

ANNUAL REPORT 2023



LUXXU
GROUP LIMITED

Luxxu Group Limited
勵時集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1327)

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Liang Yanhuang (appointed on
13 October 2023)

Mr. Yang Xi

Mr. Lee Ting Fung (resigned on
14 July 2023)

Independent Non-Executive Directors

Mr. Yu Chon Man

Ms. Duan Baili

Mr. Zhong Weili

COMPANY SECRETARY

Mr. Lai Nga Ming Edmund

COMMITTEES OF THE BOARD

Audit Committee

Mr. Yu Chon Man (*Chairman*)

Ms. Duan Baili

Mr. Zhong Weili

Remuneration Committee

Mr. Yu Chon Man (*Chairman*)

Mr. Yang Xi

Ms. Duan Baili

Mr. Zhong Weili

Nomination Committee

Mr. Yu Chon Man (*Chairman*)

Ms. Duan Baili

Mr. Zhong Weili

AUTHORISED REPRESENTATIVES

Mr. Yang Xi

Mr. Lai Nga Ming Edmund

STOCK CODE

1327

COMPANY WEBSITE

www.luxxu.hk

REGISTERED OFFICE

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

PRINCIPLE PLACE OF BUSINESS IN HONG KONG

Unit 2302, 23/F,
New World Tower 1,
18 Queen's Road Central,
Hong Kong

AUDITOR

Jon Gepsom CPA Limited
24/F., Siu On Centre,
188 Lockhart Road, Wanchai,
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKER

China Construction Bank (Asia)
Corporation Limited

RESULTS

	For the year ended 31 December				
	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Revenue	31,667	64,409	70,657	62,868	91,491
Cost of sales	(26,114)	(59,604)	(62,307)	(60,717)	(77,192)
Gross profit	5,553	4,805	8,350	2,151	14,299
Other income and gain	43	(35)	43	244	1
Change on fair value of financial assets at fair value through profit or loss	(5,480)	24	4,427	(3,259)	(3,400)
Allowance for inventories	(3,086)	(15,280)	(31,150)	(36,301)	(56,395)
Selling and distribution expenses	(5,425)	(8,989)	(14,700)	(26,677)	(25,826)
Administrative expenses	(18,606)	(16,366)	(13,918)	(19,858)	(19,742)
Impairment of goodwill	–	–	(3,100)	–	–
Reversal of (allowance for) expected credit losses, net					
– trade receivables	(10,169)	(10,472)	5,839	(22,005)	(24,717)
– other receivables	–	–	6,789	(36,909)	(3,243)
Share-based payment expenses	–	–	(4,646)	(2,520)	(6,336)
Finance costs	(2,366)	(1,934)	(1,793)	(1,108)	(1,658)
Loss before taxation	39,536	(48,247)	(43,859)	(146,242)	(127,017)
Taxation	–	–	–	–	(35)
Loss for the year	39,536	(48,247)	(43,859)	(146,242)	(127,052)
Loss for the year attributable to: Owners of the Company	39,536	(48,247)	(43,859)	(146,242)	(127,052)

ASSETS AND LIABILITIES

	As at 31 December				
	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Total assets	113,629	155,179	191,349	206,441	366,058
Total liabilities	(31,438)	(36,804)	(36,975)	(17,230)	(10,074)
Total equity	82,191	118,375	154,374	189,211	355,984

DIRECTOR'S STATEMENT

On behalf of the board (the "Board") of directors (the "Directors") of Luxxu Group Limited (the "Company"), I am delighted to present the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2023 ("FY 2023").

BUSINESS REVIEW, OUTLOOK AND FUTURE PROSPECTS

In 2023, the Group continued to focus on its business operations which (i) cooperate with different industry experts to design and sales of prestige and high-end watches and accessories, including but not limited to diamond tourbillon watches and luxury jewellery watches; (ii) design, production and assembly of watches for our OEM customers; and (iii) manufacture and sales of our own brands watches.

Due to the slow recovery of the global economy and the increase of average selling price of our products, the sales for the year ended 31 December 2023 has been decreased comparing from that for the year ended 31 December 2022. The Group should continue to evaluate the product and competitor strategies to identify any areas for improvement. According to the statistics from The Census and Statistics Department, retail sales of the jewellery, watches and clocks, and valuable gifts category in Hong Kong has increased approximately 54.9% for year ended 31 December 2023 respectively, when comparing with 2022.

Going forward, the Group aimed to offer premium quality products to customers and will continue to strengthen our core competitiveness by improving our watch and jewellery design and development capabilities by upholding the design and artistic knowledge of the design team and recruitment of additional talents. In view of the economy condition in Hong Kong and the PRC, the Group expects 2024 will still be a challenging year. The Group will closely monitor the market response and remix the business and product portfolio to suit the market needs, including but not limited to design, manufacture and sales of prestige and high-end watches and jewelleryes and stay competitive.

In view of (i) the growing middle-class, (ii) increase of disposal income, in particular among Chinese women; and (iii) the rising women's job participation rate, the Group still believe that there is a strong force behind the consumption of prestige and high-end watches and luxury jewelleryes and accessories in long run. The Group should allocate more resources and effort to strengthen our design team and consider crossover design with some famous designer so that the Group can offer fashionable and affordable watches and jewelleryes suitable for wearing in workplace.

Looking beyond the near-term uncertainties, the Group remains committed to seeking and seizing new opportunities, and is well-prepared to shine in the future.

APPRECIATION

I would like to take this opportunity to express my gratitude to the Board for its brilliant leadership, to the Company's shareholders for their strong support, and to the community for their enthusiastic help, and last but not least, to our staff for their dedicated efforts.

Liang Yanhuang

Executive Director

Hong Kong, 27 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Our revenue decreased by approximately RMB32.7 million or approximately 50.8% from approximately RMB64.4 million for the year ended 31 December 2022 to approximately RMB31.7 million for the year ended 31 December 2023. The decrease in revenue was mainly attributable to the net effect of (i) decrease of sales demand watches due to the keen competition in the industry; and (ii) the increase in average selling price for the year ended 31 December 2023.

Cost of sales

Our cost of sales decreased by approximately RMB33.5 million or approximately 56.2% from approximately RMB59.6 million for the year ended 31 December 2022 to approximately RMB26.1 million for the year ended 31 December 2023. The decrease was in line with the decrease in revenue.

Gross profit and gross profit margin

Our gross profit increased by approximately RMB0.8 million or approximately 16.7% from approximately RMB4.8 million for the year ended 31 December 2022 to approximately RMB5.6 million for the year ended 31 December 2023 which was in line with the increase in the average selling price for the year ended 31 December 2023. Our overall gross profit margin increased from approximately 7.5% for the year ended 31 December 2022 to approximately 17.5% for the year ended 31 December 2023. The increase was mainly attributable to the increase in average selling price during the year ended 31 December 2023.

Selling and distribution expenses

Our selling and distribution expenses decreased by approximately RMB3.6 million or approximately 40.0% from approximately RMB9.0 million for the year ended 31 December 2022 to approximately RMB5.4 million for the year ended 31 December 2023. The decrease was mainly attributable to decrease in marketing activities due to the sales demand decrease.

Administrative expenses

Our administrative expenses increased by approximately RMB2.2 million or approximately 13.4% from approximately RMB16.4 million for the year ended 31 December 2022 to approximately RMB18.6 million for the year ended 31 December 2023.

Loss before taxation

As a result of the foregoing, our loss before taxation decreased by approximately RMB8.8 million to approximately RMB39.5 million for the year ended 31 December 2023 as against a loss before taxation of approximately RMB48.3 million for the year ended 31 December 2022.

Taxation

No income tax expense for the year ended 31 December 2023 and 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Loss for the year

As a result of the foregoing, we recorded a loss for the year of approximately RMB39.5 million for the year ended 31 December 2023 as against a loss for the year of approximately RMB48.3 million for the year ended 31 December 2022.

FINANCIAL POSITION

The Group funded its liquidity and capital requirements primarily through cash inflows from operating activities.

As at 31 December 2023, the Group's total cash and bank balances were approximately RMB2.0 million (31 December 2022: approximately RMB9.6 million), most of which are held in HKD. The current ratio (defined as current assets divided by current liabilities) of the Group increased from 5.0 times as at 31 December 2022 to 10.6 times as at 31 December 2023. The gearing ratio (defined as total interest-bearing borrowings divided by shareholders' equity) of the Group increased from 21.3% as at 31 December 2022 to approximately 32.5% as at 31 December 2023.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group did not carry out any material acquisition nor disposal of any subsidiaries for the year ended 31 December 2023.

SIGNIFICANT INVESTMENTS IN LISTED SECURITIES

Name of investee	As at	As at	Percentage to	Number of	Percentage of	Number of	Percentage of
	1 January 2023	31 December 2023	the Group's audited total assets as at 31 December 2023	shares held by the Group as at 1 January 2023	shareholding held by the Group as at 1 January 2023	shares held by the Group as at 31 December 2023	shareholding held by the Group as at 31 December 2023
	RMB'000	RMB'000	%		%		%
Significant investments							
SEEC Media Group Limited ("SEEC") (stock code: 205.HK) (note)	6,873	4,213	3.7	11,620,000	1.58%	11,620,000	1.58%
Other listed securities	9,937	10,269	9.0				
Total	16,810	14,482	12.7				

Note:

SEEC and its subsidiaries are principally engaged in the provision of advertising agency services and distribution of books and magazines in the People's Republic of China and the securities broking business, money lending business and provision of e-commerce platform services and sales of high-tech products in Hong Kong. Based on SEEC's unaudited interim result announcement for the six months ended 30 June 2023, revenue and loss of SEEC was approximately HK\$21,828,000 and HK\$8,958,000 respectively.

The future performance of the listed securities may be influenced by the Hong Kong stock market. In this regard, the Group will continue to maintain a diversified investment portfolio and closely monitor the performance of its investments and the market trends to adjust its investment strategies.

MANAGEMENT DISCUSSION AND ANALYSIS

Except the significant investments disclosed above, at 31 December 2023, there was no investment held by the Group the value of which was more than 5% of the total assets of the Group and no investment held by the Group contributed more than 10% of the realised or unrealised gain for the year ended 31 December 2023.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group had a total of 56 (2022: 56) employees. The total remuneration costs incurred by the Group for the financial year 2023 were approximately RMB4.4 million (2022: approximately RMB3.9 million). We review the performance of our employees annually and use the results of such review in our annual salary review and promotion appraisal, in order to attract and retain valuable employees.

DEBTS AND CHARGE ON ASSETS

As at 31 December 2023, none of the assets of the Group has been pledged to secure any banking facilities granted to the Group (2022: Nil).

FOREIGN CURRENCY RISK

The Group mainly operates in the PRC and Hong Kong and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB and United States dollars ("USD"). During the years ended 31 December 2023 and 2022, the Group has not entered into any hedging arrangements. However the management will continue to monitor closely its foreign currency exposure and requirements and to arrange for hedging facilities when necessary.

CAPITAL COMMITMENTS

The Group had no capital commitments as at 31 December 2023 and 2022.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2023 and 2022.

FINAL DIVIDENDS

The Board did not recommend the payment of any final dividend for the year ended 31 December 2023 (2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

AUDIT COMMITTEE

The audit committee (the "Audit Committee") consists of three members, all being independent non-executive Directors, namely, Mr. Yu Chon Man (Chairman), Ms. Duan Baili and Mr. Zhong Weili. The duties of the Audit Committee include, without limitation, (a) making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) monitoring integrity of the Group's financial statements, annual report and accounts and half-year report, and reviewing significant financial reporting judgments contained therein; (c) reviewing the Group's financial control, internal control and risk management systems; and (d) reviewing reports made by the corporate guarantee committee, a committee closely monitoring the Group's activities for the provision of corporate guarantee and to enforce the prohibition on provision of corporate guarantee to any party other than member of the Group. The Group's annual results for the year ended 31 December 2023 have been reviewed by the Audit Committee.

EVENT AFTER THE END OF THE REPORTING PERIOD

The Group did not have any event after the end of the reporting period.

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and its subsidiaries are principally engaged in the manufacture and sales of own-branded watches and jewellery, including but not limited to diamond watches, tourbillon watches and luxury jewellery accessories, OEM watches and third-party watches. Details of the principal activities of the principal subsidiaries are set out in Note 33 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2023.

The Group's revenue for the year is principally attributable to manufacturing, trading and retailing of watches and jewellery. An analysis of the revenue from the principal activities during the year is set out in the section headed "Management Discussion and Analysis" in the annual report and Note 8 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2023 and the state of affairs of the Company and the Group as at that date are set out in the consolidated statement of profit or loss and other comprehensive income on page 33 of this annual report.

BUSINESS REVIEW

During the year of 2023, the Group's net loss was amounted to approximately RMB39.5 million, as against net loss of approximately RMB48.2 million for the corresponding year ended 31 December 2022. Information relating to the Group business is set out in the section headed "Director's Statement" and "Management Discussion and Analysis" of this annual report.

MAJOR RISKS AND UNCERTAINTIES

The Group's business operations are affected by changes in market conditions, the changing industry standards, industry competition and the ever-changing customer demands. It is essential that the Group responds in a timely manner to such changes which may adversely affect the Group's business and financial results. The Group also faces other financial risks in the ordinary course of business, such as liquidity risk, interest rate risk and currency risk. Details of financial risk management are set out in Note 6 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in Note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 28 to the consolidated financial statements.

REPORT OF THE DIRECTORS

RESERVES AND DISTRIBUTABLE RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 36 of this annual report and in Note 29 to the consolidated financial statements, respectively. The Company's reserves available for distribution to Shareholders are set out in Note 29 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the Directors' best knowledge as at the latest practicable date prior to the issue of this annual report, the Company has maintained the prescribed public float as required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since the date of listing of the Company's shares on 30 January 2015 (the "Listing Date") and up to the date of this report.

PRE-EMPTIVE RIGHTS

There is no provisions for pre-emptive rights under the Company's articles of association although there are no restrictions against such rights under the law in the Cayman Islands.

TAX RELIEF

The Company is not aware of any relief from taxation available to the Company's shareholders by reason of their holdings in the Company's shares.

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 3 of the annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of turnover of the Group attributable to the largest customer and the five largest customers in aggregate are 8% and 32% respectively. The percentage of purchases of the Group attributable to the largest supplier and the five largest suppliers in aggregate are 19% and 59% respectively. None of the Directors, their associates or any shareholders (which to the best knowledge of the Directors own more than 5% of the Company's issued share capital) had an interest in the five major customers or suppliers of the Group.

DIRECTORS

The Directors of the Company during the year and up to the date of this annual report were:

Executive Directors

Mr. Liang Yanhuang (appointed on 13 October 2023)
Mr. Yang Xi
Mr. Lee Ting Fung (resigned on 14 July 2023)

Independent Non-Executive Directors

Mr. Yu Chon Man
Ms. Duan Baili
Mr. Zhong Weili

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on page 17 of this annual report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors, including those proposed for re-election at the forthcoming annual general meeting, has a service agreement which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVE OFFICER EMOLUMENTS

The emoluments of the Directors are determined by the Board, with reference to the individual performance, the prevailing market conditions and the Company's operating results.

Details of Directors' emoluments on a named basis are set out in Note 13 to the consolidated financial statements.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme") adopted on 19 December 2014. The Share Option Scheme will remain in force for a period of 10 years since the date of adoption. During the year ended 31 December 2023, no share options has been granted under the Share Option Scheme (2022: Nil).

REPORT OF THE DIRECTORS

Details of the movements in the number of share options under the Share Options Scheme during the period were as follows:

	Date of grant	Exercise price	Exercise period	Vesting period	Outstanding at 1 January 2023 '000	Granted during the period '000	Exercised during the period '000	Lapsed/ forfeited during the period '000	Outstanding at 31 December 2023 '000
Directors									
Yang Xi	4 May 2020	HK\$0.163	4 May 2020 to 3 May 2023	No	3,456	-	-	(3,456)	-
	23 August 2021	HK\$0.152	23 August 2021 to 22 August 2024	No	4,490	-	-	-	4,490
Zhong Weili	4 May 2020	HK\$0.163	4 May 2020 to 3 May 2023	No	3,456	-	-	(3,456)	-
	23 August 2021	HK\$0.152	23 August 2021 to 22 August 2024	No	4,490	-	-	-	4,490
Duan Baili	4 May 2020	HK\$0.163	4 May 2020 to 3 May 2023	No	3,456	-	-	(3,456)	-
	23 August 2021	HK\$0.152	23 August 2021 to 22 August 2024	No	4,490	-	-	-	4,490
Employees									
	11 April 2019	HK\$0.41	11 April 2019 to 10 April 2029	No	29,376	-	-	-	29,376
	4 May 2020	HK\$0.163	4 May 2020 to 3 May 2023	No	17,280	-	-	(17,280)	-
	23 August 2021	HK\$0.152	23 August 2021 to 22 August 2024	No	22,450	-	-	-	22,450
Total					92,944	-	-	(27,648)	65,296

At no time during the period was the Company or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ADOPTED CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiries with all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code since the Listing Date and up to the date of this report.

DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

So far as known to the Directors, at 31 December 2023, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have under such provisions of SFO) or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Main Board Listing Rules (“Model Code”), were as follows:

Long positions in shares and underlying shares of the Company

Name	Capacity and nature of interest	Number of unlisted shares option	Number of ordinary shares held	Total	Approximate percentage of shareholding in the Company
Director					
Yang Xi	Beneficial owner	4,490,000	–	4,490,000	0.83%
Zhong Weili	Beneficial owner	4,490,000	–	4,490,000	0.83%
Duan Baili	Beneficial owner	4,490,000	–	4,490,000	0.83%

Save as disclosed above, at 31 December 2023, none of the Directors or chief executives of the Company had any interests or short positions in the shares or underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, at no time during the reporting period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors, their respective spouse or children under 18 years of age to acquire such rights in the Company or any body corporate.

REPORT OF THE DIRECTORS

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

As at 31 December 2023, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The Company or any of its subsidiaries did not have any arrangement in place at any time during the period whereby the Directors or their respective spouse or minor children can obtain benefit by acquiring the Shares of the Company or other body corporate.

PERMITTED INDEMNITY PROVISION

Pursuant to Article 164 of the Company's Articles of Association, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which the Directors or any of them, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty in their respective offices or otherwise in relation thereto provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the said persons.

Permitted indemnity provision to all Directors is in force at the time when the Directors approved the Directors' report.

DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors had a material interest, either directly or indirectly, in any transaction, arrangement or, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party at any time during the year ended 31 December 2023.

COMPETING INTEREST

None of the Directors had an interest in any business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the business of the Group throughout the year ended 31 December 2023.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors, namely Mr. Yu Chon Man, Ms Duan Baili and Mr. Zhong Weili has confirmed to the Company their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2023.

ENVIRONMENTAL POLICIES

The Group is committed to the long term sustainability of the environment and communities in which it operates. The Group is committed to adopt effective measures to achieve efficient use of resources, energy saving and waste reduction.

We strive to minimize our environmental impact by energy saving, recycling of used papers, office supplies and other materials.

ENVIRONMENTAL, SOCIAL AND GOVERNMENT REPORT

The Group endeavors to monitor and minimize impact to the environment. For the purpose of disclosing the information in relation to environmental, social and government ("ESG") in accordance with the ESG Reporting Guide in Appendix 27 to the Listing Rules. For further details, please refer to the Company's Environmental, Social and Governance Report published on the same date as this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2023, as far as the Company is aware, there was no material breach of or noncompliance with the relevant laws and regulations by our Group that have a significant impact on the business and operations of the Group.

REPORT OF THE DIRECTORS

RELATIONS WITH KEY STAKEHOLDERS

The Board recognises that our employees are one of the greatest assets contributing to the Group's future success. The Group strives to motivate its employees with competitive remuneration package and opportunities for advancement and improvement of their skills to attract and retain our employees. The Board reviews the remuneration package of our employees annually and makes necessary adjustments to conform to the prevailing market practices. The Group also adopted share options scheme to reward the contribution of the employees as an incentive.

The Board also strives to develop long-standing and good relationships with our customers and suppliers in order to achieve the Group's long-term goals.

During the year, there was no significant dispute between the Group and our business partners.

AUDITORS

The financial statements for the year ended 31 December 2023 was audited by Jon Gepsom CPA Limited whose term of office will be expired upon the forthcoming annual general meeting. An ordinary resolution for the re-appointment of Jon Gepsom CPA Limited as the auditor of the Company for the subsequent year will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Liang Yanhuang
Executive Director

Hong Kong, 27 March 2024

EXECUTIVE DIRECTORS

Mr. Liang Yanhuang (梁艷煌先生), aged 47, is an executive Director. He has over 20 years of work experience in marketing industry. He has extensive experience in formulation and execution of sales and marketing strategy and corporate management and has extensive business networks in different industries. Mr. Liang is responsible for business developments and general administrative matters.

Mr. Yang Xi (楊浙先生), aged 34, is an executive Director. He has years of experience in sales and marketing and obtained a Master degree in Computer Engineering from Guizhou University (貴州大學) in 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yu Chon Man (余俊敏先生), aged 46, is an independent non-executive Director, who was appointed in December 2014, and responsible for overseeing the management of our Group independently. Mr. Yu has over 20 years of experience in the accounting and finance industry. He has been working as the Finance Director and Company Secretary of Solomon Systech (International) Limited, a company listed on the Stock Exchange (stock code: 2878), which is specialised in design, development and sales of integrated circuits ("IC") products since July 2022, before that, he was the Chief Financial Officer and Company Secretary of China Shuifa Singyes Energy Holdings Limited, a company listed on the Stock Exchange (stock code: 750), which is specialised in manufacture and sale of renewable energy products, for approximately 14 years. He was an independent non-executive Director of China Ocean Group Development Limited (stock code: 8047), a company listed on the Stock Exchange specialised in supply chain management, from June 2014 to July 2014. He has been an independent non-executive director of Winto Group (Holdings) Limited (stock code: 8238), a magazine publishing group from January 2015 to May 2016. Mr. Yu received a bachelor's degree in accountancy from the Hong Kong Polytechnic University in November 2001. He has been a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants since December 2004 and July 2005, respectively.

Ms. Duan Baili (段白麗女士), aged 34, is an independent non-executive director. She has over 8 years experience in marketing and manufacturing in precision component industry. She currently serves as an assistant of general manager of a manufacturing company in the People's Republic of China. She is familiar with the operations of the manufacture and marketing of precision components and has thorough knowledge of precision components and the precision component industry.

Mr. Zhong Weili (鍾維立先生), aged 51, is an independent non-executive director. He has over 20 years experiences of administration and management in asset appraisal industry, of which 4 years working in state owned assets management bureau of Meizhou city of Guangdong Province. He is currently an office director of an asset appraisal company in The People's Republic of China, which engaged in corporate valuation and assets valuation (including but not limited to property, machinery and intangible assets).

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH CG CODE

The Board has reviewed the Company's corporate governance practices and is satisfied that it has been adopted and complied with the code provisions (the "Code Provisions") set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules throughout the year ended 31 December 2023.

THE BOARD

The Board is responsible for managing the Company on behalf of shareholders. The Board is of the view that it is the Directors' responsibilities to create value for shareholders and safeguard the best interests of the Company and the shareholders by discharging its duties in a dedicated, diligent and prudent manner on the principle of good faith. The management is delegated by the Board to execute these business strategies and directions and is responsible for the daily operations of the Group.

The Board comprises 5 Directors, including 2 executive Directors, and 3 independent non-executive Directors, in compliance with the requirement of Listing Rules which states that every board of Directors of an issuer must include at least 3 independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

Under code provision A.1.3 of the CG Code, notice of at least 14 days should be given of a regular board meeting to all Directors to give all Directors an opportunity to attend. During the year, certain Board meetings were convened with less than 14 days' notice to facilitate the Directors' timely reaction and expeditious decision making process in respect of investment opportunity and internal affairs of the Group. All Board meetings, nevertheless, were duly convened and held in the way prescribed by the Articles of Association of the Company. The Board will use reasonable endeavour to meet the requirement of code provision A.1.3 of the CG Code in future.

There is no relationship, including financial, business, family or other material/relevant relationship(s) between members of the Board.

The primary functions of the Board include:

- deciding on the overall strategies, overseeing operational and financial performance and formulating appropriate policies to manage risk exposure associated with realising the strategies and goals of the Group;
- overseeing the corporate governance functions of the Company and being held accountable for the internal control system of the Company and responsible for reviewing its effectiveness;
- being ultimately responsible for preparing financial accounts and discussing the performance, financial conditions and prospects of the Company in a balanced, clear and comprehensible manner. These responsibilities are applicable to interim and annual reports of the Company, other inside information announcements published according to the Listing Rules and disclosure of other financial information, reports submitted to regulatory bodies and information discloseable under statutory requirements;

CORPORATE GOVERNANCE REPORT

- whilst executive Directors/chief executives, who oversee the overall business of the Company, are responsible for the daily operations of the Company, the Board is responsible for affairs involving the overall policies, finance and shareholders of the Company, namely financial statements, dividend policy, significant changes to accounting policies, annual operating budgets, material contracts, major financing arrangements, principal investment and risk management strategy;
- the management is well informed of its power with clear guidelines and instructions, in particular regarding situations under which reporting to the Board is necessary and matters that require the approval of the Board before any decisions or commitments can be made on behalf of the Company; and
- regularly reviewing its own functions and the powers conferred upon executive Directors/chief executives to ensure appropriate arrangements are in place.

COMMITMENTS

The full Board should meet at least four times a year, at approximately quarterly intervals, to review the financial performance, results of each period, material investments and other matters of the Group that require the resolution of the Board. Simultaneous conference call may be used to improve attendance when individual Director cannot attend the meeting in person. Opinions of independent non-executive Directors are actively sought by the Company if they are unable to attend the meeting in person.

EXPERIENCE

Executive Directors possess administrative leadership, diversified expertise and extensive industrial management experience. Independent non-executive Directors possess extensive expertise, experience and judging capability in various fields, in particular the appropriate accounting qualifications possessed by Mr. Yu Chon Man. During its decision-making process, the Board holds in high regard the views of the independent non-executive Directors, who serve as the effective direction in assisting the Group's operations.

BOARD MEETING

During the financial year of 2023 under review, 5 board meetings were held and the attendance of each Director at the Board meetings was as follows:

	Attendance/ Number of meetings
Executive Directors	
Mr. Liang Yanhuang (appointed on 13 October 2023)	0/0
Mr. Yang Xi	5/5
Mr. Lee Ting Fung (resigned on 14 July 2023)	3/4
Independent Non-Executive Directors	
Mr. Yu Chon Man	5/5
Ms. Duan Baili	5/5
Mr. Zhong Weili	5/5

CORPORATE GOVERNANCE REPORT

CODE FOR DEALING IN SECURITIES OF THE COMPANY

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors confirmed that they have complied with the Model Code throughout the year ended 31 December 2023.

APPOINTMENT OF DIRECTORS

During their terms of office, all Directors carried out their work in a dedicated, diligent and proactive manner with reasonable prudence. Meanwhile, they carried out the duties of directors imposed by the relevant company laws of the Cayman Islands and Hong Kong, the articles of association of the Company and the Listing Rules, complied with the relevant requirements, strictly implemented resolutions of general meetings, promoted the continuous and healthy development of the Company’s operations, oversaw the corporate governance of the Company, pressed for the improvement of the governance standard of the Company and exerted the decision making function of the Board in its full swing. None of the independent non-executive Directors holds any other offices in the Company or any of its subsidiaries. Within the meaning of the laws and regulations issued by relevant securities regulatory authorities, none of the independent non-executive Directors is interested in any shares of the Company. The Company has received from each of the independent non-executive Directors a written confirmation of his independence under Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Names and biography of the Directors are set out on page 17 of this annual report.

AUDIT COMMITTEE

The audit committee (the “Audit Committee”) consists of three members, all being independent non-executive Directors, namely, Mr. Yu Chon Man (Chairman), Ms. Duan Baili and Mr. Zhong Weili. The duties of the Audit Committee include, without limitation, (a) making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) monitoring integrity of the Group’s financial statements, annual report and accounts and half-year report, and reviewing significant financial reporting judgments contained therein; (c) reviewing the Group’s financial control, internal control and risk management systems; and (d) reviewing reports made by the corporate guarantee committee, a committee closely monitoring the Group’s activities for the provision of corporate guarantee and to enforce the prohibition on provision of corporate guarantee to any party other than member of the Group. The Group’s annual results for the year ended 31 December 2023 have been reviewed by the Audit Committee.

CORPORATE GOVERNANCE REPORT

During the financial year of 2023 under review, 3 audit committee meetings were held and the attendance of members at the meetings was as follows:

	Attendance/ Number of meetings
Mr. Yu Chon Man	3/3
Ms. Duan Baili	3/3
Mr. Zhong Weili	3/3

During the committee meetings held in the financial year of 2023, the summary of work of Audit Committee as below:

- Reviewing the financial reports and results announcement for the year ended 31 December 2022 and for the six months ended 30 June 2023
- Reviewing the Group's financial and accounting policies and practices

REMUNERATION COMMITTEE

The Company established a remuneration committee on 19 December 2014 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

The duties of the remuneration committee, under the principle that no Director should be involved in deciding his own remuneration, include, without limitation, (a) making recommendations to the Board on the Company's policy and structure for the remuneration of all of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (b) making recommendations to the Board on the remuneration packages of the executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their offices or appointments, and making recommendations to the Board on the remuneration of the non-executive Directors; and (c) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives.

The remuneration committee consists of Mr. Yu Chon Man, Mr. Yang Xi, Ms. Duan Baili and Mr. Zhong Weili. Mr. Yu Chon Man is the chairman of the remuneration committee.

During the financial year of 2023 under review, 1 remuneration committee meeting was held and the attendance of members at the meetings was as follows:

	Attendance/ Number of meetings
Mr. Yu Chon Man	1/1
Mr. Yang Xi	1/1
Ms. Duan Baili	1/1
Mr. Zhong Weili	1/1

During the committee meetings held in the financial year of 2023, the summary of work of Remuneration Committee as below:

- Reviewing and making recommendations to the Board in respect of the remuneration packages and overall benefits for the Directors and senior management of the Company
- To ensure that none of the Directors or any of their associates should determine their own remuneration

CORPORATE GOVERNANCE REPORT

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The main aims of the Company's remuneration policy are:

- to ensure that none of the Directors or any of their associates should determine their own remuneration;
- the remuneration should be broadly aligned with companies with which the Company competes for human resources;
- the Group should aim to attract and retain executives and to motivate them to pursue appropriate growth strategies whilst take into account individual performance and should avoid paying more than necessary for such purpose;
- the remuneration should reflect the performance, complexity of duties and responsibility of the individual; and
- to review the effectiveness of diversity on the Board.

NOMINATION COMMITTEE

The Company established a nomination committee on 19 December 2014 with written terms of reference in compliance with paragraph A5 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

The duties of the nomination committee include, without limitation, (a) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Group's corporate strategy; (b) identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; (c) assessing the independence of the independent non-executive Directors; and (d) making recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for the Directors, in particular the chairman and the chief executive.

The nomination committee consists of Mr. Yu Chon Man, Ms. Duan Baili and Mr. Zhong Weili. Mr. Yu Chon Man is the chairman of the nomination committee.

During the financial year of 2023 under review, 2 nomination committee meetings were held and the attendance of members at the meetings was as follows:

	Attendance/ Number of meetings
Mr. Yu Chon Man	2/2
Ms. Duan Baili	2/2
Mr. Zhong Weili	2/2

CORPORATE GOVERNANCE REPORT

During the committee meetings held in the financial year of 2023, the summary of work of Nomination Committee as below:

- Making recommendations to the Board on the appointment or reappointment of Directors
- Reviewing the structure, size and composition of the Board

CORPORATE GUARANTEE COMMITTEE

The Company established a corporate guarantee committee (the “Corporate Guarantee Committee”) in July 2014, the members of which comprise the independent non-executive Director, Mr. Zhong Weili, and the finance manager of our Group to closely monitor the Group’s activities for the provision of corporate guarantees and to enforce the prohibition on provision of corporate guarantees to any non-group member. The Corporate Guarantee Committee is to report to the Audit Committee on a half-yearly basis on its work and information relating to the provision of corporate guarantees in such period (if any). The Corporate Guarantee Committee is to review monthly reports from our finance department on the corporate guarantees provided for the preceding month and from the chief executive officer’s office on the use of company stamps to the Corporate Guarantee Committee. If it is discovered that a corporate guarantee was provided to a non-group member, the Corporate Guarantee Committee should immediately report the fact to the Board and the Audit Committee and take appropriate remedial actions. Up to the date of this report, no provision of corporate guarantees to any non-group member was noted by the Corporate Guarantee Committee.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge that it is the responsibility of the Directors for the preparation of accounts for each financial period by the management. Subsequent to each reporting period, interim or annual financial highlights and business review are published as soon as possible (or in accordance with the Listing Rules, as the case may be) to disclose all information that are necessary for shareholders to assess the performance, financial conditions and prospects of the Company. The Directors are not aware of any material uncertainties relating to events or conditions that may cast doubt upon the Group’s ability to continue as a going concern.

The Board has the responsibility to regularly review the internal control and risk management systems of the Company to ensure their effectiveness and efficiency. With the support of the internal audit team, the practices, processes, expenses and internal control of the Company and its subsidiaries are reviewed on a regularly basis. Matters of importance reported by the internal audit team are monitored regularly by the management to ensure remedial measures are implemented as appropriate. The Board and senior management may also require the internal audit team to conduct auditing procedures on special scopes of importance and report significant findings to the Board and the audit committee.

For the year under review, the remuneration payable for audit and non-audit services provided by the auditors is approximately RMB588,000 and RMBNil respectively.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

For the year ended 31 December 2023, the Board has reviewed the effectiveness of the internal control system and they consider them effective and adequate.

CORPORATE GOVERNANCE FUNCTIONS

The Board has adopted the terms of reference on corporate governance functions. The terms of reference of the Board in respect of corporate governance function are summarised as follows:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices to ensure compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the Code Provisions and its disclosure requirements in the Corporate Governance Report.

The work performed by the Board on corporate governance functions since the Listing Date up to the date of this report included developing and reviewing the Company's policies on corporate governance and review the Company's compliance with the Code Provisions.

BOARD DIVERSITY POLICY

The Board adopted a board diversity policy which aims to set out the approach to achieve diversity on the Board. The Company aims to build and maintain a Board with a diversity of Directors, in terms of skills, experience, knowledge, expertise, culture, independence, age and gender appropriate for the requirements of the business development of the Group.

INVESTOR RELATIONS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders. Information of the Company is disseminated to the shareholders in the following manner:

- delivery of the interim and annual results and reports to all shareholders;
- publication of announcements on the interim and annual results on the Stock Exchange website, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and
- the general meeting of the Company is also an effective communication channel between the Board and shareholders.

The Board has maintained an on-going dialogue with Shareholders and investors, and will regularly review this policy to ensure its effectiveness. Information will be communicated to Shareholders and investors mainly through the Company's financial reports (interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the information submitted by the Company to the website of the Stock Exchange and its corporate communications on the Company's website. Shareholders can direct their questions about their shareholdings to the Company's branch share registrar in Hong Kong. Shareholders and investors may at any time make a request for the Company's information to the extent such information is publicly available.

TRAINING, INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

The Directors are committed to complying with code provision A.6.5 of the CG Code on Directors' training effective from 1 April 2012. All Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

Up to the date of this report, all Directors have participated in continuous professional development to develop and refresh their knowledge and skills during the year.

COMPANY SECRETARY

Mr. Lai Nga Ming Edmund ("Mr. Lai") was the company secretary of the Company. He is responsible to the Board for ensuring the board procedures are followed and the Board activities are efficiently and effectively conducted. He is also responsible for ensuring that the Board is briefed on relevant legislative, regulatory and corporate governance developments. Mr. Lai has taken no less than 15 hours of relevant professional trainings to update his skills and knowledge during the year ended 31 December 2023.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Requisitionist(s)") shall at all times have the right, by written requisition (the "Requisition") to the Board or the company secretary of the Company, to require an extraordinary general meeting (the "EGM") to be called by the Board for the transaction of any business specified in such requisition. The Requisition shall be made in writing to the Board or the company secretary of the Company at the following:

Principal place of business of the Company in Hong Kong

Address: Unit 2302, 23/F, New World Tower 1, 18 Queen's Road Central, Hong Kong

Email: team@luxxu.hk

Attention: Board of Directors/Company Secretary

The Requisition must state clearly the name of the Requisitionist(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda of the EGM including the details of the business(es) proposed to be transacted at the EGM, signed by the Requisitionist(s) concerned.

The Company will check the Requisition and the identity and the shareholding of the Requisitionist(s) will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the Board will convene the EGM within two months and/or include the proposal or the resolution proposed by the Requisitionist(s) at the EGM after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Requisitionist(s) concerned will be advised of this outcome and accordingly, the Board will not convene an EGM and/or include the proposal or the resolution proposed by the Requisitionist(s) at the EGM.

If within 21 days of such deposit, the Board has not advised the Requisitionist(s) of any outcome to the contrary and fails to proceed to convene the EGM, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board shall be reimbursed to the Requisitionist(s) by the Company.

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary of the Company to the principal place of business of the Company in Hong Kong.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

CONSTITUTIONAL DOCUMENTS

There is no significant change in the Company's constitutional documents during the year ended 31 December 2023.



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TO THE MEMBERS OF LUXXU GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Luxxu Group Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 33 to 92, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of 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 (the “HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) 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.

The key audit matters we identified are:

1. Allowance for expected credit losses assessment of trade receivables; and
2. Allowance assessment for inventories.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Allowance for expected credit losses assessment of trade receivables

Refer to notes 6(b) and 20 to the consolidated financial statements and the accounting policies in note 4 to the consolidated financial statements.

As at 31 December 2023, the Group had trade receivables with gross carrying amount of RMB55,775,000 and allowance for expected credit losses of RMB34,335,000.

In general, the trade receivables credit terms granted by the Group to the customers ranged between 0-180 days. Management performs periodic assessment on the recoverability of the trade receivables and the sufficiency of allowance for expected credit losses based on information including credit profile of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considers forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses.

We focused on this area because the allowance for expected credit losses assessment of trade receivables under the expected credit losses model involved the use of significant management judgements and estimates.

Our procedures in relation to management's impairment assessment of the trade receivables as at 31 December 2023 included:

- Understanding and evaluating the key controls that the Group has implemented to manage and monitor its credit risk;
- Checking, on a sample basis, the ageing profile of the trade receivables as at 31 December 2023 to the underlying financial records and post year-end settlements to bank receipts;
- Inquiring of management for the status of each of the material trade receivables past due as at year end and corroborating explanations from management with supporting evidence, such as understanding on-going business relationship with the customers based on trade records, checking historical and subsequent settlement records of and other correspondence with the customers; and

KEY AUDIT MATTERS *(Continued)*

Allowance for expected credit losses assessment of trade receivables *(Continued)*

- Assessing the appropriateness of the expected credit losses allowance methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses.

Allowance assessment for inventories

Refer to note 19 to the consolidated financial statements and the accounting policies in note 4 to the consolidated financial statements.

As at 31 December 2023, the Group had inventories of RMB59,654,000. As a result of the long-aged inventories deriving from the consequences of the most recent pandemic, significant judgement and estimation by management are involved in identifying inventories with net realisable value that are lower than their cost, with reference to the estimated subsequent selling price.

Our procedures in relation to management's assessment on carrying value of inventories included:

- Obtaining an understanding of how the management estimated the net realisable value of inventories and evaluating the historical accuracy of the allowance estimation by management;
- Evaluating management's assessment of allowance for inventories with reference to their ageing, the condition of inventories during our observation of physical inventory count; and
- Selecting sample of inventories and reviewing their net realisable values with reference to their selling prices and expected cost of sales subsequent to the end of the reporting period.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors 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 disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, 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 HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Wong Ka Bo, Jimmy.

Jon Gepsom CPA Limited

Certified Public Accountants

Wong Ka Bo, Jimmy

Practising Certificate Number P07560

1003-1005, 10/F, Siu On Centre,

188 Lockhart Road, Wanchai,

Hong Kong

27 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Revenue	8	31,667	64,409
Cost of sales		(26,114)	(59,604)
Gross profit		5,553	4,805
Other gain (loss)	9	43	(35)
Change in fair value of financial assets at fair value through profit or loss		(5,480)	24
Allowance for expected credit losses ("ECLs"), net – trade receivables		(10,169)	(10,472)
Allowance for inventories		(3,086)	(15,280)
Selling and distribution expenses		(5,425)	(8,989)
Administrative expenses		(18,606)	(16,366)
Finance costs	10	(2,366)	(1,934)
Loss before tax	11	(39,536)	(48,247)
Income tax expense	12	–	–
Loss for the year		(39,536)	(48,247)
Other comprehensive income: <i>Items that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translating foreign operations		3,183	12,248
Exchange differences reclassified to profit or loss on disposal of a subsidiary		169	–
Other comprehensive income for the year, net of tax		3,352	12,248
Total comprehensive expense for the year attributable to owners of the Company		(36,184)	(35,999)
Loss per share attributable to owners of the Company			
Basic and diluted (RMB cents)	16	(7.33)	(8.95)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	17	8,704	16,215
Right-of-use assets	24(a)	1,431	4,739
Rental deposits	22	1,711	1,666
Goodwill	18	–	–
		11,846	22,620
Current assets			
Inventories	19	59,654	37,960
Trade receivables	20	21,440	51,710
Financial asset at fair value through profit or loss	21	14,482	16,810
Deposits, prepayments and other receivables	22	4,209	16,520
Cash and cash equivalents	23	1,998	9,559
		101,783	132,559
Liabilities			
Current liabilities			
Lease liabilities	24(b)	1,350	3,482
Accruals and other payables	25	3,307	6,574
Bond payables	26	4,854	16,040
Income tax payable		70	252
		9,581	26,348
Net current assets		92,202	106,211
Total assets less current liabilities		104,048	128,831
Non-current liabilities			
Lease liabilities	24(b)	–	1,315
Bond payables	26	21,857	9,141
		21,857	10,456
NET ASSETS		82,191	118,375

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Equity			
Share capital	28	45,286	45,286
Reserves		36,905	73,089
TOTAL EQUITY		82,191	118,375

The consolidated financial statements on pages 33 to 92 were approved and authorized for issue by the board of directors on 27 March 2024 and are signed on its behalf by:

Yang Xi
Executive Director

Liang Yanhuang
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Reserves					Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Foreign currency translation reserve RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	
At 1 January 2022	45,286	473,246	(10,352)	11,925	(365,731)	154,374
Loss for the year	-	-	-	-	(48,247)	(48,247)
Other comprehensive income for the year:						
Exchange differences on translation of foreign operations	-	-	12,248	-	-	12,248
Total comprehensive income (expense) for the year	-	-	12,248	-	(48,247)	(35,999)
Transfer of share option reserve upon lapse of share option	-	-	-	(1,118)	1,118	-
At 31 December 2022	45,286	473,246	1,896	10,807	(412,860)	118,375
Loss for the year	-	-	-	-	(39,536)	(39,536)
Other comprehensive income for the year:						
Exchange differences on translation of foreign operations	-	-	3,183	-	-	3,183
Transfer of exchange reserve upon disposal of a subsidiary	-	-	169	-	-	169
Total comprehensive income (expense) for the year	-	-	3,352	-	(39,536)	(36,184)
Transfer of share option reserve upon lapse of share option	-	-	-	(4,888)	4,888	-
At 31 December 2023	45,286	473,246	5,248	5,919	(447,508)	82,191

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(39,536)	(48,247)
Adjustments for:		
Finance costs	2,366	1,934
Depreciation of property, plant and equipment	7,883	7,512
Depreciation of right-of-use assets	3,425	3,252
Change in fair value of financial assets at fair value through profit or loss	5,480	(24)
Allowance for inventories	3,086	15,280
Allowance for ECLs of trade receivables, net	10,169	10,472
Gain on disposal of a subsidiary	(43)	–
Operating loss before working capital changes	(7,170)	(9,821)
Increase in inventories	(23,337)	(11,953)
Decrease (increase) in trade receivables	24,101	(12,393)
Increase in financial asset at fair value through profit or loss	(2,733)	(4,096)
Decrease in deposit and prepayments and other receivables	14,015	42,808
(Decrease) increase in other payables and accruals	(4,666)	814
Cash generated from operations	210	5,359
Income tax paid	–	–
Net cash generated from operating activities	210	5,359
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of a subsidiary	(2,566)	–
Purchase of property, plant and equipment	–	(960)
Net cash used in investing activities	(2,566)	(960)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of bond	–	4,414
Repayment of bond	–	(5,154)
Principal portion of lease payments	(4,026)	(3,415)
Interest paid	(1,381)	(1,617)
Net cash used in financing activities	(5,407)	(5,772)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,763)	(1,373)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	9,559	10,134
Effect of foreign exchange rate changes, net	202	798
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	1,998	9,559
ANALYSIS OF CASH AND CASH EQUIVALENTS, represented by:		
Bank and cash balances	1,998	9,559
Cash and cash equivalents as stated in the statement of cash flows	1,998	9,559

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL INFORMATION

The Company is a public limited company incorporated in the Cayman Islands on 3 December 2012 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its shares are listed on The Stock Exchange of Hong Kong Limited. The Company has been registered as a non-Hong Kong company under Part 16 of the Hong Kong Companies Ordinance (Cap. 622) since 10 June 2013. Its shares were initially listed on Main Board of The Stock Exchange Hong Kong Limited.

The Company's registered office is located at Cricket Square, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Unit 2302, 23/F, New World Tower I, 18 Queen's Road Central, Central, Hong Kong.

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

The Company is an investment company. The Group is principally engaged in the manufacture and sales of own-branded watches and jewellery, including but not limited to diamond watches, tourbillon watches and luxury jewellery accessories, OEM watches and third-party watches.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Material accounting policies adopted by the Group are disclosed below.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

3.1 Application of new and revised HKFRSs

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

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 HKFRS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting policies

The application of the amendment 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.

3.2 New and revised HKFRSs issued but not yet effective

The Group has not applied any new standard, amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning 1 January 2023. The new standard, amendments to standards and interpretation include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 – Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16 – Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA
Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 21 – Lack of Exchangeability	1 January 2025
Amendment to HKAS 7 and HKFRS 7 – Supplier Finance Arrangement	1 January 2024

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

3.2 New and revised HKFRSs issued but not yet effective (Continued)

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

3.3 New HKICPA guidance on the accounting implication of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Hong Kong SAR Government (“Government”) gazetted the Hong Kong Employment and the Retirement Scheme Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”), which will come into effect from 1 May 2025 (the “Transition Date”). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund (“MPF”) scheme to reduce the long service payment (“LSP”) in respect of an employee’s service from the Transition Date (the abolition of the “offsetting mechanism”). In addition, the LSP in respect of the service before the Transition Date (the abolition of the “offsetting mechanism”). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee’s monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published “Accounting Implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

Applying this approach, upon the enactment of the Amendment Ordinance in June 2022. It is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19 that previously allowed such deemed contributions to be recognised as a reduction of service cost (negative service cost) in the period the contributions were made, instead, these deemed contributions should be attributed to periods of services in the same manner as the gross LSP benefit. The directors of the Group assessed and the Amendment Ordinance has no material on the Group’s LSP liability and staff cost. Hence, no material impact on the Group’s result and financial position.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION

The consolidated financial statements have been prepared on the historical cost basis or 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.

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Basis of consolidation

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

- 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.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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 period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination which represent the lowest level at which the goodwill is mentioned for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or a group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit (or group of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Revenue recognition recognition

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

- The customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Revenue recognition recognition *(Continued)*

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

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

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

Sale of goods

Revenue from manufacture and sales of own-branded watches and trading of OEM watches, third-party watches are recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products. The normal credit term is 0 to 180 days upon delivery. Payment in advance is required for some contracts.

Research and development costs

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Company's or the Group's research and development activities, no development costs satisfy the criteria for the recognition of such costs as an asset. Both research and development costs are therefore recognised as expenses in the period in which they are incurred.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

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 or arising from business combinations on or after the date of initial application, 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.

As a lessee

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.

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

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

The Group presents right-of-use assets “property, plant and equipment”, the same line item within which the corresponding underlying assets would be presented on the consolidated statements of financial position if they were owned.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Leases *(Continued)*

As a lessee (Continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under 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;
- amounts expected to be paid under residual value guarantees;

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

Foreign currencies

In preparing the Financial Information of each individual group entities, transactions in currencies other than that entity's foreign currency (foreign currencies) are recognised at the rate of exchange prevailing at the dates of the transactions. At the end of each 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 at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on monetary items are recognised in profit or loss during the financial year in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Foreign currencies *(Continued)*

For the purpose of presenting these consolidated Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve.

On the disposal of a foreign operation (i.e. 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, or a partial disposal of an interest in a joint involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), 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.

Retirement benefit costs

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

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") for its subsidiaries in Hong Kong under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from the subsidiary in an independent fund managed by the PRC government.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Employee benefits

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

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

Equity-settled share-based payment transactions

Shares/Share options granted to employees

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

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve. For shares/share options that vest immediately at the date of grant, the fair value of the shares/share options granted is expensed immediately to profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statements of profit or loss and other comprehensive income 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Taxation *(Continued)*

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

The carrying amount of deferred tax assets is reviewed at the end of the 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 realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of assets, other than construction in progress, less their residual values over their useful lives, using the straight-line method.

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.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture and office equipment	3-6 years
Plant and machinery	8-10 years

Depreciation methods, useful lives and residual values are reassessed at the end of each reporting period.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions and contingent liabilities

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Impairment of non-financial assets

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

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

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Classification and measurement of financial assets at amortised cost

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Classification and measurement of financial assets at amortised cost (Continued)

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), that at the date of initial application/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 applies.

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.

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

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 revenue and other income" line item.

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, deposits, other receivables and cash and bank balances). The amount of ECL is updated at each reporting period 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, 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 period. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting period as well as the forecast of future conditions.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, 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.

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 period 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Significant increase in credit risk (Continued)

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- 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;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Credit-impaired financial assets

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) 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 trade receivables, when the amounts are over 90 days 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 adjusted by 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Measurement and recognition of ECL (Continued)

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables, are assessed for ECL on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset. The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Financial liabilities and equity instruments

Classification as financial liabilities or equity

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a 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 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 expense is recognised on an effective interest basis.

Financial liabilities

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

Financial liabilities at amortised cost

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

Derecognition

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Derecognition (Continued)

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.

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 the profit or loss.

Segment reporting

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

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

Events after the reporting period

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

Cash and cash equivalents

Cash and cash equivalents are short term, highly liquid assets, which are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

Inventories

Inventories include assets held for sale in the ordinary course of business (finished goods), assets in the production process for sale in the ordinary course of business, and materials and supplies that are consumed in production.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

5. 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 associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

(a) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

As at 31 December 2023, the carrying amounts of property, plant and equipment and right-of-use assets amounted to RMB8,704,000 (2022: RMB16,215,000) and RMB1,431,000 (2022: RMB4,739,000) respectively. No impairment losses were recognised during the year ended 31 December 2023. Details of the property, plant and equipment and right-of-use assets are disclosed in note 17 and note 24(a) respectively.

(b) Impairment on trade receivables

The loss allowances for financial assets are based on assumption about risk of default and expected loss rates. The Group use judgment in making these assumptions and electing the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

As at 31 December 2023, the carrying amount of trade receivables is RMB21,440,000 (net of allowance for doubtful debts of RMB34,335,000) (2022: RMB51,710,000 (net of allowance for doubtful debts of RMB36,231,000)).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(c) Estimation of the incremental borrowing rate for leases

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

As at 31 December 2023, the carrying amount of lease liabilities was RMB1,350,000 (2022: RMB4,797,000).

(d) Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at the end of the reporting period based on changes in circumstances.

As at 31 December 2023, the carrying amounts of property, plant and equipment amounted to RMB8,704,000 (2022: RMB16,215,000).

(e) Net realisable value of inventories

The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of slow-moving stock and obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories.

At the end of the reporting period, the carrying amount of the Group’s inventories was approximately RMB59,654,000 (2022: RMB37,960,000). The allowance made for the year ended 31 December 2023 was approximately RMB3,086,000 (2022: RMB15,280,000).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2023 RMB'000	2022 RMB'000
Financial assets		
Financial asset at fair value through profit or loss	14,482	16,810
Financial assets at amortised cost (including cash and bank balances)		
– Trade receivables	21,440	51,710
– Cash and bank balances	1,998	9,559
– Deposits and other receivables	3,063	2,167
Financial liabilities		
Financial liabilities at amortised cost		
– Bond payables	26,711	25,181
– Accruals and other payables	3,307	5,416
– Lease liabilities	1,350	4,797

(b) Financial risk management objectives and policies

The directors of the Company monitors and manages the financial risks relating to the operations of the Group through internal risks reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including price risk, currency risk and interest risk), credit risk and liquidity risk.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

The Group's major financial instruments include trade receivables, deposits and other receivables, cash and bank balances, financial asset at fair value through profit or loss, trade payables, bond payables and other payables. Details of these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit losses provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses. It considers available reasonable and supportive forwarding-looking information.

The Group has a concentration of credit risk in certain individual customers. At the end of each reporting period, the five largest receivables balances accounted for 59% as at 31 December 2023 (2022: 51%) of the trade receivables and the largest trade receivable was 16% (2022: 12%) of the Group's total trade receivables.

The Group seeks to minimise its risk by dealing with counterparties which have good credit history. Majority of the trade receivables that are neither past due nor impaired have no default payment history.

The Group has assessed the expected credit losses for cash and cash equivalents and deposits and other receivables, and considered the amount immaterial (2022: immaterial).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Trade receivables

	Within 30 days	31 to 60 days	61 to 90 days	91 to 180 days	Over 180 days	Total
As at 31 December 2023						
Expected credit losses rate	2.3%	2.3%	2.2%	61.5%	63.3%	61.6%
Gross carrying amount (RMB'000)	598	533	464	938	53,242	55,775
Lifetime ECLs (RMB'000)	(14)	(12)	(10)	(577)	(33,722)	(34,335)
Total (RMB'000)	584	521	454	361	19,520	21,440
	Within 30 days	31 to 60 days	61 to 90 days	91 to 180 days	Over 180 days	Total
As at 31 December 2022						
Expected credit losses rate	1.7%	1.2%	2.0%	2.5%	52.6%	41.2%
Gross carrying amount (RMB'000)	2,758	1,880	3,408	11,842	68,053	87,941
Lifetime ECLs (RMB'000)	(48)	(22)	(67)	(298)	(35,796)	(36,231)
Total (RMB'000)	2,710	1,858	3,341	11,544	32,257	51,710

Interest rate risk

The Group was exposed to fair value interest rate risk in relation to fixed rate bond payable (see note 26 for details of the bond payable).

No interest rate sensitivity is presented as the impact of a reasonable possible change interest rate does not significantly affect the profit or loss.

Price Risk

The Group is exposed to equity price risk mainly through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's equity price risk is mainly concentrated on equity securities listed in Hong Kong industry sector quoted in The Stock Exchange of Hong Kong Limited. The directors of the Company will monitor the risks and consider hedging the risk exposure should the need arise.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Price Risk (Continued)

Equity price sensitivity analysis

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

If the prices had been 15% higher/lower:

Post-tax loss for the year ended 31 December 2023 would decrease/increase by RMB2,172,000 (2022: decrease/increase by RMB2,105,000) as a result of change in fair value of financial assets at fair value through profit or loss.

Currency risk

The Group mainly operates in the PRC and Hong Kong and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi ("RMB"), Hong Kong dollars ("HKD") and United States dollars ("USD"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Company's management do not expect the net foreign currency risk from these activities to be significant and hence, the Group and the Company do not presently hedge the foreign exchange risks. The Group and the Company periodically review liquid assets and liabilities held in currencies other than the functional currencies of the respective subsidiaries to evaluate its foreign exchange risk exposure and will consider hedging significant foreign currency exposure should the need arise.

The tables below indicate a sensitivity analysis of exchange rate changes of the currency to which the Group had significant exposure. The analysis calculates the effect of a reasonably possible movement in the currency rates against RMB, with all other variables held constant, on cash and cash equivalents. A negative amount in the table reflects a potential net reduction in equity and an increase in consolidated loss after tax for the year, while a positive amount reflects a potential net increase in equity and a decrease in consolidated loss after tax for the year.

Sensitivity of equity

Currency	Change in currency rate	Increase/(decrease) 31 December	
		2023 RMB'000	2022 RMB'000
HKD	+5%/-5%	100/(100)	465/(465)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk

The Group is exposed to minimal liquidity risk as a substantial portion of its financial assets and financial liabilities are due within one year and it can finance its operations from existing shareholders' funds and internally generated cash flows.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and bank balances deemed adequate by management to finance the Group's operations and mitigate the effect of fluctuations in cash flows. Management monitors the utilisation of borrowings on a regular basis.

The following tables detail the Group's contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Group can be required to pay. The tables include both interest and principal cash flows.

	On demand or within one year RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
At 31 December 2023					
Non-derivative financial liabilities					
Bond payables	6,804	6,255	18,925	31,984	26,711
Lease liabilities	1,362	-	-	1,362	1,350
Accruals and other payables	3,307	-	-	3,307	3,307
	11,473	6,255	18,925	36,653	31,368

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	On demand or within one year RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
At 31 December 2022					
Non-derivative financial liabilities					
Bond payables	16,002	4,661	4,812	25,475	25,181
Lease liabilities	3,610	1,325	–	4,935	4,797
Accruals and other payables	5,416	–	–	5,416	5,416
	25,028	5,986	4,812	35,826	35,394

(c) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statements of financial position approximate their fair values.

For financial reporting purpose, fair value measurement are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the input to the fair value measurements in its entirety.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value of financial instruments (Continued)

The table below gives the information about how the fair value of these financial assets and financial liabilities that are measured at fair value on a recurring basis are determined (in particular, the valuation technique(s) and inputs used). The different level are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Fair value measurements recognised in the consolidated statement of financial position

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2023				
Financial assets				
Financial assets at FVTPL				
Listed equity securities	14,482	–	–	14,482
As at 31 December 2022				
Financial assets				
Financial assets at FVTPL				
Listed equity securities	16,810	–	–	16,810

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value of financial instruments (Continued)

Fair value measurements recognised in the consolidated statement of financial position (Continued)

The fair value of listed equity securities in Hong Kong is determined based on quoted market bid price on relevant stock exchange.

Financial assets	Fair Value as at		Fair Value hierarchy	Basis of fair value measurement/ valuation technique(s) and key inputs
	31/12/2023	31/12/2022		
Financial assets at fair value through profit or loss	Listed equity securities RMB14,482,000	RMB16,810,000	Level 1	Quoted bid prices in an active market

There were no transfer among Level 1, 2 and 3 in both years.

7. OPERATING SEGMENT

Information reported internally to the chief operating decision makers for the purpose of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group currently operates in two business segment in manufacturing, trading and retailing business of watches and assists customers to hold exhibition.

A single management team reports to the chief operating decision makers who comprehensively manages the entire business. Accordingly, the Group does not have separate reportable segments.

Revenue from major products

	2023 RMB'000	2022 RMB'000
Branded watches	29,317	62,210
Third-party watches	–	2,199
Exhibition income	2,350	–
	31,667	64,409

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

7. OPERATING SEGMENT (Continued)

Revenue from major products (Continued)

Geographical information

	2023 RMB'000	2022 RMB'000
Hong Kong, China	31,052	63,759
The People's Republic of China (the "PRC"), excluding Hong Kong	615	115
Europe	–	535
	31,667	64,409

The Group's non-current assets (excluding goodwill) are mainly located in the PRC and Hong Kong.

Information about major customers

No individual customer contributed over 10% of total revenue of the Group during the years ended 31 December 2023 and 2022.

8. REVENUE

	2023 RMB'000	2022 RMB'000
Contract with customers within the scope of HKFRS 15		
Recognised at a point in time:		
Branded watches	29,317	62,210
Third-party watches	–	2,199
Recognised over time:		
Exhibition income	2,350	–
	31,667	64,409

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

9. OTHER GAIN/(LOSS)

	2023 RMB'000	2022 RMB'000
Government grants (Note)	–	21
Gain on disposal of a subsidiary (note 35)	43	–
Exchange loss, net	–	(56)
	43	(35)

Note:

During the year ended 31 December 2022, the Group recognised government grants of RMB21,000 in respect of Covid-19-related subsidies, all of which relates to Employment Support Scheme provided by the Hong Kong government. Government grants in respect of the Covid-19-related subsidies were recognised at the time the Group fulfilled the relevant granting criteria.

10. FINANCE COSTS

	2023 RMB'000	2022 RMB'000
Finance charges on bond payables	2,221	1,682
Finance charges on lease liabilities	145	252
	2,366	1,934

11. LOSS BEFORE TAX

The Group's loss for the year is arrived at after charging/(crediting) the following:

	2023 RMB'000	2022 RMB'000
Employee benefit expense (excluding directors' and chief executive's remuneration (note 13)):		
Salaries and other benefits	3,980	3,230
Retirement benefits schemes contribution	21	32
	4,001	3,262
Advertising expenses	5,425	8,989
Auditor's remuneration	588	532
Cost of inventories recognised as cost of sales	26,114	59,604
Depreciation of property, plant and equipment	7,883	7,512
Depreciation of right-of-use assets	3,425	3,252
Allowance for inventories	3,086	15,280
Gain on disposal of a subsidiary	(43)	–
Change in fair value of financial assets through profit or loss	5,480	(24)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

12. INCOME TAX EXPENSE

	2023 RMB'000	2022 RMB'000
Hong Kong Profits Tax	–	–

Hong Kong

Under the two-tiered profits tax regime, the first HK\$2,000,000 of assessable profits of qualifying corporations subject to Hong Kong Profits Tax will be taxed at 8.25%, and assessable profits above HK\$2,000,000 will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits rates regime will continue to be taxed at a flat rate of 16.5%.

No Hong Kong Profits Tax has been provided as there was no assessable profits arising in Hong Kong during the current year (2022: same).

The PRC

The PRC Enterprise Income Tax ("PRC EIT") is calculated at the applicable tax rates in accordance with the relevant laws and regulations in the PRC.

Under the PRC Enterprise Income Tax Law (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of a PRC subsidiary is 25% from 1 January 2008 onwards. No provision for EIT has been made for the PRC subsidiary as the PRC subsidiary did not have any assessable profits subject to EIT in the PRC during the year (2022: same).

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax under these jurisdictions for both years.

The reconciliation between the income tax expense and the product of loss before tax multiplied by the income tax rate applicable to respective tax jurisdictions is as follows:

	2023		2022	
	RMB'000	%	RMB'000	%
Loss before tax	(39,536)		(48,247)	
Tax at the application				
income tax rate	(6,523)	(16.5)	(7,961)	(16.5)
Income not subject to tax	(7)	(0.1)	(4)	0.0
Expense not deductible for tax	5,002	12.6	5,204	10.8
Tax losses not recognised	1,600	4.0	2,761	5.7
Income tax expense	–	–	–	–

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

13. DIRECTORS' EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2023 RMB'000	2022 RMB'000
Directors' fees	438	635
	438	635

The fees paid to independent non-executive directors during the year were as follows:

	2023 RMB'000	2022 RMB'000
Fees:		
Mr. Yu Chon Man	108	103
Mr. Zhong Weili	50	103
Ms. Duan Baili	108	103
	266	309

Details for the emoluments of each director of the Company during the year ended are as follows:

Year ended 31 December 2023

	Directors' fees RMB'000	Salaries, allowances, and benefits in kind RMB'000	Share based payment RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive director:						
Mr. Liang Yanhuang (appointed on 13 October 2023)	-	-	-	-	-	-
Mr. Lee Ting Fung (resigned on 14 July 2023)	91	-	-	-	-	91
Mr. Yang Xi	81	-	-	-	-	81
	172	-	-	-	-	172
Independent non-executive director:						
Mr. Yu Chon Man	108	-	-	-	-	108
Mr. Zhong Weili	50	-	-	-	-	50
Ms. Duan Baili	108	-	-	-	-	108
	266	-	-	-	-	266
	438	-	-	-	-	438

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

13. DIRECTORS' EMOLUMENTS (Continued)

Details for the emoluments of each director of the Company during the year ended are as follows:
(Continued)

Year ended 31 December 2022

	Directors' fees RMB'000	Salaries, allowances, and benefits in kind RMB'000	Share based payment RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive director:						
Mr. Lee Ting Fung (appointed on 6 October 2022)	49	-	-	-	-	49
Mr. See Ching Chuen (resigned on 6 October 2022)	157	-	-	-	-	157
Mr. Yang Xi	112	-	-	-	-	112
Mr. Zou Weikang (resigned on 4 February 2022)	8	-	-	-	-	8
	326	-	-	-	-	326
Independent non-executive director:						
Mr. Yu Chon Man	103	-	-	-	-	103
Mr. Zhong Weili	103	-	-	-	-	103
Ms. Duan Baili	103	-	-	-	-	103
	309	-	-	-	-	309
	635	-	-	-	-	635

For the years ended 31 December 2023 and 2022, no emolument was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. There were no arrangement under which a director waived or agreed to waive any emoluments during the year ended.

Save for disclosed in note 32 to the financial statements, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

14. FIVE HIGHEST PAID EMPLOYEES

Of the five highest paid employees during the year included five directors (2022: five), details of whose remuneration are set out in note 13 above.

Senior management of the Group

The number of the senior management of the Group are within the following band:

	2023	2022
Nil to HK\$1,000,000	5	5

During the year, no emoluments were paid by the Group to the non-director, highest paid employees or senior management as an inducement to join or upon joining the Group or as compensation for loss of office. None of the non-director, highest paid employees and senior management waived or agreed to waive any emoluments during the year.

15. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year, nor has any dividend been proposed since the end of the reporting period (2022: Nil).

16. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2023 RMB'000	2022 RMB'000
Loss		
Loss for the year attributable to owners of the Company and loss for the purpose of basic and diluted loss per share	(39,536)	(48,247)

	2023	2022
Weighted average number of shares		
Weight average number of ordinary shares for the purpose of basic and diluted loss per share	539,136,000	539,136,000

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2023 and 2022 in respect of a dilution as the impact of the exercise of the Company's share options outstanding had no dilutive effect on the basic loss per share amounts presented.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Furniture, and office equipment RMB'000	Plant and machinery RMB'000	Total RMB'000
Cost				
As at 1 January 2022	6,853	371	39,714	46,938
Additions	954	6	–	960
Exchange realignment	583	31	3,220	3,834
As at 31 December 2022	8,390	408	42,934	51,732
Accumulated depreciation				
As at 1 January 2022	2,261	223	23,221	25,705
Charge for the year	2,692	92	4,728	7,512
Exchange realignment	261	22	2,017	2,300
As at 31 December 2022	5,214	337	29,966	35,517
Net book value				
As at 31 December 2022	3,176	71	12,968	16,215
Cost				
As at 1 January 2023	8,390	408	42,934	51,732
Exchange realignment	225	10	1,149	1,384
As at 31 December 2023	8,615	418	44,083	53,116
Accumulated depreciation				
As at 1 January 2023	5,214	337	29,966	35,517
Charge for the year	2,835	69	4,979	7,883
Exchange realignment	147	8	857	1,012
As at 31 December 2023	8,196	414	35,802	44,412
Net book value				
As at 31 December 2023	419	4	8,281	8,704

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

In accordance with the Group's accounting policies, the Group reviews the carrying amount of its property, plant and equipment to determine whether there is any indication of that these assets have suffered an impairment loss. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made at the reporting period.

During the year, the directors of the Company did not identify indications of impairment and thus, did not carry out a review of the recoverable amounts of the property, plant and equipment for the year ended 31 December 2023 (2022: same).

18. GOODWILL

	2023 RMB'000	2022 RMB'000
Cost:		
At 1 January	12,442	11,509
Disposal	(12,442)	–
Exchange alignment	–	933
At 31 December	–	12,442
Accumulated impairment losses:		
At 1 January	12,442	11,509
Disposal	(12,442)	–
Exchange alignment	–	933
As at 31 December	–	12,442
Carrying amount:		
At 31 December	–	–

Particular of impairment testing on goodwill are disclosed below:

Goodwill has been allocated for impairment testing purposes to the cash-generating units ("CGU") arising from trading watch business.

In view of the continuous unfavorable operating result from the trading watch business, the directors assessed the recoverable amount of CGU at year ended 31 December 2018, the impairment loss of approximately RMB9,146,000 was made accordingly, as detailed in the annual report for the year ended 31 December 2018.

Since then, as the unfavorable operating result have not been improved as expected, the remaining carrying amount of approximately RMB3,100,000 was impaired in full for the year ended 31 December 2021 accordingly. As of 16 December 2023, the Group has fully disposed the trading watch business.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

19. INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials	12,827	73
Finished goods	46,827	37,887
	59,654	37,960

During the year ended 31 December 2023, there was a decrease in the net realisable value of finished good due to long-aged inventories. As a result, provision for inventories of approximately RMB19,232,000 (2022: RMB15,280,000) has been recognised.

As at 31 December 2023 and 2022, the Group's inventories were stated at the lower of cost and net realisable value.

20. TRADE RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	55,775	87,941
Less: Allowance for ECLs	(34,335)	(36,231)
	21,440	51,710

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally ranged from 0 to 180 days for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing. The following is an aged analysis of trade receivables, net of allowance, presented based on the invoice date at the end of the reporting period:

	2023 RMB'000	2022 RMB'000
0 to 30 days	584	2,710
31 to 60 days	521	1,858
61 to 90 days	454	3,341
91 to 180 days	361	11,544
Over 180 days	19,520	32,257
	21,440	51,710

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

20. TRADE RECEIVABLES (Continued)

The movements in the loss allowance for impairment of trade receivables are as follows:

	2023 RMB'000	2022 RMB'000
At beginning of year	36,231	29,200
Allowance for impairment losses	10,169	10,472
Amount written off as uncollectible	(9,834)	(5,270)
Exchange realignments	(2,231)	1,829
At end of year	34,335	36,231

21. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 RMB'000	2022 RMB'000
Listed equity securities in Hong Kong	14,482	16,810

The fair value of listed securities in Hong Kong is determined based on quoted market bid price available on the relevant stock exchange.

22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Prepayment	2,857	16,019
Deposits	1,711	2,129
Other receivables	1,352	38
Less: rental deposits shown under non-current assets	(1,711)	(1,666)
Shown under current assets	4,209	16,520

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

23. CASH AND CASH EQUIVALENTS

	2023 RMB'000	2022 RMB'000
Cash at bank and on hand	1,998	9,305
Cash at other financial institutions	–	254
	1,998	9,559

As at 31 December 2023, cash and bank balances carry interest at prevailing market saving rates from 0.01% to 0.02% (2022: 0.01% to 0.02%) per annum.

As of 31 December 2023, the balance in Hong Kong dollars is RMB2,000 (2022: RMB4,000), while the remaining balance is in Renminbi. Conversion of Renminbi into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulation.

24. LEASES

The Group as a lessee

The Group has lease contracts for office premises, as detailed in an announcement dated 25 February 2021, used in its operations as its office and showroom.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	2023 RMB'000	2022 RMB'000
As at January	4,739	7,478
Depreciation charge	(3,425)	(3,252)
Exchange realignments	117	513
As at 31 December	1,431	4,739

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

24. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2023 RMB'000	2022 RMB'000
Carrying amount at 1 January	4,797	7,446
Accretion of interest recognised during the year	145	252
Payment	(4,026)	(3,415)
Exchange realignments	434	514
Carrying amount at 31 December	1,350	4,797
Analysed into:		
Current portion	1,350	3,482
Non-current portion	–	1,315

The maturity analysis of lease liabilities is disclosed in note 6(b) to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2023 RMB'000	2022 RMB'000
Interest on lease liabilities	145	252
Depreciation charge of right-of-use assets	3,425	3,252
Total amount recognised in profit or loss	3,570	3,504

25. ACCRUALS AND OTHER PAYABLES

	2023 RMB'000	2022 RMB'000
Accruals	588	2,505
Other payables	2,719	2,911
Receipt in advance	–	1,158
	3,307	6,574

Other payables are non-interest-bearing and have an average term of 0 to 60 days.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

26. BOND PAYABLES

During the year ended 31 December 2022, the Company entered into a bond agreement with companies incorporated in Hong Kong which are independent to the Group with principal values of HK\$5,000,000 (equivalent to approximately RMB4,414,000) (the "Bond D"). The Bond D bear interest rates at 9% per annum and are due for repayments on 27 December 2025.

During the year ended 31 December 2021, the Company entered into two bond agreements with companies incorporated in Hong Kong which are independent to the Group with principal values of HK\$5,000,000 (equivalent to approximately RMB4,143,000) (the "Bond B") and HK\$6,000,000 (equivalent to approximately RMB4,972,000) (the "Bond C"), respectively. The Bond B and C bear interest rates at 5% and 6% per annum and are due for repayments on 10 August 2024 and 1 July 2022, respectively. Bond C had been fully repaid in July 2022.

During the year ended 31 December 2020, the Company entered into a bond agreement (the "Bond A") with a company incorporated in Hong Kong which is independent to the Group with a principal value of HK\$17,000,000 (equivalent to approximately RMB15,207,000). The Bond A bears interest rate at 9% per annum and are due for repayments on 30 January 2023. Bond A had been fully repaid in January 2023.

On initial recognition, the fair value of the Bond A, B, C and D issued by the Company was determined based on the present value of the contractual stream of future cash flows discounted at rate at 11.96%, 7.23%, 7.78% and 9.83% per annum, respectively. The discount rate is determined with reference to the yield rate with credit rating and duration similar to the bond note.

The details of the bond agreements for the year are set out below:

	2023 RMB'000	2022 RMB'000
At 1 January	25,181	24,052
Issue of bond	–	4,414
Imputed interest charged	2,221	1,682
Repayment	(1,381)	(6,771)
Exchange realignment	690	1,804
At 31 December	26,711	25,181
Less: Amount due within one year classified as current liabilities	(4,854)	(16,040)
Amount due after one year classified as non-current liabilities	21,857	9,141

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

27. DEFERRED TAXATION

At 31 December 2023, the Group has unused tax losses of approximately RMB81,846,000 (2022: RMB72,149,000) available for offset against the assessable profit for each particular year. The tax losses may be carried forward indefinitely.

No deferred tax asset have been recognised in respect of tax losses incurred by the group entities due to the unpredictability of future profit streams.

28. SHARE CAPITAL

	2023	2022
	HK\$'000	HK\$'000
Authorised:		
1,300,000,000 ordinary shares of HK\$0.1 each	130,000	130,000
	2023	2022
	RMB'000	RMB'000
Issued and fully paid:		
539,136,000 ordinary shares of HK\$0.1 each	45,286	45,286

The movements in authorised and issued share capital of the Company during the year were as follows:

	Authorised shares		Issued shares		Equivalent to RMB
	No. of shares	Total HK\$	No. of shares	Total HK\$	
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	1,300,000,000	130,000,000	539,136,000	53,913,600	45,286,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

28. SHARE CAPITAL (Continued)

The only externally imposed capital requirement is that for the Group 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 monthly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit from the date of the Listing. As of 31 December 2023, approximately 100% (2022: 100%) of the shares were in public hands.

Capital risk management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group manages the capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital in both years.

The Group monitors capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group overall strategy remains unchanged in both years.

The capital structure of the Group consists of borrowings and equity attributable to owners of the Company, comprising issued share capital and reserves.

	2023 RMB'000	2022 RMB'000
Total borrowings	26,711	25,181
Total equity	82,191	118,375
Gearing ratio	33%	21%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

29. DETAILS OF THE COMPANY

(a) Statement of Financial Position of the Company:

	Notes	2023 RMB'000	2022 RMB'000
Assets			
Non current assets			
Investment in subsidiaries (note i)		–	–
Current assets			
Amount due from subsidiaries		55,727	34,805
Cash and bank balance		53	52
		55,780	34,857
Liabilities			
Current liabilities			
Accruals		1,437	1,563
Bond payables		4,854	16,040
		6,291	17,603
Net current assets		49,489	17,254
Total assets less current liabilities		49,489	17,254
Non-current liability			
Bond payables		21,857	9,141
Net assets		27,632	8,113
Equity			
Share capital	28	45,286	45,286
Reserves	29(b)	(17,654)	(37,173)
		27,632	8,113

Note:

(i): Nil amount presented as investment in subsidiaries is less than RMB1,000.

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

Yang Xi
Executive Director

Liang Yanhuang
Executive Director

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

29. DETAILS OF THE COMPANY (Continued)

(b) The reserves of the Company

	Share premium RMB'000	Share option reserve RMB'000	Foreign currency translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2022	473,246	11,925	(3,779)	(478,181)	3,211
Loss for the year	-	-	-	(3,154)	(3,154)
Other comprehensive income for the year	-	-	37,116	-	37,116
Total comprehensive income (expense) for the year	-	-	37,116	(3,154)	33,962
Transfer of share option reserve upon lapse of share option	-	(1,118)	-	1,118	-
As at 31 December 2022	473,246	10,807	33,337	(480,217)	37,173
As at 1 January 2023	473,246	10,807	33,337	(480,217)	37,173
Loss for the year	-	-	-	(3,900)	(3,900)
Other comprehensive expense for the year	-	-	(15,619)	-	(15,619)
Total comprehensive expense for the year	-	-	(15,619)	(3,900)	(19,519)
Transfer of share option reserve upon lapse of share option	-	(4,888)	-	4,888	-
As at 31 December 2023	473,246	5,919	17,718	(479,229)	17,654

(i) The Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(ii) Share option reserve

The share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4 to the consolidated financial statements.

(iii) Foreign currency translation reserve

The foreign currency translation 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 to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

30. RETIREMENT BENEFIT PLANS

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

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The MPF Scheme is a registered scheme under the MPF Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employers and their employees are each required to make contributions to the MPF Scheme at a rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees and capped at HK\$1,500 per month (HK\$1,500 since 1 June 2014). No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit scheme contributions arising from the MPF Scheme charged to profit or loss represent contributions payable to the funds by the Group at rates specified in the rules of the MPF Scheme.

31. SHARE-BASED PAYMENT SCHEMES

On 30 January 2015, the share option scheme (the "Share Option Scheme") was adopted. The purposes of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors of the Company consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors of the Company and other selected participants for their contributions to the Group.

The maximum number of shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares capital on 30 January 2015 (such 10% limit representing 80,000,000 shares).

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being, unless the approval of the shareholders is obtained.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

31. SHARE-BASED PAYMENT SCHEMES (Continued)

Any grant of options under the Share Option Scheme to a Director, Chief Executive or substantial shareholder of the Company must be approved by the independent non-executive Directors. Where any granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with value in excess of HK\$5,000,000 must be approved by the shareholders of the Company in general meeting.

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option. The subscription price per share under the Share Option Scheme shall be determined at the discretion of the Directors of the Company and will not less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share.

The details of the movements in the number of share options have been grant during the year were as follows:

Share option scheme

	Date of grant	Exercise price HK\$	Exercise period	At 1 January 2022 '000	Lapsed/ forfeited during the period '000	Outstanding as at 31 December 2022 '000	Lapsed/ forfeited during the period '000	Outstanding as at 31 December 2023 '000	Exercise price HK\$
Directors	4 May 2020	0.163	4 May 2020 to 3 May 2023	17,280	(6,912)	10,368	(10,368)	-	0.163
	23 August 2021	0.152	23 August 2021 to 22 August 2024	22,450	(8,980)	13,470	-	13,470	0.152
Other employees	11 April 2019	0.41	11 April 2019 to 10 April 2029	29,376	-	29,376	-	29,376	0.410
	4 May 2020	0.163	4 May 2020 to 3 May 2023	17,280	-	17,280	(17,280)	-	0.163
	23 August 2021	0.152	23 August 2021 to 22 August 2024	22,450	-	22,450	-	22,450	0.152
Total				108,836	(15,892)	92,944	(27,648)	65,296	
Weighted average exercise price (HK\$)				HK\$0.225		HK\$0.237		HK\$0.268	

During the year ended 31 December 2023 and 2022, no share options were granted nor exercised under the share option scheme.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

31. SHARE-BASED PAYMENT SCHEMES (Continued)

These fair values of the Company's share options were calculated using the Black-Scholes pricing model. The inputs into the model are as follows:

Date of grant	23 August 2021	4 May 2020	11 April 2019
Grant date share price	HK\$0.152	HK\$0.155	HK\$0.40
Exercise price	HK\$0.152	HK\$0.163	HK\$0.41
Expected volatility	94%	96%	47%
Option life	3 years	3 years	10 years
Risk-free interest rate	0.19%	0.36%	1.62%
Expiration date	22 August 2024	3 May 2023	10 April 2029

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 65,296,000 (2022: 92,944,000) share options outstanding and all were exercisable with weighted average remaining contractual life of 1.72 years (2.72 years) under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 65,296,000 (2022: 92,944,000) additional ordinary shares of the Company, additional share capital of HK\$6,530,000 (2022: HK\$9,294,400) (equivalent to approximately RMB5,919,000 (2022: RMB8,206,000)) and additional funds raised of HK\$14,019,000 (2022: HK\$22,011,000) (equivalent to approximately RMB12,708,000 (2022: RMB19,432,000)) (before issue expenses).

Subsequent to the end of the reporting period and up to the date of this report, no share options were exercised.

At the date of approval of these financial statements, the Company had 65,296,000 share options outstanding under the Scheme, which represented approximately 12.11% of the Company's shares in issue as at that date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

32. RELATED PARTY TRANSACTIONS AND BALANCES

Save as disclosed in elsewhere in the consolidated financial statements, the Group had also entered into the following related party material transactions during the year:

Compensation of key management personnel

The directors and chief executive officers of the Company are identified as key management members of the Group and their compensation for the year ended is set out in Note 13.

33. PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries are set out below:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital paid up capital held by the Company				Principal activities
			Directly		Indirectly		
			2023	2022	2023	2022	
Time2U (HK)	Hong Kong	HK\$1.00	–	–	100%	100% Investment holding	
Touch Moment Group Limited	The British Virgin Islands ("BVI")	US\$1.00	100%	100%	–	– Investment holding	
Soho	Hong Kong	HK\$10,000	–	–	–	100% Manufacturing and trading of watches	

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

The above table includes the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 flow were, or future cash flows will be classified in the Group's consolidated statement of cash flows from financing activities.

	Lease liabilities	Bond payables	Total
	RMB'000	RMB'000	RMB'000
1 January 2022	7,446	24,052	31,498
Financing cashflows	(3,415)	(6,771)	(10,186)
Additions	–	4,414	4,414
Finance costs incurred	252	1,682	1,934
Foreign exchange movements	514	1,804	2,318
At 31 December 2022	4,797	25,181	29,978
1 January 2023	4,797	25,181	29,978
Financing cashflows	(4,026)	(1,381)	(5,407)
Finance costs incurred	145	2,221	2,366
Foreign exchange movements	434	690	1,124
At 31 December 2023	1,350	26,711	28,061

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

35. DISPOSAL OF A SUBSIDIARY

During the year ended 31 December 2023 (16 December 2023), the Group disposes of the entire equity interests of its subsidiary, Soho Jewellery Company Limited. Details of the gain or loss on disposal of the subsidiary is as follow:

Net assets at the date of disposal were as follow:

	2023 RMB'000
Account receivable	1,683
Cash and cash equivalent	3,866
Other payables	(4,461)
Net assets disposed of	1,088
Reclassification of foreign exchange translation reserve	169
Gain on disposal of a subsidiary	43
Total consideration satisfied by cash	1,300
Net cash outflow arising on disposal	
Cash consideration	1,300
Less: cash and cash equivalent disposed of	(3,866)
	(2,566)

36. APPROVAL OF THE FINANCIAL STATEMENTS

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