that have a material impact on the Group's results, including the Company, Shanghai Dongkui and Chongqing Baoxu, as well as a shopping mall owned and managed by Chongqing Baoxu, namely Dong Dong Mall. The Company operates at its Hong Kong office, while Shanghai Dongkui and Chongqing Baoxu operate at its Shanghai office and Chongqing office respectively.

2. ESG RESPONSIBILITIES

2.1. Board statement

The Board is dedicated to protecting and enhancing long-term shareholder value, leading and managing the Group to achieve long-term returns, and making positive contributions to the society and environment. The Board recognises the importance of ESG to the Group's sustainability and is solely responsible for the strategy and reporting on all ESG matters. The Board has actively fulfilled its ESG responsibilities, such as holding meetings to discuss ESG matters of the Group when necessary. The Board also has an oversight role over the Group's ESG matters, requiring the Company's management to report regularly and make timely decisions on important ESG matters, including reviewing and adjusting annual materiality issues, approving ESG reports, to understand the ESG performance of the Group's businesses. The Board regularly reviews the progress of ESG objectives relating to the Group's businesses and promotes and revises such objectives where appropriate to enhance the ESG performance of the Group. At the same time, the Board is dedicated to maintaining good communication with the management of the Company and ensuring that the Group's ESG strategy is effectively implemented and consistent across its subsidiaries by delegating to the management of the Company the responsibility for coordinating and harmonising ESG efforts.

The Board proactively participates in the materiality issue assessment work each year. Apart from maintaining good communication and interaction with stakeholders, the Board looks forward to listening to stakeholders' views on the sustainable development of the Group and formulating an ESG strategy that meets the needs of the Group's stakeholders. During the Reporting Period, the Board participated in identifying the annual materiality issues and determined the material ESG issues of the Group. The Board will continue to enhance the Group's ESG effectiveness in the future based on stakeholders' feedback and the Group's business operation, including identifying the Group's ESG risks and opportunities at all aspects, setting priorities and management strategies for ESG work, and building key ESG strategies that will drive future business growth and address future challenges.

Following the general market trend, ESG matters are becoming more relevant to corporate development and involve different emerging issues. The Group's Board recognises the need for greater thoughtfulness in considering corporate development and the need to strengthen the Board's oversight responsibilities in relation to ESG. The Group has established an ESG Working Group to coordinate ESG efforts. Meanwhile, members of the ESG Working Group communicate closely with the Board and share with the Board from time to time examples of ESG management from industry peers for reference, and keep abreast of market trends on ESG matters to help enhance the Board's understanding and knowledge on ESG matters. Members of the ESG Working Group will continue to participate in ESG training seminars and professional development on sustainability to keep the Group up-to-date on ESG matters.

The Board is considering enhancing the current ESG management structure and evaluating and managing ESG matters in a more effective and detailed manner. The Board looks forward to leading the working group to develop internal ESG management approaches, strategies and objectives through the analysis and recommendations of the ESG Working Group, and to further examine and enhance the reporting framework. Currently, the Board is actively discussing how to further integrate ESG and topical market trends, including climate related risks and opportunities, into key governance processes in order to enhance the Board's effectiveness in monitoring ESG matters. The Group's Board is committed to more actively reviewing and considering how to devote sufficient resources to the Group's ESG development.

2.2. Materiality survey

The Group attaches great importance to the valuable views of its stakeholders. The stakeholders' concerns on the Group's sustainability are of great reference value to the Group in formulating its sustainability strategy. In order to further systematically assess the Group's material ESG issues and understand stakeholders' views, the Group engaged a third party consulting firm to assist in identifying materiality issues to ascertain whether the existing materiality issues are still relevant to the business and stakeholders.

The results of materiality issues are reviewed annually by the Group's Board to identify the issues of the greatest importance to the Group and its stakeholders, and are highlighted in the ESG Report in order to address specific stakeholders' concerns. During the Reporting Period, the Board of the Group, with reference to the above basis and after analysing the regulatory requirements and the general trend in the market, made adjustments based on the results of the materiality issues in 2023 and included "**Response to climate change and its impacts**" in the environmental aspect and "**Anti-corruption**" and "**Staff development and training**" in the social aspect in the ESG materiality issues of the Group for 2023 respectively.

The ESG materiality issues of the Group and other sustainability issues of concern to the Group in 2023 are as follows:

Environmental aspect	Social aspect	Governance aspect
1. Waste discharge and management **2. Energy utilization and efficiency** **3. Green office** **4. Exhaust gas emissions and management** 5. Response to climate change and its impacts 6. Wastewater discharge and management 7. Greenhouse gas emissions and management 8. Paper and e-waste management 9. Water usage and efficiency 10. Environmental and natural resources policy	**1. Customer information security and privacy protection** **2. Customer satisfaction** **3. Concept and institutional guarantee of fair competition** **4. Product/service quality control and management** **5. Social impact of investment, products and services** 6. Anti-corruption 7. Staff development and training 8. Employment and staff welfare 9. Observance and protection of intellectual property rights 10. Health and safety 11. Product/service health and safety 12. Environmental risk management of supply chain 13. Social risk management of supply chain 14. Supplier management practices 15. Product/service advertising 16. Green procurement 17. Social participation and contribution 18. Preventing child and forced labour	**1. Compliance operation** **2. ESG and relevant strategy** **3. ESG risk assessment** 4. Communication with stakeholders

* 2023 materiality issues are marked as bolded

To address stakeholders' concerns, the Group will elaborate on its policies, initiatives and performance in relation to materiality issues during the Reporting Period in the Report. At the same time, the Group will continue to review its governance approach in relation to materiality issues in the future and make timely adjustments accordingly to better respond to stakeholders' expectations.

2.3. Risk management

The Group believes that an effective risk management and internal control system is an essential element in maintaining a high standard of corporate governance. The Board is solely responsible for maintaining a sound and effective risk management and internal control system for the Group. Such system play an important role in maintaining and enhancing the accountability and transparency of the Group's business operation, helping the Group to identify and manage the significant risks it faces in achieving its business objectives, protecting the rights of the Company's shareholders, ensuring compliance with relevant laws and regulations, and helping to enhance investor confidence.

Below sets forth the Group's regular procedures established for the identification, assessment and management of risks, including:

- In the risk assessment process, the Board is responsible for identifying the Group's risks and determining the level of such risks, and the Board is responsible for assessing and determining the nature and extent of risks that are acceptable to the Group in achieving its strategic objectives.

- After discussing and considering effective risk countermeasures, the relevant departments and business units are assigned to implement the appropriate risk management solutions in accordance with their respective roles and responsibilities.

- The Board and the Audit Committee continuously monitor the risk and execution management and evaluate and review the effectiveness of the internal control system to ensure that the Group has taken reasonable steps to manage significant risks.

The Group understands that ESG issues are no less important than other types of corporate risks and therefore proactively considers incorporating ESG risks into its development strategies and regular risk management procedures to enhance the Group's overall risk management capabilities. Currently, the Group has developed and adopted diversified ESG risk management policies and measures. For example, on anti-corruption issues, the Group requires its employees to comply with relevant anti-corruption laws and adopts and adheres to the highest standard of ethical business practices under internal guidelines to further strengthen the Group's corporate culture of integrity and compliance and to reduce the likelihood of relevant risks. In the future, the Group will comprehensively identify, manage and monitor ESG risks related to other environmental, employment and operational practices, as well as gradually integrate and establish a regular risk management mechanism incorporating ESG risks, and develop strategies and risk management tools to address the relevant risks.

2.4. Compliance operation

The Group recognises the importance of good corporate governance practices and believes that they are critical to the development of the Group and the protection of shareholders' interests. The Group strives to minimise compliance risks its businesses face and effectively prevent any negative impact on its operation through a range of operational compliance management measures. Based on regular business analysis and professional legal advice on projects undertaken and operational practices provided by professional law firms, the Group provides adequate assurance that the Group is operating in compliance with relevant regulatory requirements and industry regulations.

At the same time, the Group strictly complied with the Listing Rules of the Stock Exchange and regularly reviewed its corporate governance practices to ensure that the Company's internal corporate governance met the relevant requirements during the Reporting Period. In addition, the Group closely monitored and followed the ESG Guide under the Listing Rules of Stock Exchange to prepare for ESG reporting in advance. The Group's internal staff, including the Board, senior management and data collection staff, are invited to undergo annual training on ESG work.

3. ENVIRONMENTAL RESPONSIBILITY

Green development has become an important part of the word's attention. The Group values sustainable development and strives to minimise the potential environmental impact of its daily operations while promoting good environmental management policies. During the Reporting Period, the Group complied strictly with the environmental laws and regulations in Hong Kong and Mainland China that have a material impact on the Group in relation to emissions of exhaust gas and greenhouse gas, discharges to water and lands, and generation of hazardous and non-hazardous waste, including but not limited to the "**Law of the People's Republic of China on the Prevention and Control of Water Pollution**" and the local "**Regulations on Domestic Waste Management**" of various jurisdictions. The subsidiaries in Shanghai and Chongqing, including Shanghai Dongkui, Chongqing Baoxu and Dong Dong Mall, have implemented the "**Regulations of Shanghai Municipality on Domestic Waste Management**" and the "**Regulations of Chongqing Municipality on Domestic Waste Management**" respectively since 2019, under which the Group's subsidiaries are required to separate and dispose of domestic waste. The Group also requires the relevant staff to report the disposal status to the management on a regular basis to ensure compliance with the relevant statutory requirements.

The Group's businesses mainly involve in the use of energy and other resources. As the premises where the Group operates are mainly offices and shopping malls, the Group is committed to raising the environmental awareness of its staff and has therefore promoted the "**Green Office Policy**" since 2018 to promote energy and resource saving measures at its offices. This policy not only encourages staff to implement green practices and raise their awareness of environmental protection, but also effectively reduces the impact of daily operations on the environment. The Group encourages its subsidiaries to implement and enforce the policy and requires its human resources department to brief new employees on its green office policy to ensure that each employee is aware of and cooperates with the implementation of the "**Green Office Policy**".

In addition, the Group continuously keeps records of resource usage at its offices and in its shopping malls to facilitate statistical and regulatory reporting on the effectiveness of relevant energy saving and emission reduction and resource conservation measures. The Group is in the process of formulating an appropriate environmental approach for the Group's operations in terms of energy saving, emission reduction and water efficiency enhancement, with a view to setting specific and feasible short-, medium- and long-term goals to continuously improve the Group's performance in environmental management.

3.1. Energy saving and emission reduction

The majority of air pollutants and greenhouse gas emissions from the Group's operation are generated from the energy consumption of offices and shopping malls, and the fuel consumed by company vehicles. The Group is concerned about emissions from transportation and travel and has been actively implementing a number of initiatives. The Group has established a clear vehicle policy to centrally manage the use of vehicles to ensure that company vehicles are allocated to employees base on their needs and utilized in a reasonable manner, thereby reducing emissions from the use of vehicles. At the same time, the Group encourages its Directors and senior staff to use electronic meeting facilities to reduce overseas travel and reduce emissions from travel.

In order to improve the efficiency of the use of energy in its operation, the Group has adopted specific energy saving measures at each of its offices, including but not limited to the following:

(1) Room temperature control:

Maintain the average office room temperature between 24 to 26 degrees Celsius during working hours to reduce the power consumption of the air-conditioning.

(2) Switch off electrical appliances not in use:

Turning off all lights at the offices after working hours and during lunch breaks;

Turn off computer screens and other electrical appliances after working hours.

(3) Adopt energy saving equipment:

Priority is given to energy saving appliances with a Grade 1 energy label at offices;

Low energy consumption lighting such as light emitting diode (LED) lamps are used at offices.

(4) Use videoconferencing mostly:

Use videoconferencing to reduce transportation and travel.

During the Reporting Period, the offices of Shanghai Dongkui have fully adopted LED lamps to reduce electricity consumption, while Chongqing Baoxu has gradually started to adopt LED lamps and has set the standard for energy consumption per capita. The Group's energy saving measures aim at saving electricity consumption at offices and reducing its expenses on electricity consumption.

In terms of shopping mall operation, the Group is committed to reducing electricity consumption in shopping malls through the use of environmentally friendly designs.

Glass walls have been installed in the ceiling of the Dong Dong Mall to bring in and utilize natural light, while LED lighting is widely used in other low light locations. In order to improve the efficiency of lighting, an intelligent light control system and a time control system have also been adopted in Dong Dong Mall to automatically switch on the interior lighting only when there is insufficient natural light and during the prescribed hours, thereby significantly reducing the electricity consumption for lighting. In addition, automatic induction escalators have been installed in Dong Dong Mall to reduce unnecessary electricity consumption during low-traffic hours. In line with the Group's energy saving measures at its offices, Dong Dong Mall and its offices also minimise the use of air-conditioning and require property managers to ensure that computers, lights and air-conditioning systems are properly switched off during non-office hours when conducting mall inspections to avoid the waste of resources.

The Group will continue to review its existing energy saving and emission reduction measures and their effectiveness to further develop energy saving and emission reduction goals, and implement different energy saving and emission reduction strategies.

3.2. Waste management and resource conservation

There is no hazardous waste generated directly from the Group's business operation, except for the hazardous waste generated from the Group's office operation, which includes toner cartridges and batteries. The Group follows the "**Waste Disposal Ordinance**" and encourages the use and recycling of reusable toner cartridges and the return of used toner cartridges to the suppliers for recycling to ensure proper disposal of hazardous waste. During the Reporting Period, the Group collected a total of 13 toner cartridges, 4 fluorescent tubes and 17 batteries.

During the Reporting Period, the Group's offices generated non-hazardous waste, including domestic waste and paper, mainly from its office and shopping mall operation. As a matter of operational practice, the Group complied with the "**Waste Disposal Ordinance**" and the local "**Regulations on Domestic Waste Management**" of various jurisdictions for the proper disposal of office waste. During the Reporting Period, the Group accumulated a total of 34 recyclables. In addition, the majority of the hazardous or non-hazardous waste that the Group may generate comes from residual materials from the operation of shopping malls. Therefore, Dong Dong Mall has established a waste management policy in shopping malls, including the provision of recycling bins at prominent locations in shopping malls to promote the recycling of resources by customers and tenants. In addition, Dong Dong Mall has established the "**Management Measures for Material Handling**", which requires the use of reusable materials in shopping mall activities and recommends tenants to give priority to recycling when removing or disposing of residual and discarded materials in shopping malls, so as to reduce the amount of waste in shopping malls.

The Group will continue to monitor and review the consumption of resources on an ongoing basis through the implementation of different waste management measures such as waste reduction at source and the collection of relevant information to further achieve and set the target of zero waste.

In terms of the use of water resource, the water consumed by the Group during its operation is from municipal water supply and there are no difficulties for the Group to obtain water. In addition, the Group's businesses do not belong to the industries with high water consumption, while the Group is still committed to reducing water consumption in its operation and will endeavour to obtain data for complete disclosure in the future. The Group also conducts regular inspections of water taps and posts water conservation reminders at various locations to remind staff of the importance of cherishing water resource. In addition to the measures for reducing water consumption at its offices as set out in the "**Green Office Policy**", the Group also strives to improve water consumption efficiency in other areas. For example, sensor-activated water taps have been installed in the toilets of Dong Dong Mall to prevent the waste of water and reduce water consumption, which will help remind mall customers to treasure water.

Currently, the Group intends to know more details about its overall water demand and consumption in order to develop and implement goals for efficient water consumption and corresponding management measures in the future.

The Group's "**Green Office Policy**" clearly sets out measures for reducing waste and water consumption to encourage its employees to reduce waste and resource consumption at its offices. Specific measures include:

(1) Reduction of waste	(2) Resource conservation	(3) Encouragement of recycling
Reducing the use of tissue paper; replacing paper hand towels with fabric towels; reducing use of disposable tableware.	Printing on both sides of paper; installing dual-flush toilets and water-saving faucets.	Recycling of office equipment such as calculators, printers and telephones at the products' end-of-life; providing appropriate recycling bins for office waste recycling.

3.3. The environment and natural resources

The Group has a promising prospect on the development of the green industry, and is committed to promoting the idea of environment protection and cherishing natural resources. The Group has been promoting its business of sales of flowers and plants and providing a wide range of landscape greening flowers and plants to small and medium-sized real estate developers in the PRC. During the Reporting Period, Chongqing Baoxu actively developed projects for the sales of flowers and plants and worked with other landscape greening companies to respond to the rising demand for greenery in the PRC and to vigorously promote and enhance the importance of the environment and natural resources to our customers.

In addition, the Group's businesses do not belong to highly polluting industries. The main impacts of the Group's operations on the environment and natural resources are electricity consumption and the use of water resource, which have been minimised by the Group's well-established energy saving and emission reduction and water resource policies. Notwithstanding this, the Group will still actively respond to the global trend of energy saving and emission reduction by establishing the "**Green Office Policy**" and the "**Management Measures for Material Handling**" to reduce the Group's resource consumption and carbon footprint and to contribute to the protection of the environment and natural resources. In addition to complying with all relevant laws and regulations relating to environmental protection, the Group will actively explore development opportunities in energy conservation and environmental protection to ensure that environmental protection is gradually incorporated into the Group's investment decisions subject to capital security and adequacy.

3.4. Response to climate change

In recent years, global climate change has brought uncertainties to many different industries. It is expected that the Group can identify the significant impact of climate change on its business as early as possible. The Board of the Group is discussing the development and implementation of a climate change reporting approach relevant to the Group and plans to devote systematic efforts to develop measures and policies for mitigating climate change through the identification and monitoring of climate related risks.

During the Reporting Period, the Group has been closely monitoring the impact of climate change as described below in order to mitigate these potential risks. For example, in terms of physical risk, climate change increases the likelihood of extreme weather-related events such as hurricanes and rainstorms. To minimise disruption to its business operation due to extreme weather conditions, the Group has developed a set of contingency measures to cope with extreme weather conditions and related emergencies in its Dong Dong Mall to enhance its ability to adapt to climate change.

In order to reduce the impact of rainstorms, the following countermeasures have been adopted for Dong Dong Mall

(1) Arrangement for flood prevention work:

- Check all drainage outlets to ensure that there are no obstructions and that they maintain good operation;

- Prepare emergency flood control equipment and supplies, and arrange for flood control emergency team to be responsible for clearing debris from the rain drainage system and disaster relief work.

(2) Monitoring of rainfall:

- Arrange 24-hour patrols to closely monitor the rainfall and report the disaster situation in a timely manner;

- Ensure the smooth operation of the rain drainage system and eliminate abnormal conditions in a timely manner.

(3) Announcement of danger:

- The monitoring room is responsible for monitoring the on-site situation, issuing notice of danger and providing information on surrounding road condition to the tenants in a timely manner.

(4) Onsite treatment:

- Arrange personnel to carry emergency equipment and supplies to deal with malfunction of drainage pipes and drainage equipment in a timely manner;

- Inform the staff of each store to be prepared according to the risk situation, including stabilizing emotions of tenants and customers, to prevent chaos.

(5) Afterward affairs:

- Inspect and commission the equipment and facilities, and arrange professionals to clean the drainage system and the disaster site;

- Organize personnel to control the scene, guide the flow of people and vehicles, and set up reminders;

- Be responsible for the statistics of damage to tenants and damage to project facilities and equipment.

The Group will proactively examine other transition risks of climate change such as policy risks, technology risks and reputational risks, as well as any property damage resulting from climate related disasters caused by the Group.

Although the Group's businesses do not involve significant carbon emissions, the Group is relatively concern about the low carbon economy, and is aware of other industry peers and listed companies introducing plans and initiatives to reduce emissions along the value chain to satisfy and meet market demand. The Group will continue to explore the potential risks as well as opportunities of climate change to the Group's businesses in the future, and where resources permit, develop policies and plans to further enhance the Group's ability to cope with climate change.

Environmental Performance Data for Year 2022

Air pollutants			
Emission source	**Type**	**Quantity**	**Unit**
Company vehicles[1]	Nitrogen Oxides NO_x	2.50	kilogram
	Sulphur Oxides SO_x	0.06	kilogram
	Particulate Matter $PM_{2.5}$	0.18	kilogram

Greenhouse gas emissions				
Emission source	**Quantity**	**Unit**	**Intensity**	**Unit**
Total greenhouse gas emissions[2]	203.79	ton of CO_2-e	7.03	ton of CO_2-e/employee
			0.01	ton of CO_2-e/m^2
Scope 1: Direct greenhouse gas emissions				
Vehicles[3]	13.64	ton of CO_2-e	0.47	ton of CO_2-e/employee
Scope 2: Energy indirect greenhouse gas emissions[4]				
Purchased electricity[5]	190.15	ton of CO_2-e	0.01	ton of CO_2-e /m^2
Scope 3: Other indirect greenhouse gas emissions				
Employees' business travel[6]	1.82	ton of CO_2-e	0.06	ton of CO_2-e/employee

1 This statistical scope refers to vehicles under the direct operating rights of the Group. This calculation of air pollutant emissions and respective emission factors were stipulated based on the "**EMEP/EEA Air Pollutant Emission Inventory Guidebook – 2019**".

2 During the Reporting Period, we further refined our data collection and analysis methodology and re-accounted for the electricity-related data for 2022. The updated greenhouse gas emission data for the 2022 reporting period is 196.33 tons of CO_2-e, with an emission intensity of 0.01 ton of CO_2-e/m^2.

3 This calculation scope of greenhouse gas emissions (scope 1) includes vehicles used by the Company in Hong Kong, and its calculation methodology and respective emission factors were stipulated based on the "**Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 Edition)**" published by Electrical and Mechanical Services Department and Environmental Protection Department.

4 During the Reporting Period, we further refined our data collection and analysis methodology to include only purchased electricity data for the Group's office and common areas, and re-accounted for the electricity-related data for 2022 to enhance comparability. The updated scope 2 data for the 2022 reporting period is as follows: Energy indirect greenhouse gas emissions were 179.45 tons of CO_2-e, with an emission intensity of 0.01 ton of CO_2-e/m^2.

5 This calculation scope of greenhouse gas emissions (scope 2) includes the electricity purchased by the Group in Hong Kong and the Mainland China, and its calculation methodology and respective emission factors were stipulated based on the "**Sustainability Report 2021**" published by Hong Kong Electric Investments and the "**Guidelines to Account for and Report on Greenhouse Gas Emissions for Power Generating Facilities of Enterprises (2021 Revised Edition)**" published by National Development and Reform Commission of the PRC.

6 This calculation of greenhouse gas emissions (scope 3) includes employees' business travel by air, and its calculation methodology and respective emission factors were stipulated based on the carbon emissions calculator developed by the International Civil Aviation Organization, a United Nations agency.

Use of resources				
Total energy consumption	348	MWh	11.19	MWh/employee
			0.02	MWh/m^2
Indirect use of energy[7]				
Purchased electricity	305,648	kWh	16.26	kWh/m^2
Direct use of energy				
Purchased gasoline[8]	4,620.52	Litre	159.33	Litre/employee
	41,974.89	kWh	2.23	kWh/employee
Water consumption[9]				
Purchased water[10]	1,421	m^3	49	m^3/employee
Non-hazardous waste				
Total non-hazardous waste	3.50	ton	0.12	ton/employee
Domestic waste	3.20	ton	0.11	ton/employee
Office paper	0.29	ton	0.01	ton/employee
Hazardous waste				
Toner cartridges	0.0065	ton	0.0002	ton/employee
Batteries	0.000391	ton	0.000014	ton/employee
Fluorescent tubes	0.002	ton	0.0001	ton/employee

7 During the Reporting Period, we further refined our data collection and analysis methodology to include only purchased electricity data for the Group's office and common areas and re-accounted for the electricity-related data for 2022. The updated purchased electricity data for the 2022 reporting period is 292,970.36 kWh, with an emission density of 15.59 kWh/m^2.

8 This purchased gasoline includes the amount of gasoline used in vehicles under the direct operating rights of the Group and is originally collected in liters. The conversion calculation methodology and factors are stipulated based on the Energy Statistics Manual from the International Energy Agency.

9 During the Reporting Period, we further refined our data collection and analysis methodology to include only the Group's purchased water consumption in its office and common areas and re-accounted for the data relating to purchased water consumption for 2023. The updated purchased water consumption for the 2022 reporting period is 1,472.08 tons, with an emission intensity of 49.07 tons/employee.

10 The office of the Company located in Hong Kong is a leased office premise and its supply of water is managed by a third party property management company. Therefore, the calculation scope of purchased water does not include the office of the Company located in Hong Kong.

11 Due to resource constraints, Shanghai Dongkui has not yet calculated the non-hazardous waste generated during the Reporting Period. Therefore, the calculation scope of non-hazardous waste does not include Shanghai Dongkui.

4. SOCIAL RESPONSIBILITY

The Group has always regarded its employees as valuable assets and gaining their support is crucial to the development and success of the Group. Therefore, the Group is committed to attracting and retaining talents by maintaining a quality working environment for its employees and ensuring that employees are provided with opportunities for health and welfare, safety and equal employment. The Group attaches great importance to employees' rights and interests, and has strictly complied with the laws and regulations in Hong Kong and the Mainland China, which have significant impacts on the Group, such as the employment regulations in relation to remuneration and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, non-discrimination, welfare and other benefits, including but not limited to the "**Employment Ordinance**", "**Disability Discrimination Ordinance**", "**Labour Law of the People's Republic of China**", "**Labour Contract Law of the People's Republic of China**" and "**Social Insurance Law of the People's Republic of China**". The Group has formulated its human resources system with reference to the aforementioned laws and regulations to ensure that it manage employees in accordance with the laws and regulations. During the Reporting Period, the Group was not aware of any non-compliance in relation to the aforementioned material laws and regulations.

4.1. Employment

The Group has established a sound system for monitoring and protecting employees' rights and interests, including human resources policies such as the "**Employee Regulations**" and "**Human Resources and Administration Handbook**". The Group has stipulated the rules and procedures for recruitment, promotion, remuneration, welfare, rest periods and dismissal in the aforementioned policies. In addition, the Group has also constantly reviewed and improved its existing policies to ensure that employees are provided with legitimate rights.

The Group adheres to the principle of "**meritocracy**" and considers it particularly important for promoting a diverse and equal workforce culture in the Group. The Group strictly prohibits any unfair or unreasonable dismissal. In the process of recruitment and promotion, the Group will take into account the performance, experience and ability of the candidates or employees to ensure that no discrimination will be made against candidates or employees on any grounds, including gender, age, race, family status or physical disability. In addition, the Group has clearly stipulated the terms and conditions for employees including matters relating to dismissal. For example, the labour contracts entered into between Shanghai Dongkui and its employees specify the circumstances under which employees may not be dismissed and the procedures for termination of employment, with an aim to protect the rights and interests of employees.

The Group retains outstanding talents by providing competitive remuneration and benefits. The Group determines employees' remuneration packages on the basis of individual work performance and the market standard of remuneration. Reasonable adjustments are made to remuneration as and when appropriate. The Group provides remuneration packages comprising basic salary, sales commission (only applicable to some of the operational employees), a medical insurance scheme and retirement benefit schemes. Besides, the Group provides discretionary bonuses and issues share options to eligible employees according to their business performance. The Group is also committed to providing other employee benefits such as overtime allowances, holiday working allowances, birthday welfare and meal and transportation allowances. The Group clearly provides the working hours and rest periods of employees in their Labour contracts in accordance with the employment laws of the relevant operating location. The Group also ensures that employees are entitled to statutory holidays, annual leave, sick leave and maternity leave. Unpaid leave, paternity leave, marriage leave and causal leave are provided depending on individual circumstances.

The Group had a total of 29 employees as at the end of the Reporting Period, all of whom were full-time employees. Details of workforce statistics and employee turnover rates are as follows:

Workforce statistics	
Employee category	**Number of employees (person)**
By gender	
Female	13
Male	16
By employment type	
Full-time	29
Part-time	0
By age	
29 or below	0
30-50	22
51 or above	7
By region	
Hong Kong	10
Mainland China	19

Employee turnover rates[12]	
Employee category	**Turnover rates (%)**
By gender	
Female	15%
Male	0%
By age	
29 or below	100%
30-50	0%
51 or above	0%
By region	
Hong Kong	0%
Mainland China	11%

12 Employee turnover rates were calculated as: the number of employees left in the category divided by the total number of employees in the category as at the end of the year.

4.2. Health and safety

The Group also strongly emphasises employee health and safety and is committed to providing a comfortable, healthy and safe workplace to its employees.

The Group has formulated occupational health and safety measures, which are provided in its "**Human Resources and Administration Manual**" and clearly introduced to each new employee at orientation, with an aim to prevent from any occupational hazards and reduce risks in the working environment as far as possible, thereby striving to achieve the goal of zero injuries. During the Reporting Period, the Group strictly complied with material laws and regulations in Hong Kong and the Mainland China that have a significant impact on the Group relating to provision of safe working environment and protection for employees to avoid occupational hazards, including but not limited to the "**Occupational Safety and Health Ordinance**", the "**Employees' Compensation Ordinance**" and "**Regulations on Work-Related Injury Insurance**". In compliance with provisions of the "**Employees' Compensation Ordinance**" and "**Regulations on Work Related Injury Insurance**", the Group has taken out insurance policies against work injuries for its employees. During the Reporting Period, the Group was not aware of any non-compliance in relation to the aforementioned material laws and regulations.

Meanwhile, the Group has implemented a series of measures to ensure the safety of its employees at offices. Adjustable seating is provided by the Group to its employees for effectively minimising physical fatigue from the use of computers over an extended period of time. First-aid kits are provided in all workplaces, and heatstroke prevention items are also available when necessary. Meanwhile, the Group also has feature plants and air purifiers at its offices and regularly engages third parties to clean its air-conditioning systems, thereby maintaining good air quality at offices. The Group reviews the adequacy of office security measures in a timely manner and cares about the needs of its staff in this regard.

During the past three years (including the Reporting Period), the Group did not record any work-related injuries or work-related fatalities among its employees.

The Group also actively promotes occupational safety by posting occupational safety information for different working environments and situations at its offices, and arranging for employees to attend occupational health seminars to raise the awareness of occupational health and safety among all employees. The Group also organises regular fire drills, including simulating fire escape routes and the use of fire-fighting equipment, to enhance the ability of our merchants and staff to respond to fire incidents. In addition, in order to ensure the safety of employees, the Group has put in place a system of work arrangements under typhoon and rainstorm warnings to protect staff from any accidents arising from inclement weather. On business aspect, the Group's property management team regularly inspects and repairs the facilities of the buildings. For example, the fire service installations and lifts in Dong Dong Mall are tested and maintained annually to ensure and protect the safety of staff, mall tenants and customers.

The Group places great importance on the physical and mental health of its staff and the maintenance of good staff relations. We provide free annual medical check-ups to ensure that our staff are in good physical condition. The Group also encourages its staff to relax after work and invite them to participate in the leisure activities organized by the Group, including team building activities and festive celebrations, in order to foster a greater sense of camaraderie among staff and a sense of belonging to the Group.

4.3. Development and training

The Group encourages employees to upgrade their skills and is willing to invest in training to enhance their skills and capabilities and to create opportunities for their long-term personal growth.

The Group often participates in seminars on topics such as financing, compliance and anti-corruption organised by government agencies and professional bodies such as the Hong Kong Independent Commission Against Corruption and other financial intermediaries. The Group expects every employee holding a financial or job-related licence to keep up with the changes and regulations of the market. In addition, the Group provides induction training for each employee, which includes an introduction to the corporate culture and job skills training, so that employees can integrate into the Group and adapt to their jobs more quickly. In addition, the Group also arranges training activities such as job skills training, health and safety training and internal experience sharing from time to time to broaden the horizons of its staff in their professional fields. To further encourage staff development, the Group conducts staff appraisals at the end of each year to identify promotion and training opportunities based on staff performance and areas of responsibility.

In addition, the Group recognises the importance of talented people and highly competent teams to the long-term development of the Group. The Group is very supportive of employees' participation in personal and professional training and promotes a culture of knowledge and experience sharing among staff. Currently, the Group is considering arranging for each licensed employee and other professional employees to participate in continuous professional training at the activities of professional bodies and to meet a specified number of training hours each year. In the future, the Group will be more committed to enhancing the professional knowledge and skills of its staff and will actively consider developing a staff training policy to establish a systematic staff training mechanism.

During the Reporting Period, the Group has taken into account the Global Reporting Initiative's (GRI) Sustainability Reporting Standards and market trends when reviewing the materiality issues for 2022, and has become more aware of the relevance of a company's focus on people development to its long-term growth. Therefore, the Group will place greater emphasis on staff development and training in the future. Currently, the Group is actively discussing how to align its business with the Group's ESG development strategy and to enhance the ESG expertise of its staff through training, and intends to invite staff to participate in the ESG planning and development of the Company in the future, so as to help them become more involved in the Group's business development in the long run.

Staff training data		
Employee category	**Average training hours (hour)**[13]	**Percentage of employees trained (%)**[14]
By gender		
Female	0.4	9%
Male	3.7	91%
By employee category		
Senior-level	5.4	86%
Mid-level	0.2	3%
Entry-level	0.7	11%

13 Averaged training hours were calculated as: the total training hours of employees in the category divided by the total number of employees in the category as at the end of the year.

14 Percentage of employees trained was calculated as: the total number of employees trained in the category divided by the total number of employees trained.

4.4. Labour standards

The Group does not employ children and prohibits any form of forced labour. During the Reporting Period, the Group strictly complied with material laws and regulations in Hong Kong and the Mainland China that have a significant impact on the Group relating to prevention of child and forced labour, including but not limited to the "**Regulations on Prohibiting Use of Child Labour**" and "**Provisions of the State Council on Employees' Working Hours**". During the Reporting Period, the Group was not aware of any non-compliance in relation to the aforementioned material laws and regulations. Shanghai Dongkui's labour contracts stipulate the working hours and overtime allowances for its employees to prevent forced work without compensation. In addition, in order to avoid violating labour laws and regulations, the Group checks all applicants' identity certificates during the recruitment process and promises that employees will not be forced to work overtime. If use of child labour or forced labour is discovered, the Group shall seek legal advice and the responsible personnel will be dismissed immediately.

4.5. Supply chain management

The Group's major suppliers include providers of office supplies and business gifts, advertising companies engaged for publicity, and engineering companies engaged for the maintenance of shopping malls or offices. During the Reporting Period, the Group engaged one supplier in the Mainland China.

The Group adheres to the principles of fair competition and looks for win-win partnerships when selecting suppliers. The Group's "**Procurement Management Guide**" prescribes transparent procurement procedures for selecting suitable suppliers in a fair, impartial and open manner. The Group incorporates procurement procedures for fair competition, including objective selection criteria and the exclusion of recommended suppliers' employees from the bidding process, thereby protecting the interests of both the Group and its suppliers. The Group has also stipulated factors for consideration when making procurement in the "**Procurement Management Guide**", including the business's reputation, quality, services, and price and terms of sales of the suppliers, with a view to reducing procurement risk and enhancing procurement efficiency. The Group has established a supplier evaluation mechanism to ensure that the products and services provided by the suppliers meet the standards of the Group. The Group's procurement department maintains a working group to inspect suppliers that are engaged for the first time. Subsequent to a comprehensive assessment, the Group enters into agreements with eligible suppliers and requires the suppliers to be compliance with applicable environmental and social laws and regulations. Moreover, the Group conducts annual evaluations on the suppliers to update its supplier database and renew contracts with outstanding suppliers. The Group also monitors the environmental and social performance of its suppliers by taking various measures to ensure that its requirements are met, and to reduce the environmental and social risks caused by procurement. As to engineering and advertising service providers, Chongqing Baoxu inspects and assesses such suppliers through multi-departmental cooperation, to ensure their compliance with the Group's requirements and the regulations of the relevant jurisdictions where they operate. Shanghai Dongkui also evaluates its suppliers' performance regularly and terminates contracts with those suppliers that fail to comply with the requirements. The Group will actively consider developing policies to manage the environmental and social risks of its suppliers in order to further reduce the environmental and social risks inherent to the supply chain.

In addition, the Group also considers factors such as environmental protection when making procurement, with an aim to implement "**green procurement**". Subject to the Group's requirements, priority is given to local suppliers when making procurement, in order to reduce the carbon emissions generated by the transportation of materials and products. The Group also considers green products, such as recycled paper and electrical appliances with a Grade 1 energy label, to be a priority when marking procurement.

4.6. Service quality

The Group is strongly focused on improving the quality of its services to meet the customers' expectations. The Group strictly complied with laws and regulations in Hong Kong and the Mainland China that have a significant impact on the Group relating to health and safety, advertising and privacy matters relating to services provided and methods of redress, including but not limited to the "**Personal Data (Privacy) Ordinance**", the "**Competition Ordinance**", the "**Advertising Law of the People's Republic of China**" and the "**Trademark Law of the People's Republic of China**", striving to provide its customers with compliant and quality services. During the Reporting Period, the Group was not aware of any non-compliance in relation to the aforementioned material laws and regulations.

The Group strives to maintain good communications with its customers through its official website, service hotlines, dedicated mailboxes and other channels, thereby understanding the customers' expectations on and suggestions for the Group's performance. The Group and its subsidiaries have established procedures for customer complaints. Chongqing Baoxu maintains a customer service center and customer service hotlines to handle enquiries and complaints from tenants and customers of Dong Dong Mall. The Company has engaged a professional public relations firm to handle customer complaints. During the Reporting Period, the Group did not receive any complaints.

Case – Process of complaints handling of Dong Dong Mall

Dong Dong Mall standardizes its customer complaint handling process and explicitly stipulates the responsibilities and principles for handling complaints, and modifies its "**Guidelines on Customer Service Complaint Handling**", to achieve timely and effective handling of any complaints and enhance customer satisfaction. When a complaint is received, the customer service department of Dong Dong Mall will immediately determine the level and type of such complaint, then pass it to the appropriate department for a response to the customer within 24 hours. Responsible personnel are required to analyse, report and compile a case study for each complaint for other colleagues' reference, so as to avoid the occurrence of similar incidents.

Meanwhile, the Group is committed to reducing the health and safety risks and takes various mesures to ensure that customers are properly protected. The Group's property management team regularly inspects and repairs the fire equipment and lifts to ensure that they are safe and in good working order, with an aim to reduce accidents or breakdowns, thereby providing a safe and secure shopping environment for tenants and customers.

The Group regards customer privacy as a matter of prime importance, and has accordingly developed a "**Customer Data Confidentiality System**" and implemented a series of confidentiality measures to ensure secure storage of customer information. When conducting transactions, the Group enters into confidentiality agreements with third parties such as customers, suppliers and investors, as required. The Group requires that all agreements and confidential documents are stored in locked filing cabinet, and stipulates that documents are not to be copied without the approval of the managing personnel. Besides, the Group's employees receive guidance to prevent them from disclosing customer information. In its "**Employee Regulations**", Shanghai Dongkui explains the obligation of employees to keep the Group's sensitive information confidential and to avoid mentioning work-related details outside the office. Chongqing Baoxu enters into a Confidentiality Agreement with employees which requires the employees to keep any information obtained during their employment regarding project plans, customer lists and financial data confidential, and not to disclose such relevant information to third parties. If any leak of customer information is identified, the Group will rectify it promptly and punish responsible employees based on the severity of the incident. Employees will be held legally responsible for serious circumstances. During the Reporting Period, the Group did not experience any incidents of customer information leakage, nor did it receive any complaints about improper use of customer information that had a significant impact on the Group.

The Group forbids any form of false or misleading description in advertising and the transaction process, and requires that all advertisements or other information to be published shall be reviewed by department heads prior to publication. This ensures that accurate and comprehensive information is provided to customers during business meetings, consultations, and other work-related processes.

The Group is committed to respecting the achievements of copyright owners by protecting intellectual property rights. In order to avoid labour disputes arising from intellectual property rights, the "**Confidentiality Agreement**" stipulates that the Group can make use of employees' intellectual property only with the authorization of the employees, respecting creative achievements of the employees.

4.7. Anti-corruption

The Group adheres to ethical business practices and does not tolerate any form of corruption, bribery or fraud in its business operation. The Group strictly complied with laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering, including but not limited to the "**Independent Commission Against Corruption Ordinance**", the "**Prevention of Bribery Ordinance**" and the "**Anti-Money Laundering Law of the People's Republic of China**". During the Reporting Period, the Group did not receive any allegations against it or its employees regarding bribery, extortion, fraud or money laundering, nor did it receive any whistleblowing relating to bribery or corruption.

The Group prevents corruption, bribery and money laundering in any form through enforcement of the following anti-corruption policies and various measures:

1) Open tendering: When circumstances allow, tenders should be selected from at least three service institutions. Transparency must be ensured during the tendering process.	4) Entering into the Integrity Cooperation Agreement: Chongqing Baoxu requires partners such as customers and suppliers to sign an agreement on the prevention of corruption with a view to eliminating any transfer of benefits.
2) Service agreement review and approval: Service agreements are subject to the review and approval of employees of different ranks according to the value of the agreements, with a countersignature system employed for large-value agreements.	5) Preventing bribery: Shanghai Dongkui's "**Employee Regulations**" stipulates that employees must abide by professional ethics, and prohibits any form of corruption or bribery. Employees who are found to have involved in corruption will be discharged from their duties immediately and required to indemnify the losses caused. If such corruption is found to be in violation of national or regional laws and regulations, the employees will be held accountable for his/her judicial responsibility.
3) Third-party audit: Third party audit institutions must be engaged to audit financial accounts. This protects shareholder interests by preventing account falsification.	6) Preventing money laundering and fraud: Before and after conducting any loan financing activities, careful pre-leasing investigation, on-site agreement execution, and post-lending examination must be conducted, so as to prevent fraud and ensure that all loan financing items are obtained from official channels.

The Group does not tolerate any fraudulent business activities and encourages anyone with knowledge of any anti-corruption violations within the Group to report them to the Group. The Group has a whistleblowing policy that allows employees and those with information to report and keep confidential. The Group has undertaken to investigate on whistleblowing reports on a strictly confidential basis in all circumstances and no whistleblower will be dismissed or improperly dealt with due to their whistleblowing. The audit monitoring unit has been established in the Group's risk management centre and rewards all reports that are substantiated.

With an aim to further enhance the awareness of the Directors and employees, the Group provides anti-corruption training for the Directors and employees from time to time as well as new employees at their orientation. During the Reporting Period, the Group made reference to the anti-corruption training courses on the online platform of ICAC, which will be consolidated and used as a key reference for internal training materials in the future. Additionally, the Group clearly delegates job duties to relevant departments, such as sales, risk management and property management, to enhance the self-restraint of each and enable the supervisory and restrictive functions within the audit process.

4.8. Community investment

The Group recognises the importance of corporate social responsibility and is considering the establishment of a relevant policy to actively consider giving back to the community and maximising the positive impact on the community when developing its business. For example, Chongqing Baoxu will continue to provide quality landscape greening and related floral services and will be pleased to facilitate the green development of the country and the Mainland China market by promoting green urban environment and helping to create a beautiful community.

At the same time, the Group continues to be proactive in understanding the impact of its businesses on the communities in which it operates and exploring opportunities to contribute to the communities with a view to spreading greater care and concern. As Dong Dong Mall is positioned as a shopping mall focusing on children and the parent-child relationship, the Group will fully support the children-related training activities of Dong Dong Mall according to the business characteristics of the mall. With the Group's support, Dong Dong Mall will focus on creating a "**one-stop childhood education and training district**" in the future to provide the community with a wide range of childhood education to promote the all-round development of children.

5. APPENDIX: THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE INDEX

General disclosures and KPIs	Description	Corresponding section in the Report or other descriptions
Environmental area		
Aspect A1: Emissions		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	3. Environmental responsibility
KPI A1.1	The types of emissions and respective emissions data.	3. Environmental responsibility
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3. Environmental responsibility
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3. Environmental responsibility
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3. Environmental responsibility
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	3.1. Energy saving and emission reduction
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	3.2. Waste management and resource conservation
Aspect A2: Use of Resources		
General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	3.2. Waste management and resource conservation
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	3. Environmental responsibility
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	3. Environmental responsibility
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	3.1. Energy saving and emission reduction
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	3.2. Waste management and resource conservation
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable, as the Group's businesses do not involve the manufacture of products.

General disclosures and KPIs	Description	Corresponding section in the Report or other descriptions
Aspect A3: The Environment and Natural Resources		
General disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	3.3. The environment and natural resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	3.3. The environment and natural resources
Aspect A4: Climate Change		
General disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	3.4 Response to climate change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	3.4 Response to climate change
Social area		
Aspect B1: Employment		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	4. Social Responsibility
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	4.1. Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	4.1. Employment
Aspect B2: Health and Safety		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	4.2. Health and safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	4.2. Health and safety
KPI B2.2	Lost days due to work injury.	4.2. Health and safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	4.2. Health and safety
Aspect B3: Development and Training		
General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	4.3. Development and training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	4.3. Development and training
KPI B3.2	The average training hours completed per employee by gender and employee category.	4.3. Development and training

General disclosures and KPIs	Description	Corresponding section in the Report or other descriptions
Aspect B4: Labour Standards		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	4.4. Labour standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	4.4. Labour standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	4.4. Labour standards
Aspect B5: Supply Chain Management		
General disclosure	Policies on managing environmental and social risks of the supply chain.	4.5. Supply chain management
KPI B5.1	Number of suppliers by geographical region.	4.5. Supply chain management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	The Group has disclosed the practices relating to engaging suppliers and how they are implemented and monitored in section 4.5 Supply Chain Management, and will, subject to the availability of future resources, count and disclose the number of suppliers where the practices are being implemented.
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	4.5. Supply chain management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	4.5. Supply chain management
Aspect B6: Product Responsibility		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	As the Group's businesses do not involve the manufacture of products, matters related to product labelling do not apply to the Group. Other matters related to product responsibility have been disclosed by the Group in section 4.6 Service Quality

General disclosures and KPIs	Description	Corresponding section in the Report or other descriptions
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable, as the Group's businesses do not involve the manufacture of products.
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	4.6 Service quality
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	4.6 Service quality
KPI B6.4	Description of quality assurance process and recall procedures.	Not applicable, as the Group's businesses do not involve the manufacture of products.
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	4.6 Service quality
Aspect B7: Anti-corruption		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	4.7 Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	4.7 Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	4.7 Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	4.7 Anti-corruption
Aspect B8: Community Investment		
General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	4.8 Community investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	4.8 Community investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	4.8 Community investment

INDEPENDENT AUDITOR'S REPORT

bakertilly
天職國際

To the members of
Doyen International Holdings Limited
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Doyen International Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 82 to 148, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including 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 Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment on loan receivables	
Refer to notes 5(b)(ii), 6(d) and 23 to the consolidated financial statements As at 31 December 2023, the Group's loan receivables amounted to approximately HK$495,465,000. With the assistance from independent professional valuer, management assessed the provision for impairment of loan receivables based on the expected credit loss ("**ECL**") model. The ECL model involves significant management judgements and assumptions regarding the probability of default, loss given default, collateral values and forward-looking information on macroeconomic factors. We focused on this area because the carrying amount of loan receivables is significant to the consolidated financial statements and management's estimation of ECL allowance of loan receivables involves significant judgements and estimates.	Our audit procedures in relation to management's estimation of ECL allowance of loan receivables included: – understood, evaluated and validated the key control procedures over management's estimation of ECL allowance; – evaluated the appropriateness on the management's identification of significant increase in credit risk, defaults and credit-impaired loans and corroborated management's explanation with supporting evidence; – evaluated the outcome of prior period estimation of ECL allowance by performing a retrospective review to compare the estimation of ECL allowance in prior year to the actual collection performance in current year to assess the effectiveness of management's estimation process; – carried out procedures, on a sample basis, to test the accuracy of the aging of loan receivables applied in the ECL model as at reporting date; – evaluated the competence, capabilities and objectivity of the Group's independent professional valuer; – evaluated the valuation methodology and approach adopted by the Group's independent professional valuer in the ECL model; and – assessed the appropriateness of the key assumptions, including probability of default, loss given default, collateral values and forward-looking information with reference to the historical data and market economic data used in the ECL model. Based on the above, we found that the estimates and judgement made by management in respect of the expected credit losses allowance and the collectability of the loan receivables were supportable by the available evidence.

KEY AUDIT MATTERS *(CONTINUED)*

Key audit matter	How our audit addressed the key audit matter
Valuations of investment properties	
Refer to notes 5(b)(i) and 21 to the consolidated financial statements As at 31 December 2023, the Group hold a portfolio of investment properties, comprising a shopping mall and office premises located in the People's Republic of China. The fair value of these properties amounted to approximately HK$295,702,000 and a fair value gain on these investment properties of approximately HK$4,781,000 was recorded in the consolidated statement of profit or loss for the year ended 31 December 2023. The fair value of the investment properties as at 31 December 2023 was assessed by the directors based on independent valuation reports prepared by an independent professional valuer. We focused on this area because the valuations of the investment properties are level 3 fair value measurement as it uses significant unobservable inputs (e.g. capitalisation rate, long term vacancy rate and expected future market rent) which require significant management's judgements.	Our procedures in relation to this matter included: – evaluated the competence, independence, capabilities and objectivity of the Group's independent professional valuer; – assessed the appropriateness of the valuations methodology used; – assessed the reasonableness of the key assumptions, such as long term vacancy rate, expected future market rent and capitalisation rate used in the valuations with available market data; – compared tenancy information, including committed rents and vacancy rate, provided by the management to the independent professional valuer, with underlying contracts and related documentation, on a sample basis; – re-performed the calculations of the investment properties valuations; and – assessed the adequacy of the disclosures in relation to the fair value measurement of the investment property. Based on the procedures described, we found the methodologies used and key assumptions applied in the valuations to be reasonable and supportable by available evidence.

OTHER INFORMATION

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

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

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

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

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and 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 section 405 of the Hong Kong Companies Ordinance, 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.

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

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

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

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

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

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

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

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

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

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

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

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

The engagement director on the audit resulting in the independent auditor's report is Cheung Yam Yung.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 22 March 2024

Cheung Yam Yung
Practising Certificate Number P08299

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 HK$'000	2022 HK$'000
Revenue	8	**72,582**	107,120
Purchases		**(6,156)**	(37,713)
Staff costs	14	**(15,755)**	(18,056)
Depreciation	14	**(1,991)**	(2,458)
Other income	10	**780**	1,431
Other gains and losses	11	**(6,122)**	(21,778)
Fair value gains/(losses) on investment properties		**4,781**	(31,377)
Reversal of impairment losses on loan receivables, net		**6,695**	297
Impairment losses on trade receivables, net		**(586)**	(5)
Other operating expenses		**(16,970)**	(13,010)
Finance income, net	12	**1,249**	155
Profit/(loss) before tax		**38,507**	(15,394)
Income tax expense	13	**(18,616)**	(3,105)
Profit/(loss) for the year	14	**19,891**	(18,499)
Profit/(loss) for the year attributable to:			
Owners of the Company		**13,286**	(17,317)
Non-controlling interests		**6,605**	(1,182)
		19,891	(18,499)
Earnings/(loss) per share	18		
		HK cents	HK cents
Basic and diluted		**1.04**	(1.36)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 HK$'000	2022 HK$'000
Profit/(loss) for the year	**19,891**	(18,499)
Other comprehensive expense, net of tax		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(18,849)**	(59,240)
Reclassification of cumulative exchange reserve upon disposal of a subsidiary	**–**	397
	(18,849)	(58,843)
Total comprehensive income/(expense) for the year	**1,042**	(77,342)
Total comprehensive income/(expense) attributable to:		
Owners of the Company	**(773)**	(60,857)
Non-controlling interests	**1,815**	(16,485)
	1,042	(77,342)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2023

	Note	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment	19	**29**	21
Right-of-use assets	20	**3,507**	4,241
Investment properties	21	**295,702**	278,690
Intangible assets	22	**7,096**	7,096
Deferred tax assets	31	**18,138**	26,674
		324,472	316,722
Current assets			
Loan receivables	23	**495,465**	520,074
Trade receivables	24	**10,542**	11,037
Prepayments, deposits and other receivables	25	**5,567**	2,485
Financial assets at fair value through profit or loss	26	**6,977**	6,894
Cash and cash equivalents	27	**159,548**	147,319
		678,099	687,809
Current liabilities			
Accruals and other payables	28	**23,909**	26,413
Amounts due to related companies	29	**1,146**	1,429
Lease liabilities	30	**2,066**	1,830
Current tax liabilities		**32,169**	30,259
		59,290	59,931
Net current assets		**618,809**	627,878
Total assets less current liabilities		**943,281**	944,600
Non-current liabilities			
Other payables	28	**1,345**	–
Lease liabilities	30	**1,384**	2,400
Deferred tax liabilities	31	**2,683**	1,647
		5,412	4,047
NET ASSETS		**937,869**	940,553
Capital and reserves			
Share capital	32	**1,174,378**	1,174,378
Reserves		**(411,132)**	(410,359)
Equity attributable to owners of the Company		**763,246**	764,019
Non-controlling interests		**174,623**	176,534
TOTAL EQUITY		**937,869**	940,553

The consolidated financial statements on pages 82 to 148 were approved and authorised for issue by the Board of Directors on 22 March 2024 and are signed on its behalf by:

Lo Siu Yu
Director

Tai Xing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

	Attributable to owners of the Company								
	Share capital HK$'000	Merger reserve HK$'000 (Note 32(b)(i))	Exchange reserve HK$'000 (Note 32(b)(ii))	Statutory reserve HK$'000 (Note 32(b)(iii))	Other reserves HK$'000 (Note 32(b)(iv))	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2022	1,174,378	(409,968)	(6,964)	28,348	(300)	39,382	824,876	198,247	1,023,123
Loss for the year	–	–	–	–	–	(17,317)	(17,317)	(1,182)	(18,499)
Other comprehensive expense for the year	–	–	(43,540)	–	–	–	(43,540)	(15,303)	(58,843)
Total comprehensive expense for the year	–	–	(43,540)	–	–	(17,317)	(60,857)	(16,485)	(77,342)
Transfer to statutory reserve	–	–	–	4,501	–	(4,501)	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(5,228)	(5,228)
At 31 December 2022 and 1 January 2023	**1,174,378**	**(409,968)**	**(50,504)**	**32,849**	**(300)**	**17,564**	**764,019**	**176,534**	**940,553**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**13,286**	**13,286**	**6,605**	**19,891**
Other comprehensive expenses for the year	**-**	**-**	**(14,059)**	**-**	**-**	**-**	**(14,059)**	**(4,790)**	**(18,849)**
Total comprehensive income/(expense) for the year	**-**	**-**	**(14,059)**	**-**	**-**	**13,286**	**(773)**	**1,815**	**1,042**
Transfer to statutory reserve	**-**	**-**	**-**	**2,315**	**-**	**(2,315)**	**-**	**-**	**-**
Dividends paid to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,726)**	**(3,726)**
At 31 December 2023	**1,174,378**	**(409,968)**	**(64,563)**	**35,164**	**(300)**	**28,535**	**763,246**	**174,623**	**937,869**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 HK$'000	2022 HK$'000
Operating activities			
Profit/(loss) before tax		**38,507**	(15,394)
Adjustments for:			
Interest income	12	**(1,381)**	(312)
Finance costs	12	**132**	157
Dividends from financial assets at fair value through profit or loss	10	**(404)**	(261)
Depreciation of property, plant and equipment	14	**9**	23
Depreciation of right-of-use assets	14	**1,982**	2,435
Reversal of impairment losses on loan receivables, net		**(6,695)**	(297)
Impairment losses on trade receivables, net		**586**	5
Gain on disposals of property, plant and equipment	11	**–**	(13)
Fair value (gains)/losses on investment properties		**(4,781)**	31,377
Fair value (gains)/losses on financial assets at fair value through profit or loss	11	**(83)**	983
Loss on disposal of a subsidiary	11	**–**	235
Foreign exchange losses, net		**4,881**	20,573
Operating cash flow before movements in working capital		**32,753**	39,511
Decrease in loan receivables		**17,213**	89,246
Increase in trade receivables		**(392)**	(912)
(Increase)/decrease in prepayments, deposits and other receivables		**(3,143)**	3,364
Decrease in accruals and other payables		**(798)**	(1,106)
(Decrease)/increase in amounts due to related companies		**(246)**	490
Cash generated from operations		**45,387**	130,593
Income taxes (paid)/refunded		**(7,595)**	2,049
Net cash generated from operating activities		**37,792**	132,642
Investing activities			
Interest received		**1,381**	312
Dividends received from financial assets at fair value through profit or loss		**404**	261
Proceeds on disposal of property, plant and equipment		**–**	13
Purchases of finance assets at fair value through profit or loss		**–**	(615)
Purchases of property, plant and equipment		**(17)**	(11)
Payments for right-of-use assets		**(94)**	–
Purchases of an investment property		**(20,050)**	–
Net cash outflow on disposal of a subsidiary	33	**–**	(193)
Net cash used in investing activities		**(18,376)**	(233)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 HK$'000	2022 HK$'000
Financing activities		
Repayments of lease liabilities	**(2,065)**	(2,654)
Dividends paid to non-controlling interests	**(3,726)**	(5,228)
Net cash used in financing activities	**(5,791)**	(7,882)
Net increase in cash and cash equivalents	**13,625**	124,527
Cash and cash equivalents at 1 January	**147,319**	40,204
Effect of foreign exchange rate changes	**(1,396)**	(17,412)
Cash and cash equivalents at 31 December	**159,548**	147,319

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Doyen International Holdings Limited (the "**Company**") was incorporated in Hong Kong with limited liability. The address of its registered office and principal place of business is Suite 2206, 22nd Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company together with its subsidiaries (collectively referred to as the "**Group**") are principally engaged in investment properties holding in the People's Republic of China (the "**PRC**"), provision of financing to customers in the PRC and Hong Kong (the "**Dongkui business**"), investment holding, sales of flowers and plants and distressed assets management.

In the opinion of the directors of the Company, as at 31 December 2023, Money Success Limited, a company incorporated in the British Virgin Islands ("**BVI**"), is the immediate parent; Wealthy In Investments Limited, a company incorporated in the BVI, is the ultimate parent and Mr. Lo Siu Yu ("**Mr. Lo**") is the ultimate controlling party of the Company.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 Effective for annual periods beginning on or after a date to be determined.

2 Effective for annual periods beginning on or after 1 January 2024.

3 Effective for annual periods beginning on or after 1 January 2025.

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

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments that are measured at fair values 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.

4 MATERIAL ACCOUNTING POLICY INFORMATION

(a) 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 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.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(a) Basis of consolidation *(Continued)*

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.

Changes in the Group's interests in existing subsidiaries

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets, and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

(b) 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.

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

Further information about the Group's accounting policies relating to contracts with customers is provided in notes 8 and 28.

(c) Leases

Definition of a lease

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

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

4 MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(c) Leases *(Continued)*

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Right-of-use assets

The cost of right-of-use asset includes:

– the amount of the initial measurement of the lease liability;

– 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 costs 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 are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

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

4 MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(c) Leases *(Continued)*

The Group as a lessee *(Continued)*

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 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 payments (including in-substance fixed payments) less any lease incentives receivable;

– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

– amounts expected to be payable by the Group under residual value guarantees;

– the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and

– payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

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

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

– the lease payments change due to changes in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

4 MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(c) Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease modifications

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

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

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

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

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

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

The Group as a lessor

Classification and measurement of leases

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

4 MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(c) Leases *(Continued)*

The Group as a lessor *(Continued)*

Classification and measurement of leases (Continued)

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model. Variable lease payments for operating leases that depend on an index or a rate are included in the total lease payments using the index or rate as at the commencement date. Variable lease payments that do not depend on an index or a rate are excluded and are recognised as income when they arise.

Rental income which are derived from the Group's ordinary course of business are presented as revenue.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 Revenue from Contracts with Customers ("**HKFRS 15**") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

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

Lease modification

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

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

For rent concession under which the Group legally releases the lessee from its obligation to make specifically identified lease payment, of which some of these lease payments are contractually due but not paid and some of them are not yet contractually due, the Group accounts for the portions which have been recognised as operating lease receivables (i.e. the lease payments which are contractually due but not paid) by applying the expected credit loss ("**ECL**") and derecognition requirements under HKFRS 9 and applies lease modification requirements for the forgiven lease payments that the Group has not recognised (i.e. the lease payments which are not yet contractually due) as at the effective date of modification.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(c) Leases *(Continued)*

Sale and leaseback transactions

The Group applies the requirements of HKFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

The Group as a buyer-lessor

For a transfer of asset that does not satisfy the requirements of HKFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor does not recognise the transferred asset and recognises a loan receivable equal to the transfer proceeds within the scope of HKFRS 9.

(d) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

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

4 MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(e) Government grants

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

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

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

(f) Employee benefits

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 Long Service Payment ("**LSP**") under the Hong Kong Employment Ordinance, 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.

Remeasurement, comprising actuarial gains and losses, 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.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(f) Employee benefits *(Continued)*

Retirement benefit costs *(Continued)*

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 defined benefit liability using current actuarial assumptions, reflecting the benefits offered under the plan before and after the plan amendment, curtailment or settlement.

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

– interest expense; and

– remeasurement.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit in the Group's defined benefit plans.

At the commencement of every Hong Kong employment, the Group has agreed with its employees that any employer Mandatory Provident Fund contributions would not be deducted from the Group's LSP obligation. Accordingly, the Group's LSP obligation is accounted for as an unfunded defined benefit plan, and the obligation is recognised under "other payables" in the consolidated statement of financial position.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(f) Employee benefits *(Continued)*

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.

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 HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, 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.

(g) Taxation

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

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

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

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

4 MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(g) Taxation *(Continued)*

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

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

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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

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

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

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

4 MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(h) Property, plant and equipment

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

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

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

(i) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

(j) Intangible assets

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

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

4 MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

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

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

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

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

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

4 MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(k) Impairment on property, plant and equipment, right-of-use assets and intangible assets *(Continued)*

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

(l) Cash and cash equivalents

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

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

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

(m) Provisions

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

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

(n) 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.

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.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(o) Financial instruments

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

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

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

Interest which are derived from the Group's ordinary course of business are presented as revenue.

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.

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

- the financial asset is held within a business model whose objective is achieved by both selling and collecting 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.

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

4 MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(o) Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

A financial asset is held for trading if:

– it has been acquired principally for the purpose of selling in the near term; or

– on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as a hedging instrument.

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

(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 (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

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

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

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under ECL model on financial assets (including trade receivables, loan receivables, deposits and other receivables and cash and cash equivalents) 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.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(o) Financial instruments *(Continued)*

Financial assets *(Continued)*

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

The Group always recognises 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.

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- significant changes in the value of the collateral supporting the obligation or in the quality of third party guarantees or credit enhancements; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the debtor.

4 MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(o) Financial instruments *(Continued)*

Financial assets *(Continued)*

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

(i) Significant increase in credit risk *(Continued)*

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

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

(i) The financial instrument has a low risk of default;

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

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

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

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

(ii) Definition of default

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

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

– information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

4 MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(o) Financial instruments *(Continued)*

Financial assets *(Continued)*

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

(iii) Credit-impaired financial assets

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

– significant financial difficulty of the issuer or the borrower;

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

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

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

4 MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(o) Financial instruments *(Continued)*

Financial assets *(Continued)*

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

(v) Measurement and recognition of ECL *(Continued)*

Elements of the ECL models that are considered accounting judgements and estimates include:

– The Group's estimation of probabilities of default to individual group;

– The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;

– The ECL model involves significant management judgements and assumptions regarding the probability of default, loss given default, collateral values, economic indicators on forward-looking information as well as other significant factors not covered in the ECL model, if applicable;

– Selection of forward-looking macroeconomic scenarios to derive the economic inputs into the ECL models.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

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

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

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

– For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other gains and losses' line item (note 11) as part of the net foreign exchange gains/(losses); and

– For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "Other gains and losses" line item as part of the fair value losses on financial assets (note 11).

4 MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(o) Financial instruments *(Continued)*

Financial assets *(Continued)*

Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities including accruals and other payables, amounts due to related companies and lease liabilities are subsequently measured at amortised cost, using the effective interest method.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "Other gains and losses" line item in profit or loss (note 11) as part of net foreign exchange gains/(losses) for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

Derecognition of financial liabilities

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

4 MATERIAL ACCOUNTING POLICY INFORMATION *(CONTINUED)*

(p) 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 of 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.

5 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going 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.

5 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

(a) Critical judgements in applying accounting policies

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

Significant increase in credit risk

ECL are measured as allowances equal to 12m ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

(b) Key sources of estimation uncertainty

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

(i) Fair value of investment properties

Investment properties are stated at fair value based on the valuations performed by an independent professional valuer. The determination of the fair value involves certain assumptions of market conditions which are set out in note 21.

In relying on the valuation reports, the directors of the Company have exercised their judgement and are satisfied that the method of valuations are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss.

As at 31 December 2023, the carrying amount of the Group's investment properties is approximately HK$295,702,000 (2022: approximately HK$278,690,000).

(ii) Provision of ECL on loan receivables and trade receivables

Estimation of ECL on loan receivables and trade receivables are based on significant assumptions about future economic condition and credit behavior. The amounts of the impairment losses for ECL are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment losses may arise.

The information about ECL and the Group's loan receivables and trade receivables are disclosed in note 6(d).

(iii) Recognition of deferred tax assets

As at 31 December 2023, a deferred tax asset of approximately HK$17,742,000 (2022: approximately HK$19,462,000) in relation to revaluation of investment properties has been recognised in the consolidated statement of financial position.

5 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

(b) Key sources of estimation uncertainty *(Continued)*

(iii) Recognition of deferred tax assets *(Continued)*

The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

6 FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include loan receivables, trade receivables, deposits and other receivables, financial assets at fair value through profit or loss, cash and cash equivalents, accruals and other payables, amounts due to related companies and lease liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk, and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

(a) Currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the group entities. The Group currently does not have a foreign exchange hedging policy. However, the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

(b) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate loan receivables (see note 23 for details) and lease liabilities (see note 30 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see note 27 for details).

The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The Group manages its fair value interest rate risk mainly by adjusting the interest rate on loans granted to customers. The Group considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant. Accordingly, no interest rate risk sensitivity analysis is presented.

6 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(b) Interest rate risk *(Continued)*

Total interest revenue/income from financial assets that are measured at amortised cost is as follows:

	2023 HK$'000	2022 HK$'000
Interest revenue		
Financial assets at amortised cost	**50,497**	58,436
Interest income		
Financial assets at amortised cost	**1,381**	312
	51,878	58,748

Interest expense on financial liabilities not measured at FVTPL:

	2023 HK$'000	2022 HK$'000
Financial liabilities at amortised cost	**132**	157

(c) Other price risk

The Group is exposed to equity price risk through its investments in equity securities measured at FVTPL. For equity securities measured at FVTPL quoted in The Stock Exchange of Hong Kong Limited, the management of the Group manages this exposure by maintaining a portfolio of investments with different risks.

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date. As at 31 December 2023, if equity prices of the Group's financial assets at FVTPL had been 10% higher/lower with all other variables held constant, consolidated profit after tax for the year would have increased/decrease by approximately HK$698,000 (2022: consolidated loss after tax for the year would have decreased/increase by approximately HK$689,000).

(d) Credit risk and impairment assessment

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to loan receivables, trade receivables, deposits and other receivables and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risks associated with loan receivables is mitigated because they are secured over equipments or trade receivables.

6 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(d) Credit risk and impairment assessment *(Continued)*

The Group performed impairment assessment for financial assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

Loan receivables and trade receivables arising from contracts with customers

In order to minimise the credit risk of loan receivables and trade receivables arising from contracts with customers, the management of the Group has delegated officers responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the credit risk of each material individual debtor at the end of the reporting period to ensure that adequate impairment losses are made for any irrecoverable amounts. In this regard, the directors of the Group consider that the Group's credit risk is significantly reduced.

For loan receivables, the Group uses three categories for loan receivables which reflect their credit risk and how the expected credit loss provision is determined for each of those categories. The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers both historical loss rates and forward-looking macroeconomic data. For credit-impaired loan receivables, the Group also considers the values of the collateral pledged by the customers to the loan receivables. A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of ECL provision
Stage one	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12m ECL. Where the expected lifetime of an asset is less than 12 months, ECL is measured at its expected lifetime
Stage two	Receivables for which there is a significant increase in credit risk since initial recognition	Lifetime expected credit losses (not credit-impaired)
Stage three	Receivables for which there is credit loss since initial recognition	Lifetime expected credit losses (credit-impaired)

6 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(d) Credit risk and impairment assessment *(Continued)*

Loan receivables and trade receivables arising from contracts with customers *(Continued)*

For trade receivables, the Group performs impairment assessment under ECL model on trade receivables with significant balances and credit-impaired individually and/or collectively. Impairment of approximately HK$586,000 (2022: approximately HK$5,000) is recognised during the year. Details of the quantitative disclosures are set out below in this note. The Group's internal credit risk grading assessment for trade receivable comprises the following categories:

Category	Group definition of category	Basis for recognition of ECL provision
Stage one	The counterparty has a low risk of default, and either does not have any past-due amounts or debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired
Stage two	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired
Stage three	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired

The Group is also exposed to concentration of credit risk as 17% (2022: 11%) and 74% (2022: 56%) of the total loan receivables and trade receivables were due from the Group's largest customer and the Group's five largest customers respectively and all of the customers are located in the PRC.

Deposits and other receivables and bank balances

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

The credit risk on bank balances is limited because the counterparties are either state-owned banks located in the PRC or banks with high credit ratings. Management does not expect that there will be any significant losses from non-performance by these counterparties.

6 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(d) Credit risk and impairment assessment *(Continued)*

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	**2023 Gross carrying amount HK$'000**	2022 Gross carrying amount HK$'000
Financial assets at amortised cost						
Loan receivables	23	N/A	Stage one	12m ECL	**496,141**	500,861
			Stage two	Lifetime ECL not credit-impaired	**–**	–
			Stage three	Lifetime ECL credit-impaired	**–**	28,662
					496,141	529,523
Trade receivables	24	N/A	Stage one	Lifetime ECL – not credit-impaired	**–**	11,092
			Stage two	Lifetime ECL – not credit-impaired	**11,178**	–
			Stage three	Lifetime ECL – credit-impaired	**–**	–
					11,178	11,092
Deposits and other receivables	25	N/A	(note 1)	12m ECL	**2,826**	1,837
Bank Balances	27	AA+ to BBB+	N/A	12m ECL	**159,548**	147,319

Note:

1. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its loan financing and sales of flowers and plants business. The following table provides information about the exposure to credit risk for loan receivables and trade receivables which are assessed on individual assessment.

6 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(d) Credit risk and impairment assessment *(Continued)*

Loan receivables

Internal credit rate	2023 Average loss rate	2023 Gross carrying amount HK$'000	2023 Loss allowances HK$'000	2023 Net carrying amount HK$'000
Stage one	0.14%	496,141	676	495,465
Stage two	N/A	–	–	–
Stage three	N/A	–	–	–
		496,141	676	495,465

Internal credit rate	2022 Average loss rate	2022 Gross carrying amount HK$'000	2022 Loss allowances HK$'000	2022 Net carrying amount HK$'000
Stage one	0.26%	500,861	1,281	499,580
Stage two	N/A	–	–	–
Stage three	28.50%	28,662	8,168	20,494
		529,523	9,449	520,074

Trade receivables

Internal credit rate	2023 Average loss rate	2023 Gross carrying amount HK$'000	2023 Loss allowances HK$'000	2023 Net carrying amount HK$'000
Stage one	N/A	–	–	–
Stage two	5.69%	11,178	636	10,542
Stage three	N/A	–	–	–
		11,178	636	10,542

Internal credit rate	2022 Average loss rate	2022 Gross carrying amount HK$'000	2022 Loss allowances HK$'000	2022 Net carrying amount HK$'000
Stage one	0.50%	11,092	55	11,037
Stage two	N/A	–	–	–
Stage three	N/A	–	–	–
		11,092	55	11,037

6 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(d) Credit risk and impairment assessment *(Continued)*

The following tables show reconciliation of loss allowances that has been recognised for loan receivables.

	12m ECL HK$'000	Lifetime ECL not credit-impaired HK$'000	Lifetime ECL credit-impaired HK$'000	Total HK$'000
At 1 January 2022	1,666	–	8,898	10,564
Changes due to financial instruments recognised as at 1 January 2022:				
– Reversal of impairment losses	(1,582)	–	(36)	(1,618)
New financial assets originated	1,321	–	–	1,321
Exchange adjustments	(124)	–	(694)	(818)
At 31 December 2022 and at 1 January 2023	**1,281**	**–**	**8,168**	**9,449**
Changes due to financial instruments recognised as at 1 January 2023:				
– Write-offs	**–**	**–**	**(1,880)**	**(1,880)**
– Reversal of impairment losses	**(1,254)**	**–**	**(6,122)**	**(7,376)**
New financial assets originated	**681**	**–**	**–**	**681**
Exchange adjustments	**(32)**	**–**	**(166)**	**(198)**
At 31 December 2023	**676**	**–**	**–**	**676**

As at 31 December 2023, the Group's loans to customers of approximately HK$496,141,000 (2022: approximately HK$525,158,000) were secured by collaterals such as equipments or trade receivables (2022: a property or trade receivables) of the relevant customers. The Group is not permitted to sell or repledge the collaterals in the absence of default by the borrower. There has not been any significant changes in the quality of the collateral held for the loan receivables. The Group considers the credit risk arising from credit-impaired loan receivables is significantly mitigated by the property held as collateral, with reference to the collateral value as at 31 December 2022.

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

	HK$'000
At 1 January 2022	55
Impairment losses recognised	5
Exchange adjustments	(5)
At 31 December 2022 and 1 January 2023	**55**
Impairment losses recognised	**586**
Exchange adjustments	**(5)**
At 31 December 2023	**636**

6 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(e) Liquidity risk

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

The maturity analysis based on contractual undiscounted cash flows of the Group's financial liabilities is as follows:

	Weighted average interest rate	Within 1 year or on demand HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	After 5 years HK$'000	Total undiscounted cash outflows HK$'000	Carrying amounts HK$'000
At 31 December 2023							
Accruals and other payables	**–**	**13,031**	**–**	**–**	**–**	**13,031**	**13,031**
Amounts due to related companies	**–**	**1,146**	**–**	**–**	**–**	**1,146**	**1,146**
Lease liabilities	**3.7%**	**2,172**	**884**	**556**	**16**	**3,628**	**3,450**
Total		**16,349**	**884**	**556**	**16**	**17,805**	**17,627**
At 31 December 2022							
Accruals and other payables	–	10,061	–	–	–	10,061	10,061
Amounts due to related companies	–	1,429	–	–	–	1,429	1,429
Lease liabilities	3.5%	1,936	1,761	701	–	4,398	4,230
Total		13,426	1,761	701	–	15,888	15,720

(f) Categories of financial instruments

	2023 HK$'000	2022 HK$'000
Financial assets:		
Financial assets at FVTPL		
Listed equity securities – held for trading	**6,977**	6,894
Financial assets at amortised cost	**668,381**	680,267
Financial liabilities:		
Financial liabilities at amortised cost	**17,627**	15,720

7 FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

(a) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Fair value hierarchy as at 31 December 2023

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets at FVTPL				
Listed equity securities – held for trading	**6,977**	**–**	**–**	**6,977**

Fair value hierarchy as at 31 December 2022

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
Listed equity securities – held for trading	6,894	–	–	6,894

The fair value of financial assets at FVTPL which are traded in active markets is based on quoted market prices at the end of the reporting period.

For the year ended 31 December 2023, there were no transfers between level 1 and level 2, or transfers into or out of level 3 (2022: Nil).

(b) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

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

8 REVENUE

Disaggregation of revenue by major products or service lines is as follows:

	2023 **HK$'000**	2022 HK$'000
Revenue from contracts with customers		
Sales of flowers and plants	**6,331**	38,963
Revenue from other sources		
Rental income from investment properties (note)	**15,754**	9,721
Income from provision of financing	**50,497**	58,436
	66,251	68,157
	72,582	107,120

Note: The rental income from investment properties is charged at fixed payment under operating lease.

Performance obligations for contracts with customers and revenue recognition policies

Sales of flowers and plants

The Group sells flowers and plants directly to customers. Revenue is recognised when control of the goods has been transferred to the customers, being at the point the goods are delivered to the customers.

Delivery occurs when the goods have been shipped to the customer's specific location. When the customer initially purchases the goods, the transaction price received by the Group is recognised as contract liability until the goods have been delivered to the customer. The normal credit term is 30 days upon delivery.

The Group has applied the practical expedient in HKFRS 15 to exempt the disclosure of revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date as the performance obligations had an original expected duration of one year or less.

9 SEGMENT INFORMATION

Operating segments are identified and reported in the manner consistent with internal reports of the Group that are regularly reviewed by the chief operating decision maker ("**CODM**") in order to assess performance and allocate resources. The CODM, has been defined as the executive directors who assess the performance of the operating segments based on the profit and loss generated.

The CODM reviews the business principally from an industry perspective and has identified four (2022: four) reportable segments. No operating segments have been aggregated to form the following reportable segments:

Investment properties holding	– properties investment and rental activities
Dongkui business	– provision of loan financing
Sales of flowers and plants	– selling of flowers, seedlings and plants
Distressed assets management	– provision of distressed assets management

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different marketing strategies.

Segment revenues and results

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

	Investment properties holding HK$'000	Dongkui business HK$'000	Sales of flowers and plants HK$'000	Distressed assets management HK$'000	Total HK$'000
Year ended 31 December 2023					
Disaggregated by timing of revenue recognition					
Point in time	–	–	6,331	–	6,331
Over time	15,754	50,497	–	–	66,251
Segment revenue	15,754	50,497	6,331	–	72,582
Segment profit/(loss) after tax	7,986	36,779	(739)	(141)	43,885
Unallocated amounts:					
Staff costs					(10,625)
Depreciation of right-of-use assets					(1,626)
Fair value gains on financial assets at FVTPL					83
Exchange losses, net					(6,205)
Other income					404
Finance income					233
Finance costs					(99)
Other corporate expenses					(6,159)
Consolidated profit after tax					19,891

9 SEGMENT INFORMATION *(CONTINUED)*

Segment revenues and results *(Continued)*

The following is an analysis of the Group's revenue and results by reportable segments: *(Continued)*

	Investment properties holding HK$'000	Dongkui business HK$'000	Sales of flowers and plants HK$'000	Distressed assets management HK$'000	Total HK$'000
Year ended 31 December 2022					
Disaggregated by timing of revenue recognition					
Point in time	–	–	38,963	–	38,963
Over time	9,721	58,436	–	–	68,157
Segment revenue	9,721	58,436	38,963	–	107,120
Segment profit/(loss) after tax	(20,453)	41,600	605	(3,293)	18,459
Unallocated amounts:					
Staff costs					(9,617)
Depreciation of right-of-use assets					(1,537)
Fair value losses on financial assets at FVTPL					(983)
Gain on disposals of property, plant and equipment					13
Exchange losses, net					(20,573)
Other income					453
Finance income					93
Finance costs					(101)
Other corporate expenses					(4,706)
Consolidated loss after tax					(18,499)

9 SEGMENT INFORMATION *(CONTINUED)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

As at 31 December 2023

	Investment properties holding HK$'000	Dongkui business HK$'000	Sales of flowers and plants HK$'000	Distressed assets management HK$'000	Total HK$'000
Segment assets	334,934	631,764	10,542	4	977,244
Unallocated assets:					
Right-of-use assets					3,125
Intangible assets					7,096
Financial assets at FVTPL					6,977
Cash and cash equivalents					6,877
Other assets					1,252
Consolidated assets					1,002,571
Segment liabilities	10,488	11,491	992	–	22,971
Unallocated liabilities:					
Current tax liabilities					24,670
Other liabilities					17,061
Consolidated liabilities					64,702

As at 31 December 2022

	Investment properties holding HK$'000	Dongkui business HK$'000	Sales of flowers and plants HK$'000	Distressed assets management HK$'000	Total HK$'000
Segment assets	312,190	641,476	11,037	5	964,708
Unallocated assets:					
Right-of-use assets					3,484
Intangible assets					7,096
Financial assets at FVTPL					6,894
Cash and cash equivalents					5,259
Other assets					17,090
Consolidated assets					1,004,531
Segment liabilities	10,436	11,055	–	–	21,491
Unallocated liabilities:					
Current tax liabilities					25,097
Other liabilities					17,390
Consolidated liabilities					63,978

9 SEGMENT INFORMATION *(CONTINUED)*

Other segment information

For the year ended 31 December 2023

	Investment properties holding HK$'000	Dongkui business HK$'000	Sales of flowers and plants HK$'000	Distressed assets management HK$'000	Total HK$'000
Addition to non-current assets (Note)					
Allocated	20,067	–	–	–	20,067
Unallocated					1,267
					21,334
Depreciation					
Allocated	6	358	–	1	365
Unallocated					1,626
					1,991
Reversal of impairment losses on loan receivables, net	–	(6,695)	–	–	(6,695)
Impairment losses on trade receivables, net	–	–	586	–	586
Income tax expense/(credit)					
Allocated	2,081	17,106	(51)	–	19,136
Unallocated					(520)
					18,816

For the year ended 31 December 2022

	Investment properties holding HK$'000	Dongkui business HK$'000	Sales of flowers and plants HK$'000	Distressed assets management HK$'000	Total HK$'000
Addition to non-current assets (Note)					
Allocated	5	1,130	–	–	1,135
Unallocated					4,286
					5,421
Depreciation					
Allocated	6	380	–	535	921
Unallocated					1,537
					2,458
Reversal of impairment losses on loan receivables, net	–	(297)	–	–	(297)
Impairment losses on trade receivables, net	–	–	5	–	5
Income tax expense/(credit)					
Allocated	(6,610)	11,990	–	–	5,380
Unallocated					(2,275)
					3,105

Note: Non-current assets excluded deferred tax assets.

9 SEGMENT INFORMATION *(CONTINUED)*

Geographical information:

All the revenue generated by the Group for the two years ended 31 December 2023 and 2022 were attributable to customers based in the PRC. In addition, the majority of the Group's non-current assets are located in the PRC. Accordingly, no geographical analysis is presented.

Information about major customers

Revenue from a customer of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2023 **HK$'000**	2022 HK$'000
Sales of flowers and plants		
Customer a	**N/A***	38,963

* Revenue did not contribute for 10% or more of the Group's revenue.

10 OTHER INCOME

	2023 **HK$'000**	2022 HK$'000
Dividends from financial assets of FVTPL	**404**	261
Government grants (note)	**122**	192
Compensation income for termination of leases	**246**	963
Others	**8**	15
	780	1,431

Note: For the year ended 31 December 2023, the amount represented subsidy granted by the local government for promotion of the loan financing industry. There were no specific conditions attached to the grant and the amount was recognised in profit or loss upon receipt of the grant. For the year ended 31 December 2022, the amount represented subsidies under the Employment Support Scheme in Hong Kong which the Group required to undertake not to implement redundancy during the subsidy period and to use the subsidy to pay wages of the employees, all conditions relating to these grants have been fulfilled.

11 OTHER GAINS AND LOSSES

	2023 **HK$'000**	2022 HK$'000
Fair value gains/(losses) on financial assets at FVTPL	**83**	(983)
Gain on disposals of property, plant and equipment	**–**	13
Loss on disposal of a subsidiary (note 33)	**–**	(235)
Foreign exchange losses, net	**(6,205)**	(20,573)
	(6,122)	(21,778)

12 FINANCE INCOME, NET

	2023 HK$'000	2022 HK$'000
Finance income		
Interest income on bank deposits	**1,381**	312
Finance costs		
Interest on lease liabilities	**(132)**	(157)
Finance income, net	**1,249**	155

13 INCOME TAX EXPENSE

	2023 HK$'000	2022 HK$'000
Current tax		
PRC Enterprise Income Tax ("**EIT**")		
Provision for the year	**9,098**	14,115
Over-provision in prior years	**(123)**	–
Withholding tax on distributed profits from a subsidiary		
Provision for the year	**690**	958
Over-provision in prior years	**–**	(2,049)
	9,665	13,024
Deferred tax (note 31)	**8,951**	(9,919)
Income tax expense	**18,616**	3,105

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits for the years ended 31 December 2023 and 2022.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the years ended 31 December 2023 and 2022.

Under the EIT Law, dividends received by foreign investors from investment in foreign-invested enterprises in respect of their profits earned since 1 January 2008 are subject to withholding tax of 5% to 10% unless reduced by treaty. Accordingly, a provision for dividend withholding tax of approximately HK$690,000 was charged to profit or loss for the year ended 31 December 2023 (2022: a net over-provision of approximately HK$1,091,000 was credited to profit or loss). As at 31 December 2023, no deferred tax liability has been recognised for undistributed profits of foreign-invested subsidiaries in the PRC, as those PRC subsidiaries have no significant undistributed profits available for distribution. As at 31 December 2022, a deferred tax liability has been recognised for undistributed profits of foreign-invested subsidiaries in the PRC at a rate of 10% to the extent that the profits will be distributed in the foreseeable future.

13 INCOME TAX EXPENSE *(CONTINUED)*

The income tax expense can be reconciled to the profit/(loss) before tax per the consolidated statement of profit or loss as follows:

	2023 HK$'000	2022 HK$'000
Profit/(loss) before tax	**38,507**	(15,394)
Tax at the applicable tax rates in the jurisdictions concerned	**10,345**	(1,533)
Tax effect of income not taxable for tax purpose	**(533)**	(1,536)
Tax effect of expenses not deductible for tax purpose	**1,843**	6,371
Tax effect of tax losses not recognised	**338**	1
Utilisation of tax losses previously not recognised	**(1)**	–
Tax effect of deductible temporary difference not recognised	**10,322**	4,356
Utilisation of deductible temporary differences previously not recognised	**(3,054)**	(2,279)
Over-provision in prior years	**(123)**	(2,049)
Deferred tax on undistributed profits of a PRC subsidiary	**(1,211)**	(1,184)
Withholding tax on distributed profits from a subsidiary	**690**	958
Income tax expense	**18,616**	3,105

14 PROFIT/(LOSS) FOR THE YEAR

Profit/(loss) for the year has been arrived at after charging:

	2023 HK$'000	2022 HK$'000
Depreciation of property, plant and equipment	**9**	23
Depreciation of right-of-use assets	**1,982**	2,435
	1,991	2,458
Auditor's remuneration		
Audit services	**1,700**	1,700
Non-audit services	**205**	351
	1,905	2,051
Direct operating expenses of investment properties that generate rental income	**9,607**	4,326
Staff costs (including directors' remuneration):		
Salaries, bonuses and allowances	**14,634**	16,520
Pension scheme contributions (note)	**1,121**	1,536
	15,755	18,056

Note: Contributions to the plan vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

15 DIRECTOR'S AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the years ended 31 December 2023 and 2022, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

For the year ended 31 December 2023

	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Estimated money value of other benefits HK$'000 (note (i))	Retirement benefit scheme contribution HK$'000	Total HK$'000
Executive directors						
Mr. Lo Siu Yu	–	1,650	–	338	18	2,006
Mr. Tai Xing	–	1,892	382	584	174	3,032
Mr. Cho Chun Wai	–	1,348	167	29	18	1,562
Non-executive directors						
Mr. Pan Chuan	120	–	–	–	–	120
Ms. Sun Lin	120	–	–	–	–	120
Independent non-executive directors						
Mr. Chan Ying Kay	120	–	–	–	–	120
Mr. Wang Jin Ling	120	–	–	–	–	120
Mr. Leung Kin Hong	120	–	–	–	–	120
	600	4,890	549	951	210	7,200

Mr. Tai Xing is also the chief executive officer ("**CEO**") of the Company and his emoluments disclosed above include those for services rendered by him as the CEO.

15 DIRECTOR'S AND CHIEF EXECUTIVE'S EMOLUMENTS *(CONTINUED)*

For the year ended 31 December 2022

	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Estimated money value of other benefits HK$'000 (note (i))	Retirement benefit scheme contribution HK$'000	Total HK$'000
Executive directors						
Mr. Lo Siu Yu	–	1,440	–	706	18	2,164
Mr. Tai Xing	–	1,743	398	563	225	2,929
Mr. Cho Chun Wai	–	1,056	224	167	18	1,465
Non-executive directors						
Mr. Pan Chuan	120	–	–	–	–	120
Ms. Sun Lin (note (iii))	60	–	–	–	–	60
Ms. Luo Shaoying (note (ii))	–	–	–	–	–	–
Independent non-executive directors						
Mr. Chan Ying Kay	120	–	–	–	–	120
Mr. Wang Jin Ling	120	–	–	–	–	120
Mr. Leung Kin Hong	120	–	–	–	–	120
	540	4,239	622	1,436	261	7,098

Notes:

(i) Estimated money values of other benefits include rent paid and family education allowances.

(ii) Resigned on 4 July 2022.

(iii) Appointed on 4 July 2022.

Neither the CEO nor any of the directors waived or agreed to waived any emoluments and received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2023 and 2022.

16 FIVE HIGHEST PAID INDIVIDUALS

The five highest paid employees of the Group during the year included three (2022: three) directors, details of whose remuneration are set out in note 15 above. Details of the remuneration for the year of the remaining two (2022: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2023 HK$'000	2022 HK$'000
Salaries, bonuses and allowances	**1,628**	1,063
Retirement benefit scheme contributions	**176**	217
	1,804	1,280

16 FIVE HIGHEST PAID INDIVIDUALS *(CONTINUED)*

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

	Number of individuals	
	2023	2022
Nil to HK$1,000,000	**1**	2
HK$1,000,001 to HK$1,500,000	**1**	–
	2	2

During the years ended 31 December 2023 and 2022, none of the five highest paid individuals received emoluments from the Group as inducement to join or upon joining the Group, or as compensation for loss of office.

17 DIVIDENDS

No dividend was paid or proposed for ordinary shareholder of the Company during the years ended 31 December 2023 and 2022, nor has any dividend been proposed since 31 December 2023 (2022: Nil).

18 EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share attributable to owners of the Company is based on the following data:

	2023 **HK$'000**	2022 HK$'000
Earnings/(loss)		
Earnings/(loss) for the purpose of basic earnings/(loss) per share (profit/(loss) for the year attributable to owners of the Company)	**13,286**	(17,317)

	2023 **'000**	2022 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**1,274,039**	1,274,039

The diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share for the both years ended 31 December 2023 and 2022 as there were no potential ordinary shares in issue for both 2023 and 2022.

19 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Computer software HK$'000	Total HK$'000
Cost					
At 1 January 2022	169	177	2,517	31	2,894
Additions	–	11	–	–	11
Disposals	–	–	(1,758)	–	(1,758)
Disposal of a subsidiary (note 33)	–	(43)	–	(30)	(73)
Exchange adjustments	(13)	(13)	–	(1)	(27)
At 31 December 2022 and 1 January 2023	**156**	**132**	**759**	**–**	**1,047**
Additions	**–**	**17**	**–**	**–**	**17**
Disposals	**(64)**	**–**	**–**	**–**	**(64)**
Exchange adjustments	**(4)**	**(4)**	**–**	**–**	**(8)**
At 31 December 2023	**88**	**145**	**759**	**–**	**992**
Accumulated depreciation					
At 1 January 2022	169	125	2,517	13	2,824
Charge for the year	–	16	–	7	23
Eliminated on disposals	–	–	(1,758)	–	(1,758)
Eliminated on disposal of a subsidiary (note 33)	–	(20)	–	(20)	(40)
Exchange adjustments	(13)	(10)	–	–	(23)
At 31 December 2022 and 1 January 2023	**156**	**111**	**759**	**–**	**1,026**
Charge for the year	**–**	**9**	**–**	**–**	**9**
Eliminated on disposals	**(64)**	**–**	**–**	**–**	**(64)**
Exchange adjustments	**(4)**	**(4)**	**–**	**–**	**(8)**
At 31 December 2023	**88**	**116**	**759**	**–**	**963**
Carrying values					
At 31 December 2023	**–**	**29**	**–**	**–**	**29**
At 31 December 2022	–	21	–	–	21

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

Leasehold improvements	Over the term of the lease
Furniture, fixtures and equipment	4-5 years
Motor vehicles	5 years
Computer software	2 years

20 RIGHT-OF-USE ASSETS

Carrying amount of right-of-use assets by class of underlying asset:

	Leased properties HK$'000	Motor vehicles HK$'000	Total HK$'000
As at 31 December 2023			
Carrying amount	**2,180**	**1,327**	**3,507**
As at 31 December 2022			
Carrying amount	3,469	772	4,241
For the year ended 31 December 2023			
Depreciation charge	**1,708**	**274**	**1,982**
For the year ended 31 December 2022			
Depreciation charge	2,316	119	2,435

	2023 HK$'000	2022 HK$'000
Total cash outflow for leases	**2,065**	2,654
Additions to right-of-use assets	**1,267**	5,410

For the year ended 31 December 2023 and 2022, the Group leases offices, a director's quarter and motor vehicles for its operations. Lease contracts are entered into for fixed term of 2 years to 5.5 years (2022: 2 years to 4.5 years). Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. None of the leases includes variable lease payments.

21 INVESTMENT PROPERTIES

	2023 HK$'000	2022 HK$'000
At 1 January	**278,690**	335,364
Additions	**20,050**	–
Fair value gains/(losses)	**4,781**	(31,377)
Exchange adjustments	**(7,819)**	(25,297)
At 31 December	**295,702**	278,690

The Group's investment properties represent a shopping mall and office premises in the PRC. 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.

21 INVESTMENT PROPERTIES *(CONTINUED)*

The Group's owned investment properties are measured using fair value model. The fair value as at 31 December 2023 was based on valuations carried out by HG Appraisal & Consulting Limited, an independent qualified professional valuer with substantial experience in valuation of properties. The Group has a discussion with the valuer on the valuation assumptions and valuation results when the valuations are performed. The valuations were derived using the income capitalisation approach. The valuations are based on the capitalisation of the current rental income and reversionary income potential by adopting appropriate term/reversionary yields, which are derived from analysis of sales transactions and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuations have made reference to recent lettings within the subject properties and other comparable properties.

The valuations of the Group's investment properties are level 3 fair value measurement. Details of the unobservable inputs in determining the valuations as at 31 December 2023 are as follows:

Unobservable inputs	Range	Effect on fair value for increase of inputs
Shopping mall		
Long term vacancy rate	12% (2022: 15%)	Decrease
Monthly market rent per sq. m.	RMB40 to RMB265 (2022: RMB37 to RMB253)	Increase
Capitalisation rate	5.5% to 6.0% (2022: 5.5% to 6.0%)	Decrease
Office premises		
Long term vacancy rate	25% (2022: N/A)	Decrease
Monthly market rent per sq. m.	RMB63 to RMB69 (2022: N/A)	Increase
Capitalisation rate	6.0% to 6.5% (2022: N/A)	Decrease

The consistent valuation technique was applied for the years ended 31 December 2023 and 2022. There were no transfers into or out of level 3 during the year.

22 INTANGIBLE ASSETS

The intangible assets represent club memberships with indefinite useful lives. The directors of the Company are of the opinion that the Group will continue to hold the club memberships and has the ability to do so. The club memberships have been tested for impairment in the year by reference to second hand market values and no impairment loss has been identified for the current or prior year. There have been no movements for both years.

23 LOAN RECEIVABLES

	2023 HK$'000	2022 HK$'000
Fixed-rate loan receivables	**496,141**	529,523
Less: Allowances for credit losses	**(676)**	(9,449)
	495,465	520,074

Details of impairment assessment of loan receivables are set out in note 6(d).

23 LOAN RECEIVABLES *(CONTINUED)*

As at 31 December 2023, the Group's loans to customers of approximately HK$496,141,000 (2022: approximately HK$525,158,000) were secured by collaterals such as equipments or trade receivables (2022: a property or trade receivables) of the relevant customers and repayable by instalments within one year (2022: two years) from the draw-down dates. The effective interest rate on such loans ranged from 9.4% to 11.0% (2022: 8.0% to 15.4%) per annum.

Ageing analysis is prepared based on contractual due date:

	2023			2022		
	Loan portion HK$'000	**Interest portion HK$'000**	**Total HK$'000**	Loan portion HK$'000	Interest portion HK$'000	Total HK$'000
Within one month	**2,158**	**193**	**2,351**	20,217	277	20,494
One to three months	**20,680**	**1,517**	**22,197**	4,299	65	4,364
Three to six months	**–**	**–**	**–**	35,984	2,429	38,413
Over six months but within one year	**464,052**	**6,865**	**470,917**	448,997	7,806	456,803
	486,890	**8,575**	**495,465**	509,497	10,577	520,074

24 TRADE RECEIVABLES

	2023 HK$'000	2022 HK$'000
Trade receivables	**11,178**	11,092
Less: Allowances for credit losses	**(636)**	(55)
	10,542	11,037

As at 1 January 2022, trade receivables from contracts with customers amounted to approximately HK$11,019,000.

Trade receivables are due within 30 days (2022: 30 days) from the day of the customer accepts and takes the control of the products. The ageing analysis of trade receivables net of allowance for credit loses presented based on invoice date is as follows:

	2023 HK$'000	2022 HK$'000
Within one month	**576**	11,037
One to three months	**257**	–
Three to six months	**1,642**	–
Over six months but within one year	**336**	–
Over one year	**7,731**	–
	10,542	11,037

Details of impairment assessment of trade receivables are set out in note 6(d).

25 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 HK$'000	2022 HK$'000
Accrued rent receivables	**694**	68
Deposits	**409**	406
Prepayments	**2,741**	648
Other receivables	**1,723**	1,363
	5,567	2,485

26 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 HK$'000	2022 HK$'000
Equity securities listed in Hong Kong and held for trading	**6,977**	6,894

27 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include demand deposits and short-term time deposits within three months for the purpose of meeting the Group's short term cash commitments which carry interest at market rates.

At 31 December 2023, cash and cash equivalents in the amount of approximately HKD152,761,000 (2022: approximately HKD142,545,000) are denominated in Renminbi ("**RMB**"). Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies only through banks that are authorised to conduct foreign exchange business. RMB is not freely convertible to other currencies.

28 ACCRUALS AND OTHER PAYABLES

	2023 HK$'000	2022 HK$'000
Accrued expenses	**2,916**	3,419
Other payables	**9,260**	6,642
Contract liabilities	**855**	–
Other tax payables	**12,223**	16,352
	25,254	26,413
Analysed for reporting purposes as:		
Non-current liabilities	**1,345**	–
Current liabilities	**23,909**	26,413
	25,254	26,413

29 AMOUNTS DUE TO RELATED COMPANIES

The amounts due are unsecured, interest-free and repayable on demand.

30 LEASE LIABILITIES

	2023 HK$'000	2022 HK$'000
Lease liabilities payable:		
Within 1 year	**2,066**	1,830
After 1 year but within 2 years	**841**	1,713
After 2 years but within 5 years	**528**	687
After 5 years	**15**	–
	3,450	4,230
Less: Amount due for settlement within 12 months shown under current liabilities	**(2,066)**	(1,830)
Amount due for settlement after 12 months shown under non-current liabilities	**1,384**	2,400

31 DEFERRED TAX

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2023 HK$'000	2022 HK$'000
Deferred tax assets	**18,138**	26,674
Deferred tax liabilities	**(2,683)**	(1,647)
	15,455	25,027

The following are the major deferred tax assets/(liabilities) recognised and movements thereon during the current and prior years:

	Revaluation of investment properties HK$'000	ECL provision on loan and trade receivables HK$'000	Undistributed profits of a PRC subsidiary HK$'000	Others HK$'000	Total HK$'000
At 1 January 2022	12,860	2,641	(2,587)	3,800	16,714
Credited/(charged) to profit or loss (note 13)	7,844	(74)	1,184	965	9,919
Exchange adjustments	(1,242)	(204)	167	(327)	(1,606)
At 31 December 2022 and 1 January 2023	**19,462**	**2,363**	**(1,236)**	**4,438**	**25,027**
(Charged)/credited to profit or loss (note 13)	**(1,195)**	**(1,984)**	**1,211**	**(6,983)**	**(8,951)**
Exchange adjustments	**(525)**	**(50)**	**25**	**(71)**	**(621)**
At 31 December 2023	**17,742**	**329**	**–**	**(2,616)**	**15,455**

31 DEFERRED TAX *(CONTINUED)*

At the end of the reporting period, the Group has unused tax losses of approximately HK$105,771,000 (2022: approximately HK$104,434,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Pursuant to the relevant laws and regulations in the PRC, included in unrecognised tax losses are losses of approximately HK$1,342,000 (2022: approximately HK$5,000) with expiry dates as disclosed in the following table. Other losses are subject to the final approval by the Inland Revenue Department in Hong Kong and can be carried forward indefinitely.

	2023 HK$'000	2022 HK$'000
2026	**–**	1
2027	**–**	4
2028	**1,342**	–
	1,342	5

At the end of the reporting period, the Group has deductible temporary differences of approximately HK$39,474,000 (2022: approximately HK$13,507,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

32 SHARE CAPITAL AND RESERVES

(a) Share capital

	2023		2022	
	Number of shares '000	**Amount HK$'000**	Number of shares '000	Amount HK$'000
Ordinary shares, issued and fully paid	**1,274,039**	**1,174,378**	1,274,039	1,174,378

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

32 SHARE CAPITAL AND RESERVES *(CONTINUED)*

(b) Nature and purpose of reserves

(i) Merger reserve

Merger reserve was set up upon accounting for common control combinations, on elimination of the share capital of the subsidiaries against the related investment costs.

(ii) Exchange reserve

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

(iii) Statutory reserve

According to the relevant rules and regulations in the PRC, subsidiaries of the Company established in the PRC are required to transfer 10% of their net profit, as determined in accordance with the PRC accounting standards and regulations, to the statutory reserve until the balance of the reserve reaches 50% of their respective registered capital. The transfer to this reserve must be made before distribution of dividends to owners of these subsidiaries. Statutory reserve can be used to set off previous years' losses, if any, and may be converted into capital in proportion to existing equity owners' equity percentage, provided that the balance after such issuance is not less than 25% of their registered capital.

(iv) Other reserves

Other reserves mainly comprised the loss from acquisition of additional equity interest in a subsidiary without change in control in prior years.

(c) Capital risk management

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

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

The Group monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as amounts due to related companies and lease liabilities less cash and cash equivalents. Total capital is calculated as "equity", as shown in the consolidated statement of financial position, plus net debt.

The gearing ratio as at 31 December 2023 and 2022 was as follows:

	2023 **HK$'000**	2022 HK$'000
Lease liabilities (note 30)	**3,450**	4,230
Amounts due to related companies (note 29)	**1,146**	1,429
Less: Cash and cash equivalents (note 27)	**(159,548)**	(147,319)
	(154,952)	(141,660)
Net debt (note)	**–**	–
Total equity	**937,869**	940,553
Total capital	**937,869**	940,553
Gearing ratio	**N/A**	N/A

Note: Net debt is zero when the cash and cash equivalents is higher than gross debt.

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

33 DISPOSAL OF A SUBSIDIARY

On 10 May 2022, a subsidiary of the Company, Shanghai Dongkui, entered into a sale and purchase agreement with an independent third party and one of the director of 安信萬邦資產管理有限公司 (for identification purpose, Anxin Wanbang Asset Management Co., Ltd. ("**Anxin Wanbang**")), to dispose of 100% equity interest in Anxin Wanbang at a consideration of RMB100,000 (equivalent to approximately HK$118,000). The disposal was completed on 8 June 2022.

The net liabilities of Anxin Wanbang at the date of disposal were as follows:

	HK$'000
Property, plant and equipment (note 19)	33
Right-of-use assets	101
Prepayments, deposits and other receivables	638
Cash and cash equivalents	287
Accruals and other payables	(999)
Lease liabilities	(104)
Net liabilities disposed of	(44)

Loss on disposal of a subsidiary:

	HK$'000
Consideration received and receivable	118
Reclassification of cumulative exchange reserve upon disposal of a subsidiary to profit or loss	(397)
Net liabilities disposed of	44
	(235)

Consideration received and receivable:

	HK$'000
Cash received	94
Other receivable	24
	118

Net cash outflow arising on disposal:

	HK$'000
Cash consideration received	94
Less: Cash and cash equivalents disposed of	(287)
	(193)

34 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Lease liabilities (Note 30) HK$'000
At 1 January 2022	1,456
Financing cash flows	(2,654)
Disposal of a subsidiary (note 33)	(104)
New leases entered	5,410
Exchange adjustments	(35)
Interest expenses	157
At 31 December 2022 and 1 January 2023	**4,230**
Financing cash flows	**(2,065)**
New leases entered	**1,173**
Exchange adjustments	**(20)**
Interest expenses	**132**
At 31 December 2023	**3,450**

35 RETIREMENT BENEFITS PLANS

Defined contribution plans

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees. Under the 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. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees. Contributions to the plan vest immediately, there is no forfeited contributions that may be used by the Group to reduce existing level of contribution.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government. The subsidiaries are required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions. Contributions to the plan vest immediately, there is no forfeited contributions that may be used by the Group to reduce existing level of contribution.

The amounts of contributions made by the Group in respect of the retirement benefits scheme for the years ended 31 December 2023 and 2022 are disclosed in notes 14 and 15.

36 OPERATING LEASING ARRANGEMENTS

The Group as lessor

The Group leases out its investment properties under operating leases. The leases typically run for an initial period of 1 years to 10 years (2022: 1.25 years to 6 years). None of the leases includes contingent rentals.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2023 **HK$'000**	2022 HK$'000
Within one year	**3,866**	2,771
In the second year	**1,796**	–
In the third year	**1,839**	–
In the fourth year	**1,885**	–
In the fifth year	**1,931**	–
After five years	**9,279**	–
	20,596	2,771

37 MATERIAL RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group has following transactions and balances with related parties:

(a) Transactions/balances with related parties

Name of related parties	**Nature of transactions/ balances**	**2023** **HK$'000**	2022 HK$'000
重慶新東原物業管理有限公司 (for identification purpose, Chongqing New Dowell Property Management Ltd.) (note)	Property management fees paid to a related company	**1,897**	602
	Other payables	**283**	542
重慶東錦商業管理有限公司 (for identification purpose, Chongqing Dongjin Business Management Co., Ltd.) (note)	Other payables	**863**	887

Note: These related parties are considered as related companies of the Group as Mr. Lo and his spouse has interest in those related parties.

37 MATERIAL RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) Key management personnel remuneration

The remuneration paid or payable to key management personnel is as follows:

	2023 **HK$'000**	2022 HK$'000
Short-term benefits	**6,990**	6,837
Post-employment benefits	**210**	261
	7,200	7,098

As at 31 December 2023, included in accruals and other payables was an amount of approximately HK$420,000 (2022: approximately HK$180,000) being accrued directors' emoluments which are unsecured, interest-free and settled in cash.

38 CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any significant contingent liabilities (2022: Nil).

39 STATEMENT OF FINANCIAL POSITION FOR THE COMPANY

	Note	2023 HK$'000	2022 HK$'000
Non-current assets			
Right-of-use assets		**1,415**	2,546
Intangible assets		**7,096**	7,096
Investments in subsidiaries		**298,960**	298,960
		307,471	308,602
Current assets			
Loan receivables		**–**	4,364
Prepayments, deposits and other receivables		**588**	758
Amounts due from subsidiaries		**232,659**	260,118
Cash and cash equivalents		**6,513**	2,587
		239,760	267,827
Current liabilities			
Accruals and other payables		**12,636**	12,668
Amounts due to subsidiaries		**162,993**	165,724
Lease liabilities		**1,151**	1,125
Current tax liabilities		**15,295**	15,722
		192,075	195,239
Net current assets		**47,685**	72,588
Total assets less current liabilities		**355,156**	381,190
Non-current liabilities			
Other payables		**472**	–
Lease liabilities		**292**	1,443
		764	1,443
NET ASSETS		**354,392**	379,747
Capital and reserve			
Share capital	32	**1,174,378**	1,174,378
Accumulated losses	39(b)	**(819,986)**	(794,631)
TOTAL EQUITY		**354,392**	379,747

Approved by the Board of Directors on 22 March 2024 and are signed on its behalf by:

Lo Siu Yu
Director

Tai Xing
Director

39 STATEMENT OF FINANCIAL POSITION FOR THE COMPANY *(CONTINUED)*

(a) A list of the Company's principal subsidiaries is shown in note 40 to the consolidated financial statements.

(b) Reserve movement of the Company

	Accumulated losses HK$'000
At 1 January 2022	(794,795)
Total comprehensive income for the year	164
At 31 December 2022 and 1 January 2023	**(794,631)**
Total comprehensive expense for the year	**(25,355)**
At 31 December 2023	**(819,986)**

40 PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

General information of subsidiaries

Particulars of the principal subsidiaries as at 31 December 2023 are as follows:

Name of subsidiary	Place of incorporation or registration/ operation and kind of legal entity	Issued and paid up capital	Percentage of ownership interest/voting power Direct	Indirect	Principal activities
Money Success Corporate Management Limited	Hong Kong, limited liability company	Ordinary HK$10,000	–	100%	Provision of management services in Hong Kong
Money Success Business Management Limited	Hong Kong, limited liability company	Ordinary HK$10,000	–	100%	Provision of management services in Hong Kong
Chongqing Baoxu Commercial Property Management Ltd. △	The PRC, sino-foreign equity joint venture	RMB350,000,000	–	70% (ownership interest)/66.67% (voting power)	Investment property holding and sales of flowers and plants in the PRC
Dongkui Financial Leasing (Shanghai) Co. Ltd. △	The PRC, sino-foreign equity joint venture	US$51,300,000	–	77.58%	Provision of financing to customers in the PRC
Dongrui Factoring (Shanghai) Ltd. △	The PRC, limited liability company (solely invested by foreign owned enterprise)	RMB50,000,000	–	77.58%	Provision of financing to customers in the PRC
Sanya Qingshi Industrial Co., Ltd △	The PRC, limited liability company (not natural person investment or holding corporation sole investment)	RMB5,000,000	–	77.58%	Investment property holding in the PRC

△ English translation of the name is for identification purpose only.

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

40 PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(CONTINUED)*

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

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 has 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		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2023 %	2022 %	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000
Chongqing Baoxu	The PRC	**30%/ 33.33%**	30%/ 33.33%	**1,851**	(5,954)	**90,793**	91,463
Shanghai Dongkui	The PRC	**22.42%/ 22.42%/**	22.42%/ 22.42%/	**4,757**	4,775	**83,901**	85,139
Individually immaterial subsidiaries with non-controlling interests						**(71)**	(68)
						174,623	176,534

40 PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(CONTINUED)*

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

	Chongqing Baoxu		Shanghai Dongkui	
	2023 HK$'000	2022 HK$'000	**2023 HK$'000**	2022 HK$'000
At 31 December:				
Non-current assets	**291,847**	298,162	**22,405**	7,980
Current assets	**28,878**	25,065	**634,114**	645,211
Non-current liabilities	**–**	(411)	**(2,715)**	(416)
Current liabilities	**(18,083)**	(17,941)	**(279,579)**	(273,028)
Net assets	**302,642**	304,875	**374,225**	379,747
Accumulated non-controlling interests	**90,793**	91,463	**83,901**	85,139
Year ended 31 December:				
Revenue	**21,050**	48,684	**51,210**	58,371
Profit/(loss) for the year	**6,169**	(19,848)	**21,217**	21,298
Other comprehensive expenses	**(8,402)**	(26,916)	**(10,119)**	(31,809)
Total comprehensive (expenses)/ income	**(2,233)**	(46,764)	**11,098**	(10,511)
Profit/(loss) allocated to non-controlling interests	**1,851**	(5,954)	**4,757**	4,775
Other comprehensive expenses allocated to non-controlling interests	**(2,521)**	(8,075)	**(2,269)**	(7,132)
Total comprehensive (expenses)/ income allocated to non-controlling interests	**(670)**	(14,029)	**2,488**	(2,357)
Dividend paid to non-controlling interests	**–**	–	**3,726**	5,228
Net cash generated from operating activities	**2,653**	3,183	**53,439**	171,189
Net cash (used in)/generated from investing activities	**(17)**	(5)	**(19,086)**	31
Net cash used in financing activities	**–**	–	**(17,007)**	(24,269)
Net increase in cash and cash equivalents	**2,636**	3,178	**17,346**	146,951

41 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform to current year's presentation.

GROUP PROPERTIES

MAJOR PROPERTIES HELD FOR INVESTMENT

Location	Existing use	Term of lease
Shopping Mall-Dong Dong Mall No.2 Second Lane, Nanping East Road, Nanan District, Chongqing City, The People's Republic of China	Commercial	Medium
Office – Chengdu Office Rooms no. 1 and 2 of 4th Floor, Unit 1, Building 6, Tianfu Xingu, No. 399 West Section of Fucheng Avenue, Chengdu City, The People's Republic of China	Office	Medium

FIVE-YEAR FINANCIAL INFORMATION

RESULTS

	For the year ended 31 December				
	2023 **HK$'000**	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000
Revenue	**72,582**	107,120	140,974	103,759	33,202
Profit/(loss) attributable to owners of the Company	**13,286**	(17,317)	54,185	114,552	(79,691)

ASSETS AND LIABILITIES

	At 31 December				
	2023 **HK$'000**	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000
Assets and liabilities					
Total assets	**1,002,571**	1,004,531	1,087,555	1,029,038	1,025,142
Total liabilities	**64,702**	63,978	64,432	98,383	234,881
Net assets	**937,869**	940,553	1,023,123	930,655	790,261
Non-controlling interests	**174,623**	176,534	198,247	177,342	184,794
Capital and reserves					
Equity attributable to owners of the Company	**763,246**	764,019	824,876	753,313	605,467