Mobile Internet (China) Holdings Limited
移動互聯(中國)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1439)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The Board of Directors of Mobile Internet (China) Holdings Limited (the "**Company**") hereby announces the audited annual results of the Company and its subsidiaries for the year ended 31 December 2023. This announcement, containing the full text of the 2023 annual report of the Company, complies with the relevant requirements of the Listing Rules.

By Order of the Board
Mobile Internet (China) Holdings Limited
Muk Hung Fei
Chairman

Hong Kong, 14 June 2024

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Muk Hung Fei (Chairman), Mr. Chen Hong Cai, Mr. Lau Yiu Ting, Ms. Fang Wenhui and Mr. Chan Wai Kit, and three independent non-executive Directors, namely Mr. So Chi Ming, Mr. Chau Wing Nam and Mr. He Dingding.

2023 Annual Report

Mobile Internet (China) Holdings Limited
移動互聯（中國）控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code:1439

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Muk Hung Fei *(Chairman)*
Mr. Lau Yiu Ting (appointed on 10 February 2023)
Ms. Fang Wenhui (appointed on 10 February 2023 and re-designated on 20 March 2023)
Mr. Chan Wai Kit (appointed on 20 March 2023)
Mr. Chen Hong Cai *(Chairman)* (stepped down on 10 February 2023)
Mr. Wang Yun Fang (removed on 10 February 2023)
Mr. Wu Aiguo (removed on 10 February 2023)

Independent Non-executive Directors

Mr. So Chi Ming
Mr. Chau Wing Nam (appointed on 10 February 2023)
Mr. He Dingding (appointed on 20 March 2023)
Mr. Wang Chen Guang (removed on 10 February 2023)
Mr. Cho Yu Kwan, Stephen (removed on 10 February 2023)

BOARD COMMITTEES

Audit Committee

Mr. So Chi Ming *(Committee Chairman)*
Mr. Chau Wing Nam (appointed on 10 February 2023)
Mr. He Dingding (appointed on 20 March 2023)
Ms. Fang Wenhui (appointed on 10 February 2023 and stepped down 20 March 2023)
Mr. Wang Chen Guang (removed on 10 February 2023)
Mr. Cho Yu Kwan, Stephen (removed on 10 February 2023)

Remuneration Committee

Mr. He Dingding *(Committee Chairman)* (appointed on 20 March 2023)
Mr. So Chi Ming
Mr. Lau Yiu Ting (appointed on 10 February 2023)
Ms. Fang Wenhui (appointed on 10 February 2023 and stepped down 20 March 2023)
Mr. Wang Chen Guang (removed on 10 February 2023)
Mr. Cho Yu Kwan, Stephen (removed on 10 February 2023)

Nomination Committee

Mr. Muk Hung Fei *(Committee Chairman)* (appointed on 10 February 2023)
Mr. So Chi Ming
Mr. He Dingding (appointed on 20 March 2023)
Ms. Fang Wenhui (appointed on 10 February 2023 and stepped down 20 March 2023)
Mr. Chen Hong Cai (stepped down on 10 February 2023)
Mr. Wang Chen Guang (removed on 10 February 2023)

COMPANY SECRETARY

Mr. Cheung Tin Long

AUTHORISED REPRESENTATIVES

Mr. Cheung Tin Long
Mr. Muk Hung Fei

AUDITORS

Appointed on 5 May 2023:
McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountant

Resigned on 5 May 2023:
HLB Hodgson Impey Cheng Limited
Certified Public Accountants

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Hong Sheng Industrial Park
Fengxin Industrial Zone
Yichun City, Jiangxi Province
The People’s Republic of China

Corporate Information

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 64, 1/F, Houston Centre
63 Mody Road, Tsim Sha Tsui East
Kowloon, Hong Kong

STOCK CODE

01439

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 BANKERS

Agricultural Bank of China (Fengxin Sub-branch)
China Construction Bank (Fengxin Sub-branch)

COMPANY'S WEBSITE

www.hs-packhk.com

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Muk Hung Fei (穆雄飛), aged 38, was appointed as an Executive Director on 23 December 2022 and the Chairman of the Board on 10 February 2023. He is also the chairman of the Nomination Committee. Mr. Muk obtained a degree of Bachelor of Science in Actuarial Science with first class honours from The Hong Kong Polytechnic University in 2012. Prior to joining the Group, he held senior management positions in several corporations in the Mainland China and Hong Kong and has years of experience in corporate management and financial management. Mr. Muk also has extensive experience in project investment in sectors including but not limited to real estates, agricultural and internet. Mr. Muk was an independent non-executive Director of China Green (Holdings) Limited (stock code: 904) from 19 November 2021 to 28 June 2022.

Mr. Chen Hong Cai (陳宏才), aged 50, was appointed as an Executive Director on 17 January 2018. Mr. Chen is primarily responsible for the management, market and business development, product development, production and operational management of the packaging segment of our Group. Mr. Chen has over 10 years of management experience. Mr. Chen graduated from the Nanjing Audit University (南京審計大學) with a Bachelor Degree in International Trade in 1995. Prior to joining the Group, Mr. Chen has been the deputy general manager of the sales department of Jiangxi Fushan Zhongpinxin Packaging Co. Ltd. (江西福山眾品鑫包裝有限公司) from 2013 to 2017. Before that, he served as the deputy general manager of the production department in Essel Packaging (Guangzhou) Limited (愛索爾(廣州)包裝有限公司) from 2000 to 2013.

Mr. Lau Yiu Ting (劉耀庭), aged 53, was appointed as an Executive Director on 10 February 2023. He is also a member of the Remuneration Committee. Mr. Lau has years of experience in operational and financial management. He engaged in trading of securities, futures, commodities and Forex in bank, investment management company and securities company for over ten years. Prior to joining the group, Mr. Lau was the founder and director of Jugend Trading Company Limited (雋益貿易有限公司) and was responsible for providing market and management consultancy services. Before that, he was a vice president in Daishin International (Hong Kong) Limited from 2000 to 2023, and was responsible for the trading of securities and the provision of investment advices to clients. He is currently a director of INAX Technology Limited, an information technology engineering company in Hong Kong, and is responsible for overseeing human resources, financial and internal control.

Ms. Fang Wenhui (方文慧), aged 34, was appointed as an Independent Non-executive Director on 10 February 2023 and re-designated as an Executive Director on 20 March 2023. Ms. Fang obtained a degree of Bachelor of Business Administration in Applied Economics from Hong Kong Baptist University in 2012 and a degree of Master of Business Administration from City University of Hong Kong in 2013. Ms. Fang has extensive experience in project investment and financing, asset management and company operations, and held senior management positions in private equity funds and corporate finance in several corporations in the Mainland China and Hong Kong. For the period from 1 February 2018 to 31 October 2020, Ms. Fang worked as an executive director of QH Capital Group Limited. From 19 November 2020 to 11 July 2021, Ms. Fang was a managing director and responsible officer of i-Golden Data Capital Limited. Since 26 August 2021, Ms. Fang has been working as a responsible officer of Space Asset Management Limited, which is licensed for Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities.

Mr. Chan Wai Kit (陳偉傑), aged 40, was appointed as an Executive Director on 20 March 2023. Mr. Chan obtained a Bachelor Degree in Information Systems and a Master Degree of Accounting from Curtin University of Technology, Australia. He has been appointed as a committee member of the 9th and 10th Committee of Maoming City of The Chinese People's Political Consultative Conference since January 2017. He has extensive experience in information technology, accounting, finance, corporate governance, strategic planning, as well as mergers and acquisitions.

Mr. Chan is an independent non-executive Director of Vicon Holdings Limited (Stock Code: 3878), a company listed on the Main Board of the Stock Exchange since September 2021. Mr. Chan was an executive director, an authorised representative and a compliance officer of Aurum Pacific (China) Group Limited (stock code: 8148), a company listed on the GEM of Stock Exchange from October 2014 to November 2018. He was the chairman and executive director of PPS International (Holdings) Limited (stock code: 8201), a company listed on the GEM of the Stock Exchange from June 2015 to July 2016. He was also an executive director of China Taifeng Beddings Holdings Limited (stock code: 873), a company listed on the Main Board of the Stock Exchange from July 2016 to August 2016. He was also an executive director of Green Energy Group Limited (stock code: 0979), a company listed on the Main Board of the Stock Exchange from February 2017 to July 2017. He was also an executive director of Elegance Optical International Holdings Limited (stock code: 0907), a company listed on the Main Board of the Stock Exchange from May 2017 to April 2018. He was also an independent non-executive director of Huiyin Holdings Group Limited (formerly known as Share Economy Group Limited) (stock code: 1178), a company listed on the Main Board of the Stock Exchange from December 2017 to October 2018. He was also an independent non-executive director of Ding He Mining Holdings Limited (stock code: 705), a company listed on the Main Board of the Stock Exchange from January 2018 to July 2018.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chau Wing Nam (周穎楠), aged 36, was appointed as an Independent non-executive Director on 10 February 2023. He is also a member of the Audit Committee. Mr. Chau obtained a degree of Bachelor of Accounting & Accounting Technologies from Curtin University of Technology in 2012. He has been a member of Hong Kong Institute of Certified Public Accountants since May 2017. He has over ten years of experience in audit, accounting and corporate management and is currently responsible for corporate finance, mergers and acquisitions matters, investors relations, corporate governance as well as compliance affairs. Mr. Chau has been an independent non-executive director of K Group Holdings Limited (stock code: 8475), a company listed on the Stock Exchange, since 6 June 2022.

Mr. So Chi Ming (蘇志明), aged 53, was appointed as an Independent non-executive Director on 13 April 2022. He is also the chairman of the Audit Committee, a member of the Remuneration Committee and the Nomination Committee. Mr. So obtained a degree of Master of Science in Professional Accounting and Corporate Governance from City University of Hong Kong in 2007. He is admitted as an associate member of The Association of Chartered Certified Accountants in 2002, an associate member of Hong Kong Institute of Certified Public Accountants in 2003, an associate member of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in United Kingdom in 2016 and an associate member of The Hong Kong Institute of Chartered Secretaries in 2016.

Mr. So has over 25 years of experience in audit, financial account field and involvement of corporate governance. He is currently an audit manager at Thomas So & Partners CPA Limited, and he is responsible for audit planning and supervise audit work. Prior to that, he was a finance manager at Kam Wing International Textile Company Limited, a subsidiary of Kam Hing International Holdings Limited which is listed on the Stock Exchange (stock code: 2307), from October 2008 to March 2010. He then served as a finance manager of Semplice Print Production Limited from January 2011 to October 2011. He then became a senior finance manager at Alford Industries Limited, a subsidiary of United Pacific Industries Limited (now known as Superactive Group Company Limited) which is listed on the Main Board of the Stock Exchange (stock code: 0176). He served as the financial controller of Gatekeeper Systems (HK) Limited from October 2014 to November 2018. He then served as the company secretary of Hyfusin Group Holdings Limited, a company listed on the GEM of the Stock Exchange (stock code: 8512), from May 2019 to May 2020.

Mr. He Dingding (賀丁丁), aged 47, was appointed as an Independent non-executive Director on 20 March 2023. He is also the chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee. Mr. He has over 15 years of extensive experience in capital markets, corporate finance, investment and finance, and corporate management through working in listed companies in Singapore and Hong Kong. Mr. He graduated from Nanyang Technological University with a Bachelor's Degree in Engineering (Civil) in 1999, and he was qualified as a Chartered Financial Analyst in 2006.

Mr. He currently serves the chief executive officer and an executive director of Link Holdings Limited, a company listed on the GEM of the Stock Exchange (stock code: 8237) and as an independent non-executive director of State Innovation Holdings Limited, a company listed on the GEM of the Stock Exchange (stock code: 8275) and Sino Harbour Holdings Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1663). Mr. He worked with Ta Yang Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1991) from October 2018 to November 2022 and his last position was chief executive officer cum chief financial officer. From May to September 2021, Mr. He served as an independent non-executive director of Crown International Corporation Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0727). From March 2017 to February 2018, Mr. He served as a non-executive director of Perfect Group International Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3326) and subsequently as the deputy chief executive officer from March to August 2018. From August 2012 to June 2015, Mr. He served as an independent non-executive director of China Kangda Food Company Limited, a company listed on the Main Board of the Stock Exchange and the SGX-ST (stock code 0834 and P74, respectively).

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of Mobile Internet (China) Holdings Limited (the "Company"), I am pleased to announce the results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2023.

The Company has passed through its tough years from 2022 to 2023. Following the suspension of trading since 1 September 2022 and the requisition from shareholders of the Company (the "Shareholders") for removal of previous directors on 18 January 2023, the Company appointed new Board members and formed new management team on 13 February 2023 and 20 March 2023, respectively. The new Board immediately started to review the operational and financial position of the Company and initiated the process of replacing directors and legal representatives of all subsidiaries. Meanwhile, the Board had been actively looking for potential investors and discussing feasible plans to maintain and support the operation of the Company.

After replacing the legal representative of the subsidiary which operated business in Jiangxi Province of the People's Republic of China (the "PRC") in July 2023, the Board started to take over the factory in Jiangxi Province and reviewed all relevant documents and financial data. The Board noticed that the subsidiary borrowed RMB32 million and RMB12 million from two individual banks on 18 June 2020 and 29 April 2021, respectively and were due on 17 June 2021 and 28 April 2022, respectively. Due to the failure of repayment, two banks individually applied to district court for an enforcement order against the subsidiary, requesting the subsidiary to repay the principal loan and corresponding interests, as well as relevant litigation fees incurred. In addition to the overdue payment of bank loans, there is also overdue salary payment of approximately RMB1.8 million to 38 staffs. The Company has already appointed a PRC lawyer to handle all relevant legal issues and negotiate with creditors regarding the settlement, while concurrently discovering new business opportunities in other places.

The Company will try its best to negotiate and resume the business as soon as possible. In the event that the negotiation with the PRC banks fail to materialise, the assets of HongSheng may be put on auction (the process of which is expected to be completed within the year ending 31 December 2024) and it is expected that the Company will bid on the auction to regain control of the factory for operation and resume the packaging business in Jiangxi Province, the PRC.

After several rounds of negotiation with potential investors, on 25 August 2023, the Board successfully initiated financial restructuring of the Company regarding proposed subscription of shares and convertible bonds, as well as mandatory unconditional general cash offer.

The Board also strives to discover all feasibilities to resume business of the Group, such as exploring packaging business in Hong Kong. In November 2023, the Group successfully reached consensus with few companies to provide packaging services to them in Hong Kong. With the advantage of the Board's network, it is believed that the Group will continue to grow positively in this segment.

The HK Packaging Business and the PRC Packaging Business shall be considered as the packaging business of the Company as a whole. Due to the business suspension of HongSheng, being the then primary operating subsidiary of the packaging business of the Company, the Company have made tremendous efforts to continue the packaging business and have therefore established the HK Packaging Business in late 2023 and resumed the PRC Packaging Business in April 2024.

On the other hand, the Board also strives to explore other feasible business opportunities in relation to its information technology (IT) solution segment. The Board intended to leverage the Company's resources and skills on mobile game applications. Through a newly appointed director's network, the Company cooperates with a PRC company, engaging in the provision of shared massage chairs in airports and train stations by providing IT-related services. The Board will continue to explore other potential business opportunities to generate more revenue from this segment.

Chairman's Statement

Last but not least, the new management team will continue to solve all problems left by the former management team and aim to resume the business in Jiangxi Province as soon as possible, and hence maximise the return of the Group.

On behalf of the Board, I would like to take this opportunity to express sincere gratitude to all fellow directors, management team, and our employees for their hard work and contribution to our Group's restructure and development. I would also like to thank all Shareholders for their trust and continuous support over a challenging 2023. We are committed to optimise our business to generate satisfactory return for our Shareholders.

Mobile Internet (China) Holdings Limited
Muk Hung Fei
Chairman

Hong Kong, 14 June 2024

Management Response and The Board's Plans/ Actions to Disclaimer Opinion

In respect of the disclaimer of opinion of the auditors, the Board will address them as follows:

1. Regarding the material uncertainties relating to the going concern basis:

   (a) HongSheng's enforcement order and relevant bank loan:

   HongSheng has been converted to assets held for sales in December 2023, and the auction process is expected to be completed within 2024.

   (b) Other borrowing issues:

   Confirmation agreements have been signed with all creditors, and they are willing to reduce debt/convert debt to equity/extend the deadline to 5 years after the Company successfully resumes trading to address the debt issues. It has also been confirmed that no interest will accrue during this period.

   (c) Insufficient working capital:

   The Company has signed a long-term loan agreement with White Knight, who will provide financial support to cover all operational expenses of the Company. Nonetheless, given that the new operation in the PRC will not incur significant additional capital injections, we expect that its operation could be self-financing with positive cash inflows.

   Additionally, if the other borrowing mentioned in 1(b) needs to be repaid, White Knight will also provide the funds. The long-term loan agreement between White Knight and the Company has a term of 7 years with an interest rate of 1%.

   (d) Insufficient fixed assets:

   Due to the resumption of the PRC Packaging Business, the Company will acquire machinery in 2024 and will also own factory premises to operate the business.

   In summary, as part (d) will be resolved in the 2024, the material uncertainties will still give rise to disclaimer of opinion in 2023 but will be removed in 2024.

2. Regarding the limitations of scope on the accounting books and records of Behill Science Technology Co., Ltd:

   As the VIE agreement has been terminated in August 2023, Behill Science Technology Co., Ltd will no longer be a subsidiary of the Company. The relevant matters will no longer affect the audit opinion in 2024 but will affect 2023 opening and profit or loss statement.

3. Regarding the limitations of scope on inventories:

   This opinion retains the disclaimer for the opening balance of inventories in 2023 but will be removed in 2024.

In conclusion, we expect that all significant matters will be fully resolved and the Disclaimer Opinion will be removed in 2024.

Corporate Governance Report

The Board is committed to maintain a good standard of corporate governance practices and business ethics as they are essential for maintaining and promoting investors' confidence and maximizing shareholders' returns. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of shareholders and comply with the increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance.

The Company has adopted the Code Provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Board considers that up to the date of this annual report, in the opinion of the Board, save as deviations explained under sections "Board Composition", "Chairman and Chief Executive" and "Audit Committee", the Company has complied with the CG Code. The Company will continue to enhance its corporate governance practices to suit the growth of its business and will review from time to time to ensure the compliance with the evolving regulatory requirements and to meet the rising expectations of the shareholders and other stakeholders.

CORPORATE GOVERNANCE PRACTICES

(A) Board of Directors

Responsibilities and Delegation

The Board is responsible for the leadership and control of the Company, overseeing the Group's business, strategic decisions, internal control, risk management systems and monitoring the performance of the senior management. The management is responsible for the daily operations of the Group under the leadership of the Chairman. The Directors have the responsibility to act independently in the interests of the Company.

The Board has delegated various responsibilities to the Board committees including the Audit Committee, the Remuneration Committee and Nomination Committee. Further details of these Committees are set out below in section B of the corporate governance report.

Board Composition

As at the date of this report, the Board consists of the following members:

Executive Directors:

Mr. Muk Hung Fei	*(Chairman)*
Mr. Lau Yiu Ting	(Appointed on 10 February 2023)
Ms. Fang Wenhui	(Appointed on 10 February 2023 and re-designated on 20 March 2023)
Mr. Chan Wai Kit	(Appointed on 20 March 2023)
Mr. Chen Hong Cai	*(Chairman)* (Stepped down on 10 February 2023)
Mr. Wu Aiguo	(Removed on 10 February 2023)
Mr. Wang Yun Fang	(Removed on 10 February 2023)

Independent Non-Executive Directors:

Mr. So Chi Ming	
Mr. Chau Wing Nam	(Appointed on 10 February 2023)
Mr. He Dingding	(Appointed on 20 March 2023)
Mr. Wang Chen Guang	(Removed on 10 February 2023)
Mr. Cho Yu Kwan Stephen	(Removed on 10 February 2023)

The Board currently comprises five executive Directors and three independent non-executive Directors from different business and professional fields. The profiles of each Director are set out in the "Biographical Details of Directors and Senior Management" section in the Annual Report. The Directors, including the independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective delivery of the Board functions.

The Board has adopted a board diversity policy setting out the approach to achieve diversity on the Board. The Company considered diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the board.

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

Board Meetings

The Board is scheduled to meet regularly at least four times a year at approximately quarterly intervals, to discuss the overall strategy as well as the operational and financial performance of the Group. Ad-hoc meetings will also be convened when necessary. Such Board meetings involve the active participation, either in person or through other electronic means of communication, of a majority of Directors.

Agenda and Board papers together with all appropriate, complete and reliable information will be provided to the Directors before meetings. The Directors will be provided with sufficient resources to discharge their duties, and, upon reasonable request, the Directors will be able to seek independent professional advice in appropriate circumstances, at the Company's expenses. All Directors will have the opportunity to include matters in the agenda for board meetings. The company secretary of the Company is responsible to keep the minutes of board meetings and meetings of Board committees. All minutes are open for inspection by any Director at reasonable time on reasonable notice.

For the financial year ended 31 December 2023, ten Board meetings were held.

The Company's Articles of Association contains provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest. According to current Board practices, any material transaction, which involves a conflict of interests for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting.

Chairman and Chief Executive

The Company was aware of the requirements under paragraph A.2.1 of the CG Code that the roles of chairman and chief executive should be separated and should not be performed by the same individual. The Company does not separately have any officer with the title of "chief executive officer". Mr. Chen Hong Cai, the former Chairman of the Group, was responsible for leading the Board and ensuring smooth and effective operation of the Board in a conducive manner. Mr. Chen Hong Cai's duties have been transferred to Mr. Muk Hung Fei, with effect from 10 February 2023. The Board will meet regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The roles of the respective Executive Directors and senior management, who are in charge of different functions, complement the role of the Chairman. The Board is of the view that this structure provides the Group with strong and consistent leadership, facilitates effective and efficient planning and implementation of business decisions and strategies, and ensures the generation of shareholders' benefits.

Appointments, Re-election and Removal of Directors

Each of the executive Directors has entered into a service contract with the Company for a term of three years, and are subjected to retirement by rotation and re-election in accordance with the Articles of Association of the Company.

Each of the independent non-executive Directors has entered into an appointment letter with the Company for a term of three years, and are subjected to retirement by rotation and re-election in accordance with the Articles of Association of the Company.

In accordance with the Company's Articles of Association, all Directors shall be subjected to retirement by rotation at least once every three years and any new Director appointed to fill a causal vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after appointment. In accordance with the Articles of Association, all Directors will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting (AGM).

Training Induction and Continuing Development of Directors

Directors keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.

Each newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and has full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. All Directors are also encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Briefings and updates on the latest development in the Listing Rules and other applicable legal and regulatory requirements are provided to each of the Directors to ensure compliance and enhance their awareness of good corporate governance practices. The participations by each of the Directors in the continuous professional development are recorded.

During the year ended 31 December 2023, the Company arranged seminar for Directors from time to time on changes in the Listing Rules and other applicable regulations.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Following a specific enquiry, all the Directors confirmed that they have complied with the Model Code throughout the year ended 31 December 2023.

When the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors in advance.

(B) Board Committees

The Board has established three committees, namely the Audit Committee, Nomination Committee and Remuneration Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the websites of the Company and the Stock Exchange.

The majority of the members of each Board committee are independent non-executive Directors.

Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expense.

Audit Committee

The primary duties of the Audit Committee, among other things, are to make recommendation to the Board on the appointment, re-appointment and removal of external auditor, review the financial statements and provide material advice in respect of financial reporting and oversee the internal control procedures of the Company. The Audit Committee currently consists of three independent non-executive Directors, namely Mr. So Chi Ming (Chairman), Mr. Chau Wing Nam and Mr. He Dingding. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The Audit Committee has reviewed the Company's financial statements and the Group's consolidated financial statements for the year ended 31 December 2023 and the interim financial statements for the six months ended 30 June 2023, including the accounting principles and practices adopted by the Company and the Group. In addition, the Audit Committee has also made recommendations on the appointment of the external auditor and review relevant scope of work. The Audit Committee has reviewed the Group's internal control and risk management systems, and to review and monitor the effectiveness of the internal audit functions and to supervise the audit process.

The Audit Committee held two meetings during the year ended 31 December 2023.

The Company had established a whistleblowing policy and system for employees to raise concerns of possible improprieties where all concerns are addressed to the Audit Committee.

Remuneration Committee

The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall of the Group remuneration policy and structure relating to the Directors and senior management of the Group and to ensure none of the Directors determine their own remuneration. The emoluments of executive Directors are determined based on their skills, knowledge, individual performance as well as contributions, the scope of responsibility and accountability of such Directors, taking into consideration the Company's performance and the prevailing market conditions. The remuneration policy of independent non-executive Directors is to ensure that they are adequately compensated for their efforts and time dedicated to the Company's affairs including their participation in their respective Board committees. The emoluments of independent non-executive Directors are determined with reference to their skills, experience, knowledge, duties and market trends. The Remuneration Committee currently consists of two independent non-executive Directors, namely Mr. He Dingding (Chairman) and Mr. So Chi Ming and one executive Director, namely Mr. Lau Yiu Ting.

For the year ended 31 December 2023, the Remuneration Committee held two meetings and all members attended the meetings.

Nomination Committee

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on regular basis; to assess the suitability of an individual Board member; to assess the independency of independent non-executive Directors; and to make recommendations to the Board on relevant matters related to the appointment or re-appointment of Directors. The Nomination Committee currently consists of two independent non-executive Directors, namely Mr. So Chi Ming and Mr. He Dingding, and one executive Director, Mr. Muk Hung Fei (Chairman).

The Nomination Committee held two meetings during the year ended 31 December 2023 and all members of the Committee attended the meetings.

Board Diversity Policy

The Company has adopted a board diversity policy (the "Diversity Policy") which sets out the approach to achieve diversity of the Board. The Company embraces the benefits of having a diverse Board to enhance the quality of its performance.

The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, professional knowledge, personal integrity and time commitments.

In identifying and selecting suitable candidates to serve as a director of the Company, the Nomination Committee would consider the above criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendations to the Board.

The Board will consider setting measurable objectives to implement the Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. At present, the Board has not set any measurable objectives.

The Nomination Committee will review the Diversity Policy, as appropriate, to ensure its effectiveness.

Corporate Governance Function

The Board is responsible for performing the functions set out in Code Provision D.3.1 of the Corporate Governance Code.

The Board would review the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the Corporate Governance Code and disclosure in its Corporate Governance Report.

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company may from time to time and as the circumstances required to provide updated written training materials related to the roles, functions and duties of a director of a company listed on the Stock Exchange.

Number of meetings and attendance records

The attendance records of individual members of the Board and other Board Committees meetings for the financial year ended 31 December 2023 are set out in the table below:

	Meeting attended/held			
	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Mr. Muk Hung Fei *(Chairman)*	10/10	N/A	N/A	2/2
Mr. Lau Yiu Ting (Appointed on 10 February 2023)	8/10	N/A	1/2	N/A
Ms. Fang Wenhui (Appointed on 10 February 2023 and re-designated on 20 March 2023)	7/10	0/2	0/2	0/2
Mr. Chan Wai Kit (Appointed on 20 March 2023)	7/10	N/A	N/A	N/A
Mr. Chen Hong Cai *(Chairman)* (Stepped down on 10 February 2023)	0/10	N/A	N/A	0/2
Mr. Wang Yun Fang (Removed on 10 February 2023)	0/10	N/A	N/A	N/A
Mr. Wu Aiguo (Removed on 10 February 2023)	0/10	N/A	N/A	N/A
Independent Non-Executive Directors				
Mr. So Chi Ming	9/10	2/2	1/2	1/2
Mr. Chau Wing Nam (Appointed on 10 February 2023)	8/10	2/2	N/A	N/A
Mr. He Dingding (Appointed on 20 March 2023)	7/10	2/2	2/2	2/2
Mr. Wang Chen Guang (Removed on 10 February 2023)	0/10	0/2	0/2	0/2
Mr. Cho Yu Kwan Stephen (Removed on 10 February 2023)	0/10	0/2	0/2	N/A

(C) Accountability and Audit

Directors' Responsibility in respect of the Financial Statements

The Directors are responsible for overseeing the preparation of financial statements for the year ended 31 December 2023 with a view to ensure that such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Company's accounts are prepared in accordance with all relevant statutory requirements and suitable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; judgments and estimates made are prudent and reasonable; and the financial statements are prepared on a going concern basis.

Management had provided monthly updates to Directors for giving a balanced and understandable assessment of the Company's performance, position and projects to enable the Directors to discharge their duties.

Details regarding the uncertainties on the going concern of the Group are set out in Note 3 to the consolidated financial statements. Despite the existence of such uncertainties, the Board is of the view that it is appropriate to prepare the consolidated financial statements on a going concern basis and that each of the Group's subsidiaries has adequate resources to continue in operational existence.

Auditor's Remuneration

McMillan Woods (Hong Kong) CPA Limited ("McMillan Woods") has been appointed as the auditor of the Group, with effect from 5 May 2023 and will hold office until the conclusion of the forthcoming AGM.

For the year ended 31 December 2023, the analysis of the remuneration payable to the external auditor of the Company, McMillan Woods, in respect of audit services and non-audit services is set out as below:

	Amount RMB'000
Audit services	850
Non-audit services	–
Total	850

The remuneration related to the audit and non-audit services was determined with reference to (among others) the devotion to and workload of the services, the urgency and time requirements of the work, the complexity of the relevant transaction, and the quality of the ultimate service results.

(D) Risk Management and Internal Control

The Board has overall responsibility for the internal control and risk management systems of the Company. Internal controls are used by the Board to facilitate the effectiveness and efficiency of operations, safeguard the investment of Shareholders and assets of the Company and to ensure the compliance with relevant statutory and regulatory requirements. The Company's internal control policies are designed to provide reasonable, but not absolute, assurance against material misstatements and help the Board to identify and mitigate, but not eliminate, risk exposure. The policies and procedures of internal controls (which include financial, operational and compliance controls) are considered to be adequate and effective based on the annual review conducted by the Board through the Audit Committee.

While conducting the business, the Group is exposed to various types of risks. During the year ended 31 December 2023, the following principal risks of the Group were identified:

Strategic Risks: Regulatory risk; keeping up with new technologies; change in consumer preferences; competitive risk; reputational risk

Operational Risks: Insufficient of labour supply; workplace injury; damage to physical assets; IT systems disruption and failure

Financial Risks: Liquidity risk; credit risk; interest rate risk; inflation risk

Compliance Risks: Risk related to occupational safety; risk of non-compliance with ordinances related to employment; changes of the Listing Rules and relevant company regulations and ordinances

In light of the size and scale of the Group's business, the Group does not have an internal audit department. The Board will review and consider to establish such department as and when necessary. Given the Group's relatively simple corporate and operation structure, the Board, as supported by the Audit Committee, is directly responsible for risk management and internal control systems of the Group including financial, operational and compliance controls and risk management functions and for reviewing its effectiveness.

The following processes are used by the Group to identify, evaluate and manage significant risks, review the effectiveness of the risk management and internal control systems, as well as resolve material internal control defects:

– The Board and Audit Committee discuss with external independent auditor on key issues regarding internal controls, audit findings and risk management;

– The Board and Audit Committee oversees the financial reporting system and internal control procedures of the Group. Management will be responsible for the preparation of financial statements of the Group, especially the selection of suitable accounting policies;

– The external independent auditor is responsible for auditing and attesting to the financial statements of the Group, and report to the management of the Company from time to time on any weakness in controls which come to their attention. The Board and Audit Committee oversees the respective work of management and external independent auditor to ensure that the management has discharged its duty in respect of having an effective internal control procedures.

The Board conducts annual review of the effectiveness of the internal control system which covered all material controls, including financial, operational and compliance controls and risk management functions of the Group. The Board considered the existing internal control and risk management systems are effective and adequate.

(E) Dissemination of Inside Information

The Group regulates the handling and dissemination of inside information according to internal procedures and policy so as to ensure inside information remains confidential until the disclosure and publication of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

The Board is responsible for approving the policy on disclosure of inside information which aims at providing guiding principles, practices and procedures to assist employees and officers of the Group in (i) relaying inside information to the Board to enable it to make timely decisions on disclosure, if necessary; and (ii) communicating with the Group's stakeholders, in ways which are in compliance with the SFO and the Listing Rules.

An employee who becomes aware of a matter or event that he/she considers to be material or inside information shall report to his division/department head who will assess the sensitivity of the relevant information and, if considered appropriate, escalate and report to the Board and/or the company secretary of the Company ("Company Secretary").

(F) Company Secretary

During the year and up to the date of this report, Mr. Cheung Tin Long ("Mr. Cheung") was the Company Secretary. He is responsible for advising the Board on corporate governance matters. He has confirmed that he has undertaken not less than 15 hours of relevant professional training during the year ended 31 December 2023 as required under Rule 3.29 of the Listing Rules.

(G) Shareholder Communications

The Board welcomes shareholders to present their views and shareholders may at any time submit their questions and concerns about the Group. Enquiries may be put to the Board or senior management by contacting the Company Secretary through our shareholders' email at mobileinternet14@outlook.com or directly by raising questions at the general meeting of the Company.

(H) Convening an EGM by Shareholders

Shareholder(s) holding not less than one-tenth of the Company's paid up capital may request the Board to convene an extraordinary general meeting. The objectives of the meeting must be stated in the related requisition deposited at the Company's registered office and addressing to the Directors or Company Secretary at the Company's principal place of business in Hong Kong. The extraordinary general meeting will be held within 2 months after the deposition of such requisition.

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange after each general meeting.

Any Shareholder may appoint a proxy or representative to attend the general meeting and they are entitled to exercise the same voting rights in the meeting.

(I) Investor Relations and Communication with Shareholders

The Board recognises the importance of maintaining clear, timely and effective communication with Shareholders and investors. The Board also considers effective communication with investors to be the key to build investors' confidence and attract new investors. Thus, the Group is committed to maintain a high degree of transparency to ensure that investors and Shareholders can obtain accurate, clear, comprehensive and timely information through the annual reports, interim reports, and news announcements ("Corporate Communications") published by the Group.

The Company endeavours to maintain an on-going dialogue with its shareholders and in particular, through AGMs or other general meetings to communicate with the shareholders. Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf.

To facilitate better understanding, Corporate Communications published by the Company are available in both English and Chinese versions on the websites of the Company and the Stock Exchange. Shareholders can reach the Company through the contact information listed under the section headed "Investors Relations" on the Company's website. Institutional investors and analysts are welcomed to inquire about the Group's strategies, operations, management and plans.

The last AGM of the Company was held on 27 June 2022 by way of electronic means (via VOOV MEETING).

Constitutional Documents

There was no change in the constitutional documents of the Company during the year ended 31 December 2023.

BUSINESS REVIEW

The Group is currently engaging in two major business segments: (i) packaging segment (sales of original equipment manufacturer (OEM) packaging products and provision of packaging services); and (ii) IT solution segment (mobile game and shared massage chair). The Group intends to continue on the existing packaging business. On the other hand, the Group has decided to further develop the IT solution segment by engaging in the shared massage chair business in the PRC.

Packaging segment

Sales of original equipment manufacturer (OEM) packaging products

In 2023, the global economy has started to gradually recover from the COVID-19 pandemic. However, the pace of recovery was slower than expected and the Group's packaging business in the Jiangxi Province remained severely affected. On 16 May 2023, the Jiangxi Bank and China Construction Bank individually applied to the district court for an enforcement order on HongSheng for an aggregated overdue amount of approximately RMB44 million. Also, the subsidiary was indebted to its former employees of approximately RMB1.8 million. Hence, the Group's packaging business in the Jiangxi Province was suspended.

Since a new management team has assumed control over the Group in early 2023, potential business opportunities have been identified in Hong Kong in September 2023. Mobile Internet Packaging Limited (移動互聯包裝有限公司), a wholly-owned subsidiary of the Group in Hong Kong has entered into an entrusted operation and management agreement (the "Packaging Entrusted Agreement") with Good View Development Group Limited ("Good View") for a period of four years commenced on 9 January 2024 till 8 January 2028. With the provision of manufacturing factory site, production line, machineries, labour and warehouse by Good View, the subsidiary will be responsible for the management, maintenance and development of the existing customer resources of Good View, daily operation of the factory, market research, planning and formulation of promotion campaigns and financial planning during the four-years business operation of the factory. The Group is expected to generate revenue from the Packaging Entrusted Agreement in early 2024.

Provision of packaging services

In addition to the sales of packaging products in the newly developed market since September 2023, the management team has further expanded the packaging business by providing tailor-made packaging services to its current and potential customers. In January 2024, the Group entered into three agreements with three Hong Kong Companies with the expected revenue of not less than HK$4.6 million. Thus, the Group is expected to generate revenue from such expansion in packaging business in early 2024.

The PRC Packaging Business has started its operation since April 2024, during the period from 1 April 2024 to 30 April 2024, the Group has generated revenue and net profit of approximately RMB5.8 million and RMB0.9 million, respectively. During April 2024, the Group has received indicative orders from 11 existing customers, who entered into framework agreements with the Group, in the total amount of RMB106.8 million.

The Group has entered into a lease agreement on 25 March 2024 to lease a PRC factory. Currently, the factory has 5 production lines which is capable to produce 350,000 finished paper box products per day.

IT Solution segment

Mobile game business

The mobile game industry in the PRC is highly competitive, and more rules and restrictions have imposed by the Chinese government. Thus, the Group intended to diminish its resources on mobile game business.

Provision of IT solution services

With the appointment of a new management team in 2023, the Group has explored other potential business opportunities in the IT-related market. By leveraging the Group's professional knowledge and resources on mobile game applications to commercial mobile applications, it is expected to diversify its business and hence generate profit. Indeed, the Group has engaged with 廣東索弗健康科技集團有限公司 (Guangdong SOFO Health Technology Group Limited) ("SOFO Health"), a

PRC company specialized in the provision of shared massage chairs in airports and train stations in the PRC, in 2023. According to the signed cooperation agreement, the Group will be responsible for the management, maintenance and provision of IT solution services to SOFO Health regarding its mobile application. As SOFO Health has signed a strategic contract with Guangzhou Baiyun International Airport on 19 December 2023 and has engaged with Fuzhou Changle International Airport on 5 December 2023 on the provision of shared massage chairs with the help of our management team, it is expected that the Group will begin to generate revenue from IT solution segment in early 2024.

As a result, no revenue was generated from IT solution segment in 2023, as same as in 2022.

FINANCIAL REVIEW

No revenue was generated for the year ended 31 December 2023 while the revenue for the year ended 31 December 2022 was RMB4.1 million, representing a decrease of approximately RMB4.1 million or 100%. The decrease in revenue was attributed to (i) the suspension of the Group's operation in Jiangxi Province and (ii) the cessation of operation of existing mobile games.

The following table sets out a breakdown of our revenue by product categories and their relative percentages of our total revenue during the year.

Revenue by products

	2023		2022	
	RMB'000	**% of Total**	RMB'000	% of Total
Flexo-printed cartons	–	–	1,405	34.4%
Offset-printed cartons				
– Traditional paper-based cartons	–	–	1,436	35.2%
– Stone paper-based cartons	–	–	1,243	30.4%
Sub-total	–	–	2,679	65.6%
Packaging segment	–	–	4,084	100.0%
IT solution segment	–	–	–	–
Total	–	–	4,084	100.0%

Packaging segment

Flexo-printed cartons

The Group's flexo-printed carton segment targets food and beverage companies as its major customers. The goal is to provide products of good quality and with high load capacity and protection capabilities. No revenue has been generated from sales of flexo printed cartons for 2023 (2022: Revenue from sales of flexo-printed cartons was approximately RMB1.4 million, which accounted for approximately 34.4% of our total revenue). The decrease in revenue was mainly due to the suspension of the Group's operation in Jiangxi Province.

Offset-printed cartons

The Group's offset-printed carton segment includes traditional paper-based cartons and stone paper-based cartons. No revenue has been generated from sales of offset-printed cartons for 2023 (2022: Revenue from sales of offset-printed cartons was approximately RMB2.7 million, which accounted for approximately 65.6% of our total revenue). The decrease in revenue was mainly due to the suspension of the Group's operation in Jiangxi Province.

Revenue by product categories of our customers (Packaging segment)

	2023		2022	
	RMB'000	**%**	RMB'000	%
Food and beverage	–	–	2,842	69.6
Others (Note)	–	–	1,242	30.4
Total	–	–	4,084	100.0

Note: Other products mainly include stationery, energy and electronic products, textile and pharmaceutical products.

The Group's major customers are manufacturers of food and beverage in the PRC. For the year ended 31 December 2023, no revenue has been generated from packaging segment (2022: Revenue from food and beverage manufacturers was approximately RMB2.8 million, which accounted for approximately 69.6% of the revenue from our packaging segment).

IT solution segment

Mobile game business

For the year ended 31 December 2023 and 2022, no revenue has been generated from the mobile game business, which was mainly attributed to the ceased operation of existing mobile games.

Gross profit and gross profit margin

	2023		2022	
	RMB'000	**GP margin (%)**	RMB'000	GP margin (%)
Flexo-printed cartons	–	–	862	61.4
Offset-printed cartons				
– Traditional paper-based cartons	–	–	938	65.3
– Stone paper-based cartons	–	–	907	73.0
Sub-total	–	–	1,845	68.9
Packaging segment	–	–	2,707	66.3
IT solution segment	–	–	–	–
Total	–	–	2,707	66.3

The Group's overall gross profit for the year ended 31 December 2023 was nil, represented a decrease of 100% or approximately RMB2.7 million as compared to approximately RMB2.7 million for 2022. Overall gross profit margin decreased from approximately 66.3% for 2022 to nil for 2023.

Gross profit from the flexo-printed cartons segment for the year ended 31 December 2023 was nil, represented a decrease of 100% as compared to approximately RMB0.8 million for 2022. Gross profit margin decreased from 61.4% in 2022 to nil in 2023.

Gross profit from our offset-printed cartons segment for the year ended 31 December 2023 was nil, represented a decrease of 100% as compared to approximately RMB1.8 million in 2022. Gross profit margin from offset-printed cartons decreased from 68.9% in 2022 to nil in 2023.

Gross profit from the IT solution segment for the year ended 31 December 2023 was nil, which is the same as that of 2022.

Other revenue and income

The Group did not generate other revenue and income in 2023, which is the same as that of 2022.

Selling and distribution expenses

Selling and distribution expenses of the Group decreased by 100% or approximately RMB4.8 million from approximately RMB4.8 million in 2022 to nil in 2023, mainly due to the suspension of the Group's operation in Jiangxi Province.

Administrative expenses

Administrative expenses of the Group decreased by 37.7% or approximately RMB7.3 million from approximately RMB19.4 million in 2022 to approximately RMB12.1 million in 2023, mainly due to the suspension of the Group's operation in Jiangxi Province.

Loss for the year

As a combined result of the factors discussed above, the Group's net loss for 2023 was approximately RMB15.1 million as compared to a net loss of approximately RMB263.0 million for 2022.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2023.

LIQUIDITY, FINANCIAL RESOURCES AND GOING CONCERN UNCERTAINTY

The Group generally finances its operation with internal resources and borrowings. As at 31 December 2023, cash and bank balances amounted to approximately RMB1,000 (2022: RMB2,000), primarily denominated in Renminbi and Hong Kong Dollars. The Group's total borrowings as at 31 December 2023 amounted to approximately RMB252.0 million (2022: RMB293.8 million).

As at 31 December 2023, the Group's gearing ratio, calculated as total borrowings divided by total equity, is not available (2022: N/A) as the Group recorded a net deficit position as at 31 December 2023.

Promissory notes and convertible bonds with outstanding principal amount of HK$40,000,000, HK$120,000,000 and HK$6,666,667, respectively, matured on 19 May 2019 without redemption, default and were reallocated to borrowings. The Company has entered into confirmation deeds on 25 August 2023 with the creditors to (i) extend the repayment dates of the Debts to 31 December 2024; and (ii) waive all interest accrued and to be accrued on the outstanding amount of the Debts since 1 January 2023 up to 31 December 2024. On 2 January 2024, the Company has entered into confirmation deeds with the creditors to (i) further extend the repayment dates of the Debts to 1 January 2029; and (ii) waive all interest accrued and to be accrued on the outstanding amount of the Debts since 2 January 2024 up to 1 January 2029.

As at 31 December 2023, the Group had net current liabilities of approximately RMB693.6 million (2022: RMB713.5 million). The Directors have given careful consideration on future liquidity and financial position of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been taken to mitigate the liquidity position and to improve the Group's financial position which include, but not limited to the followings:

(i) The Group is taking measures to tighten cost control with an aim to attain positive cash flow from operations;

(ii) The Group is in the process of negotiation with its creditors to restructure and/or refinance its borrowings and secure necessary facilities to meet the Group's working capital and financial requirements in the near future;

(iii) The Group is negotiating with the banks to reach a settlement for the existing bank borrowings;

(iv) The Directors are considering various alternatives to strengthen the capital base of the Company including but not limited to, seeking new investment and business opportunities, private placements, open offers or rights issue of new shares of the Company; and

(v) The Group is currently re-negotiating the repayment schedules with certain debtors and endeavoring to request them to repay the trade receivables in accordance with the repayment schedules as agreed with them.

Details regarding the uncertainties on the going concern of the Group are set out in Note 4 to the consolidated financial statements. Despite the existence of such uncertainties, the Board is of the view that it is appropriate to prepare the consolidated financial statements on a going concern basis and that each of the Group's operating subsidiaries has adequate resources to continue in operational existence.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

As the Group's principal place of business is in the PRC, most of its operating transactions were settled in RMB and most of its assets and liabilities are denominated in RMB. Although the Group may be exposed to foreign currency exchange risks, the Board does not expect future currency fluctuation to materially impact the Group's operations. The Group did not adopt formal currency hedging policies and no instruments have been applied for foreign currency hedging purposes during the year ended 31 December 2023.

CAPITAL COMMITMENT

As at 31 December 2023, the Group's capital commitment was approximately RMB60.0 million (2022: RMB60.0 million), which was mainly related to capital contribution payable to a subsidiary.

CONTINGENT CONSIDERATION AND LIABILITIES

As at 31 December 2023, the Group did not have any material contingent liabilities or guarantees.

PLEDGE OF ASSETS

As at 31 December 2023, such machinery, buildings and right-of-use assets which have been pledged to secure bank borrowings were all together reclassified to assets and liabilities of disposal subsidiaries classed as held for sale in Note 36 to the consolidated financial statements.

EMPLOYEES

As at 31 December 2023, the Group had a total of 9 full-time employees, including the Executive Directors (2022: 96) and the total staff costs (including Directors' emoluments) were approximately RMB0.9 million (2022: approximately RMB11.5 million).

The Group remunerates its employees based on their performance, experience and prevailing industry practice. Competitive remuneration package is offered to retain elite employees, which includes salaries, medical insurance, discretionary bonuses, other benefits as well as mandatory provident fund schemes for employees in Hong Kong and state managed retirement benefit schemes for employees in the PRC.

OUTLOOK

Looking forward, the Group will proactively explore new business opportunities while strengthening the existing business.

For the packaging business, the Group will continue to strategically focus on market opportunities in its high-end packaging segment, which requires higher technical standards and expects higher margin in return. The Group will also continue its efforts on the provision of value-added services, such as structural design and logistics management, with a view to enhance its market position.

The Company has accumulated nearly 20 years of experience in the Chinese packaging industry and therefore has built up a solid customer base across various industries in the PRC. Currently, the Company has been actively communicating with HongSheng's old customers, rebuilding relationship and seeking new collaboration opportunities.

Given the Company's extensive experience and market relationships in the Chinese packaging industry, as the PRC Packaging Business grows and resume on track, the Company is expected to expand its operating scale by leasing or acquiring other factories and production machineries in a relatively short time period. In addition, the Company is striving to resume the packaging business through its self-owned factory in Jiangxi Province, the PRC.

Based on the business of the PRC Packaging Business in the above, the Company considers it is practicable to resume the PRC Packaging Business.

The Group intends to continue to retrieve and develop its core packaging business in Hong Kong and the PRC markets. On the other hand, the Group has decided to further develop the IT solution segment in the PRC. The primary goal of the Group is to resume the packaging business in the PRC as its main business operation with the packaging business in Hong Kong as a complementary venture, while diversifying the Group's business through the operation of the IT solution business to mitigate business risks as well as to secure additional revenue stream for the Company.

For the IT solution segment, the Group will minimise the resources allocated on the development of mobile games and focus on the provision of IT solution services to SOFO Health, and to explore more potential industry to diversify the risk of such segment. The Group will devote efforts to create new business opportunities and further broaden revenue.

At the same time, the Group will continue to optimise its operating costs in order to keep itself in a better position to weather the potentially challenging global economy and lay down a solid foundation for future development when opportunities arise.

On 30 November 2023, the Company reclassified Rich Kirin Holdings Limited, as well as Cable King Limited and its subsidiaries, into assets to be disposed, mainly because the Group is required to reduce its operating losses in light of the consistently loss-making business operations of the relevant subsidiary. With effect from 30 November 2023, the Group has consistently been striving to identify a prospective buyer. Currently, the Group is approaching Guangzhou Yunbo Asset Management Co., Ltd. (廣州雲播資產管理有限公司) ("Yunbo"), an investment and asset management company with limited liability established in the People's Republic of China and principally engaged in financial consultancy, equity investment and asset management for eight years. The Group entered into a memorandum of understanding with Yunbo on 30 November 2023, the transactions thereunder of which are expected to be completed on or before 31 December 2024.

The Directors are pleased to present its report together with the 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 those of the principal subsidiaries of the Company are set out in Note 1 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's turnover and results by business segments for the year ended 31 December 2023 is set out in Note 6 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business, financial key performance indicators and outlook of the Group for the year ended 31 December 2023 are provided in the Chairman's Statement and Management Discussion and Analysis of this annual report.

ENVIRONMENTAL POLICY

The Group recognizes the importance of environmental protection. We have imposed the following measures to control our pollutant emissions during our production process:

(1) Waste water is processed by our sewage treatment station to reach national safety standards for discharge;

(2) A desulfurization device was in place to monitor the emission of sulfur dioxide so as to ensure that the waste gas emitted from our steam boiler in our boiler room is within the national permissible level; and

(3) Solid waste such as scrap paper and various residues from production will be sold to scrap paper recycling companies for recycling.

For administrative office, we also implement green office practices such as double-sided printing and copying, promoting using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliance.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by our Group that has a significant impact on the business and operations of our Group.

PRINCIPAL RISKS AND UNCERTAINTIES

Our Group's financial condition, results of operations, and business prospect may be affected by a number of risks and uncertainties directly or indirectly pertaining to our Group's businesses. Major risks are summarised below.

Operation risk

Mobile game business

(a) the Group may not be able to continuously enhance its existing games and player experience and launch high-quality new games and services, which will materially and adversely affect its ability to continue to retain existing players and attract new players;

(b) the Group utilises major game distribution platforms, online application stores and third- party payment vendors to generate a substantial portion of revenues and if the Group is unable to maintain a good relationship with these distribution and payment channels or if the use of these distribution or payment channels is adversely affected by any factor such as new measures imposed or intervention by any regulators or third parties, the business and results of operations of the Group will be adversely affected;

(c) the Group relies on the contractual arrangements to control and obtain the economic benefits from Behill Science Technology Co., Ltd (冰河(廈門)信息技術有限公司) ("Behill") which may not be as effective in providing operational control as direct ownership;

(d) if the PRC government finds the contractual arrangements established for operating the online game businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, the Group could be subject to severe consequences, including the nullification of the contractual arrangements and the relinquishment of our interest in the variable interest entity, being Behill;

(e) there are uncertainties in the interpretation of PRC laws and regulations relating to the contractual arrangements, in particular, based on the consultation draft of the new PRC Foreign Investment Law published by the Ministry of Commerce on 19 January 2015 and assuming that the draft of the new PRC Foreign Investment Law is enacted as proposed, substantial uncertainties exist in connection with the legality and validity of the contractual arrangements to hold interests in PRC businesses that are subject to foreign ownership restrictions. If an entity established in a foreign jurisdiction is identified as controlled by Chinese investors, the foreign entity could still be recognised as a Chinese investor by the Ministry of Commerce and is therefore not subject to foreign ownership restrictions; and the Company may have to incur significant compliance costs in the future;

(f) challenges presented by the extensive law and regulation of various aspects of online game business in the PRC markets and there is no assurance that such laws and regulations would not apply to the Group or be interpreted in ways that could affect the Group's business.

Competition risk

Packaging business

The packaging industries in which the Group operates in the PRC are highly competitive. The Group's ability to compete is, to a significant extent, dependent on its ability to provide high quality products at a reasonable prices that suit our customer's need. The Group's competitors have varying abilities to withstand changes in market conditions. Some of the competitors have larger market shares, have operated their respective businesses longer than the Group has, have wider geographical coverage for its products, have substantially greater financial and other resources than the Group has and may be better established in the market.

Mobile game business

The Group also faces intense competition in the mobile game industry. New technologies such as virtual reality and ever-changing hardware may make the competition fiercer than before. Whether a new game will be commercially successful depends on many factors, inter alia, gamers' evolving preferences and market trends. The industry also sees dominant players with substantial financial and technical resources.

Financial Risk

On 21 October 2022, the Group received a petition for the winding up against the Group (the "Petition") filed by HAUZEN LLP in the High Court of the Hong Kong Special Administrative Region (the "High Court") under the Companies (Winding-up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong). At the court hearing held on 10 May 2023, the court made an order, among others, that the Petition be withdrawn.

RELATIONSHIPS WITH STAKEHOLDERS

Employees

The Company recognises that employees are our valuable assets. Thus our Group provide competitive remuneration package to attract and motivate the employees. Our Group regularly reviews the remuneration package of employees and make necessary adjustment to conform to the market standard.

Suppliers

We have developed long-standing relationships with a number of our suppliers and conducts a fair and strict appraisal on an annual basis.

Customers

We are committed to provide our customers with high quality products and deliver on a timely basis. We also stay connected with our customers to keep abreast of the changing customer preference through regular visits of our sales teams.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 40.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

FIVE YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 120 of this annual report.

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in Note 29 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group during the year ended 31 December 2023 are set out in the consolidated statement of changes in equity on page 42 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company did not have reserves available for distribution (2022: Nil), calculated in accordance with the provisions of the Companies Law of the Cayman Islands and the Company's articles of association (the "Articles of Association").

CONVERTIBLE BONDS

Details of movements in the convertible bonds of the Group during the year are set out in Note 27 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The Company did not have any sales to customers for the year 2023 (2022: Sales to the Group's largest and five largest customers accounted for approximately 37.30% and 100.00% of the total turnover). The Company did not have any purchases from suppliers for the year 2023 (2022: Purchases from the Group's largest and five largest suppliers accounted for approximately 26.06% and 61.10% of the total purchases).

To the best knowledge of the Directors, neither the Directors, their associates, nor any shareholders who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers or suppliers during the year ended 31 December 2023.

SUBSIDIARIES

Details of the principal subsidiaries of the Company are set out in Note 32 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 16 to the consolidated financial statements.

CHARITABLE CONTRIBUTIONS

During the year, the Group did not make charitable contributions (2022: Nil).

DIRECTORS AND DIRECTORS' SERVICE AGREEMENTS

The Directors of the Company who hold office during the year and up to the date of this report are:

Executive Directors

Mr. Muk Hung Fei *(Chairman)*
Mr. Lau Yiu Ting (appointed on 10 February 2023)
Ms. Fang Wenhui (appointed on 10 February 2023 and re-designated on 20 March 2023)
Mr. Chan Wai Kit (appointed on 20 March 2023)
Mr. Chen Hong Cai *(Chairman)* (stepped down on 10 February 2023)
Mr. Wang Yun Fang (removed on 10 February 2023)
Mr. Wu Aiguo (removed on 10 February 2023)

Independent Non-Executive Directors

Mr. So Chi Ming
Mr. Chau Wing Nam (appointed on 10 February 2023)
Mr. He Dingding (appointed on 20 March 2023)
Mr. Wang Chen Guang (removed on 10 February 2023)
Mr. Cho Yu Kwan, Stephen (removed on 10 February 2023)

None of the Directors, including the ones proposed for re-election at the forthcoming AGM, has a service agreement which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

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

DIRECTORS' REMUNERATION

The remuneration of the directors is determined with reference to directors' duties, responsibilities and performance and the results of the Group.

Details of the remuneration of the directors are set out in Note 11 to the consolidated financial statements.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Group are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 4 to 5 of this annual report.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year ended 31 December 2023, there was no material acquisition or disposal of subsidiaries or associated companies by the Company.

SHARE OPTION SCHEME

The Company adopted a share option scheme pursuant to a shareholder's resolution passed on 13 December 2013 (the "Share Option Scheme") as incentives or rewards to eligible participants who means full-time or part-time employees of our Company or members of our Group, including Executive Directors, Non-executive Directors and Independent Non-executive Directors, advisors, consultants of our Group. The Share Option Scheme constitutes a share option scheme governed by Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Share Option Scheme is valid and effective from 13 January 2014 till 12 January 2024, being a period of 10 years from the date of its adoption.

As at 31 December 2023, the number of shares in respect of which had been granted and remained outstanding under the Share Option Scheme was nil (2022: nil).

A summary of the Share Option Scheme is as follows:

Basis of determining the exercise/subscription price

The subscription price for the shares subject for any option under the Share Option Scheme shall be 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 of the option, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of the option; and (iii) the nominal value of the Company's share. A total of 80,000,000 share options have been granted under Share Option Scheme since its adoption.

Maximum number of shares

The total number of shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme must not, in aggregate, exceed 10 percent of the shares in issue as at 12 December 2013 (i.e. 800,000,000 shares) i.e. 80,000,000 shares unless refreshed by the shareholders. However, the Company may not grant any option if the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and other share option schemes adopted by the Group from time to time exceeds 30 percent of the shares in issue.

Maximum entitlement of each participant

The total number of shares issued and to be issued upon exercise of the option granted to a participant under the Share Option Scheme in any 12-month period must not exceed one percent of all the shares in issue from time to time unless a further grant to such participant is approved by the shareholders in general meeting.

Time for acceptance of option

A share option will be offered for acceptance for a period of 28 days from the date on which the option is granted.

Amount payable on application or acceptance of option

HK$1.00

Minimum and maximum period for the holding of a share option before it can be exercised

Unless otherwise determined by the Directors and stated in the offer of grant of the share options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of a share option before it can be exercised provided that the period within which the option must be exercised must not be more than 10 years from the date of the grant of the option.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2023, none of the Directors and chief executives or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the SFO), which were (a) required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; (c) required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

At no time during the Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or the chief executives or their spouses or children under 18 years of age to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES

As at 31 December 2023, so far as is known to the Directors, the following entities, not being a Director or chief executive of the Company, had or were deemed to have an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be entered in the register required to be kept by the Company pursuant to section 336 of the SFO; and who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying the right of voting in all circumstances at general meetings of the Company:

Long positions in shares of the Company

Name of entity	**Nature of interest**	**Number of Shares held**	**Approximate percentage of the Company's interest** (Note 1)
Wealthy Achievers Limited (Note 2)	Beneficial owner	156,477,143	11.36%
Mr. Peng Dongmiao (Note 2)	Interest of a controlled corporation	156,477,143	11.36%
Mr. Cheuk Kwong Hau Thomas	Beneficial owner	145,490,000	10.56%

Notes:

1. The total number of shares in issue (1,377,497,662 shares) as at 31 December 2023 was used in the calculation of the approximate percentage.

2. Wealthy Achievers Limited is incorporated in the BVI and the entire issued share capital is beneficially owned by Mr. Peng Dongmiao. Mr. Peng, being the controlling shareholder, is deemed to be interested in all the Shares owned by Wealthy Achievers Limited under the SFO.

PERMITTED INDEMNITY PROVISION

During the year ended 31 December 2023, a permitted indemnity provision as defined in the Hong Kong Companies Ordinance was in force for an indemnity against liability incurred by the Directors.

DIRECTORS' AND CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company or its subsidiaries was a party and in which the controlling Shareholder or a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year, there were no connected transactions and continuing connected transactions between the Group and its connected persons (as defined under the Listing Rules) which are subject to the reporting, announcement and the independent shareholders' approval requirement under the Listing Rules.

The material related party transactions as disclosed in Note 35 to the Consolidated Financial Statements are connected transactions exempt from reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

CONTRACTUAL ARRANGEMENTS

Pursuant to applicable PRC Laws and regulations, foreign investors are prohibited from holding equity interest in an entity conducting mobile games business (the "Principal Business") and are restricted to conduct value-added telecommunications services and internet cultural business. Accordingly, we cannot acquire equity interest in Behill, which conducts our Principal Business and holds the assets and certain licenses, approvals and permits required for the operation of our Principal Business.

As a result of the foregoing, we, through our wholly-owned subsidiary, Chunxin (Xiamen) Investment Management Company Limited (純新(廈門)投資管理有限公司) ("Chunxin"), entered into a series of contracts (the "Contractual Arrangements") with Behill and Mr. Huang Jianqiang (黃建強) (the "Registered Shareholder") on 29 February 2016 to assert management control over the operations of our Principal Business conducted through Behill, and to enjoy all economic benefits of Behill, and in consideration of which, Chunxin shall provide, among others, technology consulting and service to Behill. Behill is an operating company of the Group established under the laws of the PRC to conduct the Principal Business. The Contractual Arrangements are designed to provide our Group with effective control over the financial and operation policies of Behill and, to the extent permitted by PRC law and regulations, the right to acquire the equity interests in and/or the assets of Behill through Chunxin. As we operate our Principal Business through Behill, which is controlled by Registered Shareholder, we do not hold any direct equity interest in Behill. Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to our Group's legal structure and business operations.

According to the Contractual Arrangements entered between Chunxin, Behill and the Registered Shareholder on 29 February 2016, Chunxin initiated a termination notice to Behill on 7 August 2023. The said termination is mainly attributable to the fact that Behill's main business operation has been consistently loss-making and led to the official discontinuation on 7 August 2023, as a means to reduce the Group's operating losses.

Major terms of the contracts under the Contractual Arrangements

The Contractual Arrangements currently in effect comprise four agreements, namely (i) the Exclusive Technological Support and Management Consulting Service Agreement, (ii) the Exclusive Call Option Agreement, (iii) the Equity Pledge Agreement and (iv) the Business Cooperation Agreement, which were entered into between or amongst Chunxin, Behill and the Registered Shareholder (as the case may be), and the irrevocable power of attorney executed the Registered Shareholder.

A summary of the major terms of the four agreements and the power of attorney of the Contractual Arrangements is as follows:

(a) Exclusive Technological Support and Management Consulting Service Agreement

Chunxin and Behill entered into an Exclusive Technological Support and Management Consulting Service Agreement on 29 February 2016, pursuant to which, among others:

i. Behill agreed to engage Chunxin as its exclusive consultant and service provider. The technology advices and services which Chunxin shall provide to Behill include, but are not limited to, (i) research and development of technologies necessary for the operations of Behill, (ii) application and implementation of technologies relevant to the operations of Behill, (iii) technical services related to advertisement design, software design, and webpage production with respect to Behill's advertising business, and provide management advices and recommendations, and (iv) daily maintenance, supervision, commissioning and troubleshooting of Behill's computer network equipment and other technical services; and

ii. Behill shall pay to Chunxin a service fee that is equals to its 100% profit before income tax (net of operating and other tax expenses) on a monthly basis.

The Exclusive Technological Support and Management Consulting Service Agreement may be terminated by Chunxin by giving Behill 30 days' prior written notice of termination or shall be terminated upon the transfer of the entire equity interests in and/or the transfer of all assets of Behill to Chunxin or its designated person(s) pursuant to the Exclusive Call Option Agreement. Behill is not contractually entitled to terminate the Exclusive Technological Support and Management Consulting Service Agreement with Chunxin.

(b) Exclusive Call Option Agreement

Chunxin, the Registered Shareholder and Behill entered into an Exclusive Call Option Agreement on 29 February 2016, pursuant to which, among others:

i. the Registered Shareholder irrevocably granted to Chunxin or any person(s) designated by Chunxin, the exclusive option(s) to purchase, to the extent permitted by PRC laws and regulations, his equity interests in Behill, entirely or partially, at an aggregate consideration of RMB1 or a minimum purchase price permitted by PRC laws and regulations (the "Agreed Price") for all option(s) exercised. The registered Shareholder has undertaken to reimburse Chunxin (or the person as designated by Chunxin), any of the difference between the actual consideration Chunxin (or the person as designated by Chunxin) paid pursuant to the exercise of the option(s) and the Agreed Price;

ii. Chunxin may exercise such options at any time until it or the person(s) designated by it has acquired the entire equity interest of Behill; and

iii. without prior written consent from Chunxin, Behill and the Registered Shareholder may not, among other things, (i) dispose of or procure other person(s) to dispose of any material assets of Behill (unless it arises in the ordinary course of business), or (ii) pass or approve any resolution with respect to the liquidation and dissolution of Behill.

The Exclusive Call Option Agreement shall expire when all the equity interests in and assets of Behill have been transferred to Chunxin or its designee, or may be terminated by Chunxin, at its sole discretion, gives Behill and the Registered Shareholder a 30 days' prior written notice of termination. Behill and the Registered Shareholder are not contractually entitled to terminate the Exclusive Call Option Agreement with Chunxin.

(c) ***Equity Pledge Agreement***

Chunxin and the Registered Shareholder entered into the Equity Pledge Agreement on 29 February 2016, pursuant to which, among others:

i. the Registered Shareholder agreed to pledge all of the equity interests in Behill to Chunxin to secure the performance of all their obligations and the obligations of Behill under the Contractual Arrangements. Pursuant to the Equity Pledge Agreement, Chunxin has a first priority pledge on all or any part of the equity interests in Behill held by the Registered Shareholder. Under the Equity Pledge Agreement, if the Registered Shareholder and/or Behill breaches any obligation under the Contractual Arrangements, Chunxin, as the pledgee, is entitled to request the Registered Shareholder to transfer the pledged equity interests, entirely or partially to Chunxin and/or any entity or person as designated by Chunxin; and

ii. the Registered Shareholder has undertaken to Chunxin, among other things, not to transfer his interests in Behill and not to create any pledge thereon without Chunxin prior written consent.

The Equity Pledge Agreement may be terminated by Chunxin by giving Behill 30 days' prior written notice of termination or shall terminate when Behill has fulfilled and performed all obligations under the agreements underlying the Contractual Arrangements or upon the termination of the agreements underlying the Contractual Arrangements. Behill and the Registered Shareholder are not contractually entitled to terminate the Equity Pledge Agreement with Chunxin.

(d) ***Business Cooperation Agreement***

Chunxin, the Registered Shareholder and Behill entered into a Business Cooperation Agreement on 29 February 2016, pursuant to which, among others:

i. Behill and the Registered Shareholder shall appoint persons to be designated by Chunxin to be the chairman (when applicable), director/executive directors, general manager, chief financial controller and other senior management of Behill. Behill shall be operated in accordance with Chunxin's instruction and the Registered Shareholder has undertaken not to act in any manner that may affect the assets, business, personnel, obligations, rights or the operations of Behill, unless with the prior written consent of Chunxin or its appointee;

ii. unless with the prior written consent of Chunxin or its appointee, the Registered Shareholder will not sell, transfer, lease any of the material assets or rights of Behill or authorise any third party the right to use, including but not limited to, any know- how, trade secrets, domain names, trade marks, patents, copyright of Behill, or any material assets or rights acquired by Behill;

iii. Chunxin shall have the right to obtain and review the business data, financial information and other information relevant to the operations and business of Behill; and

iv. appropriate arrangements have been made to protect Chunxin's interests in the event of death, incapacity, bankruptcy or divorce of the Registered Shareholder or any other circumstances that may affect their exercise of the shareholders' rights to avoid any practical difficulties in enforcing the Business Cooperation Agreement.

The Business Cooperation Agreement shall expire upon the transfer of the entire equity interests in and/or the transfer of all assets of Behill to Chunxin or its designated person(s) pursuant to the Exclusive Call Option Agreement, or may be terminated by Chunxin, at its sole discretion, gives Behill and the Registered Shareholder a 30 days' prior written notice of termination. Behill and the Registered Shareholder are not contractually entitled to terminate the Business Cooperation Agreement with Chunxin.

(e) Power of Attorney

On 29 February 2016 , the Registered Shareholder executed an irrevocable Power of Attorney to authorise Chunxin to exercise all of his rights and powers as shareholder of Behill. Pursuant to the Power of Attorney, the shareholders' rights exercisable by the proxy include, but not limited to, the rights to (i) attend shareholders' meetings and pass any shareholders' resolution of Behill; (ii) exercise all shareholders' rights in accordance with applicable laws and the articles and constitutional documents of Behill; (iii) submit and/or file any documents or information to relevant companies registry; and (iv) elect and appoint the legal representative, chairman, directors, supervisors, general manager and other senior management of Behill.

Under the Power of Attorney, the Registered Shareholder irrevocably confirmed that the power of attorney shall remain in full force and effect during the term which the Registered Shareholder remains as the shareholder of Behill.

Apart from the above, there are no new Contractual Arrangements entered into, renewed or reproduced among the Group, the Registered Shareholder and Behill during the year ended 31 December 2018.

Risks associated with the Contractual Arrangements

There are certain risks associated with the Contractual Arrangements, which include, but not limited to: (i) there is no assurance that the Contractual Arrangements could comply with future changes in the regulatory requirements in the PRC and the PRC government may determine that the Contractual Arrangements do not comply with applicable regulations; (ii) the Contractual Arrangements may not be as effective as direct ownership in providing control over Behill; (iii) the Registered Shareholder may potentially have a conflict of interests with the Group; (iv) the Contractual Arrangements may be subject to scrutiny of the PRC tax authorities and transfer pricing adjustments and additional tax may be imposed; (v) certain terms of the Contractual Arrangements may not be enforceable under the PRC laws; (vi) a substantial amount of costs and time may be involved in transferring the ownership of Behill to the Group under the Exclusive Option Agreement; (vii) the Company does not have any insurance which covers the risks relating to the Contractual Arrangements and the transactions contemplated thereunder; and (viii) the Group may bear economic risk which may arise from difficulties in the operation of Behill. For further details of the risks associated with the Contractual Arrangements, please refer to the section headed "Risk Factors in relation to the VIE Contracts" of the Circular dated 29 February 2016.

Measures adopted by our Group

Our Group has adopted various measures to ensure legal and regulatory compliance and to ensure the sound and effective operation of our Group (including Behill) and the implementation of the Contractual Arrangements, which include, but not limited to: (i) the Group has appointed a representative (the "Representative") to act as the sole executive director of Behill. The Representative will conduct weekly reviews on the operations of Behill and submit the weekly reviews to the Board. The Representative will also check the authenticity of the monthly management accounts of Behill; (ii) the Representative is stationed at Behill and is actively involved in various aspects of the daily managerial and operational activities of Behill; (iii) the Representative will report any major events of Behill to the company secretary of the Company (the "Company Secretary"), who in turn report to the Board; (iv) the Company Secretary will conduct regular site visits to Behill and conduct personnel interviews quarterly and submitted reports to the Board; (v) all seals, chops, incorporation documents and all other legal documents, to the extent permitted by the PRC law, of Behill are kept at the office of Chunxin; (vi) the financial controller (the "FC") of the Company will collect monthly management accounts, bank statements and cash balances and major operational data of Behill for review. Upon discovery of any suspicious matters, the FC will report to the Company Secretary, who in turn report to the Board; (vii) if the payment of the service fees from Behill to Chunxin is delayed, the FC will meet with the shareholder of Behill to investigate, and report any suspicious matters to the Board; (viii) Behill will submit copies of latest bank statements for every bank accounts of Behill within 15 days after the end of each month; (ix) Behill will assist and facilitate the Company to conduct quarterly on-site internal audit on Behill; (x) the independent non-executive Directors will review the compliance of the Contractual Arrangements on an annual basis and their confirmation will be disclosed in the annual report; (xi) if necessary, legal advisors and/or other professionals will be retained to assist our Group to deal with specific issues arising from the Contractual Arrangements and to ensure that the operation and implementation of the Contractual Arrangements as a whole will comply with applicable laws and regulations; and (xii) our Group will unwind the Contractual Arrangements as soon as relevant PRC laws and regulations allow the Principal Business to be conducted and operated by owned subsidiaries of our Company without such arrangements in place.

Change of circumstances

There had been no material change in the arrangements under the Contractual Arrangements and/or the circumstances under which they were adopted. As of 7 August 2023, the termination date, the foreign investment restrictions which gave rise to the arrangements under the Contractual Arrangements were still in existence.

Independent non-executive Directors' confirmation

The Independent non-executive Directors of the Company are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to the Group's legal structure and business operations, that such transactions are on normal commercial terms and are fair and reasonable, or advantageous, so far as the Group is concerned and in the interests of the Company and the Shareholders as a whole.

The independent non-executive directors of the Company reviewed the Contractual Arrangements and confirmed that:

(i) the transactions carried out during the year ended 31 December 2023 have been entered into in accordance with the relevant provisions of the Contractual Arrangements, and have been operated so that the profit generated by Behill has been substantially retained by Chunxin;

(ii) no dividends or other distributions have been made by Behill to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group; and

(iii) there were no new contracts entered into, renewed or reproduced between the Group and Behill during the year ended 31 December 2023.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors or any of their respective associates, has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interest with the Group.

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

During the year, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

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.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands.

DIVIDEND POLICY

The Company has adopted a dividend policy ("Dividend Policy"), pursuant to which the Company gives priority to distributing dividend in cash and shares its profits with its shareholders. The dividend payout ratio shall be determined or recommended, as appropriate, by the Board at its absolute discretion after taking into account the Company's financial results, future prospects and other factors, and subject to:

– the Articles of Association of the Company;

– the applicable restrictions and requirements under the laws of the Cayman Islands;

– any banking or other funding covenants by which the Company is bound from time to time;

– the investment and operating requirements of the Company; and

– any other factors that have material impact on the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's total issued Shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, was held by the public at all times during the reporting period and up to the date of this annual report.

AUDITORS

The consolidated financial statements for the year ended 31 December 2023 have been audited by McMillan Woods (Hong Kong) CPA Limited which had been appointed by the Company with effect from 5 May 2023. A resolution to re-appoint McMillan Woods (Hong Kong) CPA Limited and to authorise the Directors to fix its remuneration will be proposed at the 2024 AGM.

On behalf of the Board
Muk Hung Fei
Chairman and Executive Director
14 June 2024

McMillanWoods
Professionalism at the forefront

TO THE SHAREHOLDERS OF MOBILE INTERNET (CHINA) HOLDINGS LIMITED
(Incorporated in the Cayman Islands limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Mobile Internet (China) Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 41 to 119, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of this report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

1. Material uncertainties relating to the going concern basis

As explained in Note 3 to the consolidated financial statements, the Group incurred a net loss of approximately RMB15,138,000 for the year ended 31 December 2023, and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB693,581,000, resulting in net liabilities position of approximately RMB693,581,000. In addition, as detailed in notes 25, 26, 27 and 36 of the consolidated financial statements, as at 31 December 2023 the borrowings included promissory notes, convertible bonds and bank and other borrowings which were overdue (except certain promissory notes as detailed in notes 25 and 26) and remained unsettled. These outstanding principal amounts and related overdue interests amounting to approximately RMB295,927,000 and RMB410,088,000, respectively, were still outstanding as at the date of approval for issuance of the consolidated financial statements.

Since May 2023 onwards, Jiangxi Bank and China Construction Bank (the "Banks") were creditors of HongSheng (Jiangxi) Color Printing Packaging Co., Ltd ("HongSheng"), a wholly-owned subsidiary of the Group, and HongSheng was indebted to the Banks with an amount of approximately RMB32 million, which was overdue on 18 June 2021 and an amount of approximately RMB12 million, which was overdue on 29 April 2022, respectively. The Banks have individually applied to the district court for an enforcement order on HongSheng, which would require all the revenue generated by HongSheng, including the Group's factory and all the production lines located in the PRC, to be used for repayment to the Banks. Furthermore, HongSheng was indebted to its former employees in a total amount of approximately for overdue salary payment of approximately RMB1.8 million. The said outstanding loan principal and corresponding interest, as well as bearing relevant litigation fees, remained unsettled as at the date of approval of these consolidated financial statements.

As at 31 December 2023, the Group had cash and cash equivalents of approximately RMB1,000, which is insufficient to fully repay the matured borrowings as above-mentioned and relevant aggregated interest. The factors referred to above, along with other matters as described in Note 3 to the consolidated financial statements, indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

The directors have been undertaking certain measures to improve the Group's liquidity and financial position, which are set out in Note 3 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the outcomes of these measures, which are inherently uncertain and subject to multiple uncertainties, including (i) whether the Group is able to implement its cost control measures to attain positive cash flows from operations; (ii) whether the Group is able to successfully negotiate with the banks, other lenders, and holders of its promissory notes and convertible bonds to restructure and/or refinance these borrowings, including those with overdue principals and interests, and secure necessary credit facilities to provide additional funds to meet the Group's working capital and financial requirements in the near future; and (iii) whether the Company is able to successfully implement alternative capital raising initiatives to strengthen the capital base of the Group.

We have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves about the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated financial statements because of the lack of detailed analyses provided by management in relation to its plans and measures for future actions in its going concern assessment which take into account the uncertainty of outcome of these plans and measures and how variability in outcome would affect the future cash flows of the Group.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the carrying values of assets, including but not limited to the prepaid value-added tax and other assets included in "assets of a disposal group classified as held for sale", to their recoverable amounts, to provide for further liabilities which might arise. The effects of these adjustments have not been reflected in these consolidated financial statements and we were unable to determine whether such adjustments might have been found necessary.

2. Limitation of scope on accounting books and records of 冰河(廈門)信息技術有限公司 (Behill Science Technology Co., Ltd) ("Behill")

Due to the insufficiency of supporting documentation and explanations for accounting books and records in respect of Behill, as further detailed in note 33 to the consolidated financial statements, for the years ended 31 December 2021 and 2022, we were unable to carry out audit procedures to satisfy ourselves as to whether the income and expenses of approximately RMBNil and RMB168,000, respectively, for the year ended 31 December 2022 and the assets and liabilities as at 31 December 2022 of approximately RMB3,021,000 and RMB10,947,000, respectively, and the segment information and other related disclosure notes in relation to the Group, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements. Any adjustments found to be required may have consequential significant effects on the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2022.

Due to the circumstances as described herein, we were unable to perform audit procedures to obtain sufficient appropriate audit evidence to satisfy ourselves about the validity and completeness of the whole financial statements of Behill for the year ended 31 December 2021 and 2022. In addition, as no documentation of impairment assessment of the interest in Behill as at 31 December 2021 and 2022 was made available to us, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves that the recoverable amounts of the interest in Behill, as further detailed in note 33 to the consolidated financial statements, were properly assessed as at 31 December 2021 and 2022. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the interest in Behill as at 31 December 2021 and 2022, and the impairment loss recognised in respect of the interest in Behill were free from material misstatement. Any adjustments found to be required may have consequential significant effects on the carrying amounts of the interest in Behill and the impairment loss in respect thereof as at 31 December 2021 and 2022 and hence on the net assets of the Company as at 31 December 2021 and 2022 and related disclosures thereof in the consolidated financial statements.

Our opinion on the consolidated financial statements of the Group for the year ended 31 December 2022 was qualified for limitation of audit scope on the financial statements of Behill as above-mentioned as we were unable to obtain sufficient appropriate audit evidence.

During the year ended 31 December 2023, the Group has terminated the structured arrangements of the operating entity, Behill, which was treated as a wholly owned subsidiary of the Group. Following the termination, a gain on deemed disposal of the subsidiary of approximately RMB7,667,000 was recognised for the year ended 31 December 2023.

Due to the circumstances of the lack of access to complete books and records of Behill, for the relevant periods up until the respective dates on which the disposal took effect and the inability to complete the works to reconstruct the relevant books and records, the Board is unable to ascertain the completeness and recording accuracy of the assets and liabilities, as well as other account balances, of Behill, as at the respective dates on which the disposal was completed. Furthermore, the balances of the assets and liabilities of Behill as well as other account balances, if any, including the amounts with Behill, as recognised by the Group on the respective relevant dates were taken into account in the determination of the loss on disposal of Behill and hence of the financial performance and cash flows of the Group for the year ended 31 December 2023. We have been unable to carry out alternative audit procedures to obtain sufficient appropriate audit evidence to satisfy ourselves as to the validity, accuracy and completeness of the carrying amounts of the assets and liabilities of Behill at the relevant dates which were derecognised by the Group and hence of the validity and recording accuracy of the net liabilities of Behill disposed of, represented by the net carrying amount of the assets and liabilities of Behill as at the relevant dates of 1 January 2023 and the disposal date, respectively which were reclassified to consolidated profit or loss upon the disposals, all of which entered into the determination of the gain on deemed disposal of a subsidiary of approximately RMB7,667,000 which was recognised in the consolidated statement of profit or loss of the Group for the year ended 31 December 2023. Therefore, we were unable to satisfy ourselves as to whether the carrying amounts of the assets and liabilities of Behill derecognised on the relevant dates, as well as the resulting gain on deemed disposal of a subsidiary which was recognised in consolidated profit or loss of the Group for the year ended 31 December 2023, were free from material misstatements.

Any adjustments found to be necessary may have a consequential significant effect on the profit and other comprehensive income and cash flows of the Group for the year ended 31 December 2023 and the related disclosures thereof in the consolidated financial statements.

3. Limitation of scope on inventories

We were not appointed as auditors of the Company until after 31 December 2022 and thus did not observe the counting of physical inventories at the beginning and end of the year. We were unable to carry out auditing procedures necessary to obtain adequate assurance regarding the quantities and condition of inventories of approximately RMB51,961,000 and RMB995,000 as at 31 December 2021 and 2022, respectively. An impairment loss of RMB7,497,000 had been recognised by the Group for the year ended 31 December 2021. For the year ended 31 December 2022, a further impairment loss of RMB105,845,000 has been recognised by the Group. There were no other satisfactory audit procedures that we could adopt to obtain sufficient evidence regarding the existence and valuation of the inventories. Any adjustment to the amount would have a consequential impact on the Group's net assets as at 31 December 2022 and the net loss from ordinary activities attributable to shareholders for the year ended 31 December 2022. The closing balance of the inventories as at 31 December 2021 is carried forward as the opening balance for the current year, any adjustments found to be necessary to the closing balance as at 31 December 2021 may have a significant effect on the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2022.

Our opinion on the consolidated financial statements of the Group for the year ended 31 December 2022 was qualified for limitation of audit scope on inventories as above-mentioned as we were unable to obtain sufficient appropriate audit evidence.

Our opinion on the current year's consolidated financial statements is also modified because of the possible effect of this matter on the comparability of the current year's figures and corresponding figure in relation to inventories and write-off of inventories as disclosed in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023, of the opening balance of the inventories as at 31 December 2023, and the related note disclosures.

RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so. The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA and to issue an auditor's report. The report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. 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.

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants

Wong Ka Bo, Jimmy
Audit Engagement Director
Practicing Certificate Number: P07560

24/F., Siu On Centre, 188 Lockhart Road
Wanchai, Hong Kong
14 June 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	7	**–**	4,084
Cost of sales		**–**	(1,377)
Gross profit		**–**	2,707
Other revenue	8	**–**	224
Gain on deemed disposal of a subsidiary	9	**7,667**	–
Selling and distribution expenses		**–**	(4,821)
Administrative expenses		**(12,083)**	(19,383)
Reversal of/(allowance) for expected credit loss ("ECL") recognised in respect of financial assets carried at amortised costs, net	10	**(435)**	19,064
Write-off of inventories		**(721)**	(105,845)
Impairment of properties, plant and equipment		**–**	(55,224)
Loss from operations		**(5,572)**	(163,278)
Finance costs	12	**(9,566)**	(99,771)
Loss before tax	10	**(15,138)**	(263,049)
Income tax	13	**–**	–
Loss for the year		**(15,138)**	(263,049)
Other comprehensive (loss)/income for the year, net of tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(13,565)**	(49,361)
Other comprehensive (loss)/income for the year, net of tax		**(13,565)**	(49,361)
Total comprehensive loss for the year, net of tax		**(28,703)**	(312,410)
Loss for the year attributable to owners of the Company		**(15,138)**	(263,049)
Total comprehensive loss for the year attributable to owners of the Company		**(28,703)**	(312,410)
Loss per share attributable to owners of the Company			
– Basic and diluted (RMB cents)	15	**(1.10)**	(19.10)

Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment	16	–	46,656
Right-of-use assets	19	–	1,956
		–	48,612
Current assets			
Inventories	20	–	995
Trade receivables	21	–	435
Prepayments, deposits and other receivables	22	–	15,693
Cash and bank balances	23	**1**	2
		1	17,125
Assets of a disposal group classified as held for sale	36	**57,320**	–
		57,321	17,125
Current liabilities			
Trade, other payables and accruals	24	**441,880**	436,774
Borrowings	25	**252,010**	293,841
		693,890	730,615
Liabilities directly associated with the assets classified as held for sale	36	**57,012**	–
		750,902	730,615
Net current liabilities		**(693,581)**	(713,490)
Total assets less current liabilities		**(693,581)**	(664,878)
Net liabilities		**(693,581)**	(664,878)
Equity			
Share capital	29	**11,161**	11,161
Reserves		**(704,742)**	(676,039)
Capital deficiency		**(693,581)**	(664,878)

The consolidated financial statements were approved and authorised for issue by the board of directors on 14 June 2024 and are signed on its behalf by:

Mr. Muk Hung Fei
Chairman

Mr. Chan Wai Kit
Executive Director

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Share capital RMB'000 (Note 29(a))	Share premium RMB'000	Statutory reserve RMB'000 (Note 30(a)(i))	Other reserve RMB'000 (Note 30(a)(ii))	Exchange reserve RMB'000 (Note 30(a)(iii))	Accumulated loss RMB'000	Total capital deficiency RMB'000
As at 1 January 2022	11,161	611,286	50,473	18,130	27,563	(1,071,081)	(352,468)
Loss for the year	–	–	–	–	–	(263,049)	(263,049)
Other comprehensive income for the year	–	–	–	–	(49,361)	–	(49,361)
Total comprehensive income/(loss) for the year	–	–	–	–	(49,361)	(263,049)	(312,410)
As at 31 December 2022	11,161	611,286	50,473	18,130	(21,798)	(1,334,130)	(664,878)
Loss for the year	–	–	–	–	–	(15,138)	(15,138)
Other comprehensive loss for the year	–	–	–	–	(13,565)	–	(13,565)
Total comprehensive income/(loss) for the year	–	–	–	–	(13,565)	(15,138)	(28,703)
As at 31 December 2023	**11,161**	**611,286**	**50,473**	**18,130**	**(35,363)**	**(1,349,268)**	**(693,581)**

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Operating activities			
Loss before tax		**(15,138)**	(263,049)
Adjustments for:			
(Reversal of)/allowance for expected credit loss recognised in respect of financial assets carried at amortised costs, net	5	**435**	(19,064)
Depreciation of property, plant and equipment	10	**7,135**	17,808
Depreciation of right-of-use assets	10	**59**	59
Finance costs	12	**9,566**	99,771
Write-off of inventories	10	**721**	105,845
Impairment of property, plant and equipment	10	**–**	55,224
Gain on deemed disposal of subsidiaries	9	**(7,667)**	–
Interest income	8	**–**	(5)
Operating cash flows before movement in working capital		**(4,889)**	(3,411)
Net change in inventories		**–**	(60,834)
Net change in trade receivables		**–**	78,640
Net change in prepayments, deposits and other receivables		**(66)**	(7,937)
Net change in trade, other payables and accruals		**4,956**	(7,962)
Cash used in operations		**1**	(1,504)
PRC tax paid, net		**–**	–
Net cash used in operating activities		**1**	(1,504)
Investing activities			
Interest received		**–**	5
Net cash generated from investing activities		**–**	5
Financing activities			
Repayments of borrowings		**–**	(83)
Bank borrowings interest paid		**–**	(357)
Net cash used in financing activities		**–**	(440)
Net increase (decrease) in cash and cash equivalents		**1**	(1,939)
Cash and cash equivalents at the beginning of the year		**2**	1,941
Effect of exchange rate on the balances of cash held in foreign currencies		**–**	–
Cash and cash equivalents included in assets of disposal group classified as held for sale		**(2)**	–
Cash and cash equivalents at the end of the year		**1**	2

The accompanying notes form an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

The Company was incorporated in Cayman Islands on 12 July 2013 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Unit 64, 1/F, Houston Centre, 63 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 13 January 2014.

The Company acts as an investment holding company while its principal operating subsidiaries are engaged in manufacturing and sales of packaging materials and development, distribution and operation of mobile game products.

The Directors consider the parent and ultimate holding company of the Company to be Wealthy Achievers Limited ("Wealthy Achievers"), a company incorporated in the British Virgin Islands (the "BVI") and its ultimate controlling party is Mr. Peng Dongmiao, who is deemed to be interested in all the Shares owned by Wealthy Achievers under the Securities and Futures Ordinance.

The audited consolidated financial statements are presented in Renminbi ("RMB") and rounded to the nearest thousand (RMB'000), unless otherwise stated. RMB is the Company's presentation currency and the functional currency of the principal operating subsidiaries of the Group. The functional currency of the Company is Hong Kong dollars ("HK$"). The Directors consider that choosing RMB as the presentation currency best suits the needs of the shareholders and investors.

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

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year:

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

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

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

New and amendments to HKFRSs in issue but not yet effective

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

	Effective for accounting periods beginning on or after
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
Amendments to HKFRS 16 – Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKAS I – Classification of Liabilities as Current or Non-current (the "2020 Amendments")	1 January 2024
Amendments to HKAS I – Non-current Liabilities with Covenants (the "2022 Amendments")	1 January 2024
Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 7 and HKFRS 7 – Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21 – Lack of Exchangeability	1 January 2025

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. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

Statement of compliance

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

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Basis of preparation

The audited consolidated financial statements have been prepared on the historical cost basis, unless explained otherwise in the accounting policies set out below.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustments in the next year are discussed in Note 4 to the consolidated financial statements.

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

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 within the scope of HKFRS 16 Leases, 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.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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.

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Basis of preparation (continued)

Going concern

The Group incurred a net loss of approximately RMB15,138,000 for the year ended 31 December 2023 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB693,581,000, resulting in net liabilities position of approximately RMB693,581,000. In addition, included in the borrowings, as detailed in notes 25, 26, 27 and 36 of the consolidated financial statements, as at 31 December 2023 are promissory notes, convertible bonds and bank and other borrowings which were overdue and remained unsettled as at 31 December 2023. These outstanding principal amounts and related overdue interests amounting to approximately RMB295,927,000 (2022: RMB293,842,000) and RMB410,088,000 (2022: RMB389,902,000), respectively, in aggregate were remaining outstanding as at the date of approval for issuance of the consolidated financial statements.

As at 31 December 2023, the Group had cash and cash equivalents of approximately RMB1,000, which is insufficient to fully repay the matured borrowings as above-mentioned and relevant aggregated interest.

In view of the above circumstances, the Directors have given careful consideration to the future liquidity and financial position of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been taken to mitigate the liquidity position and to improve the Group's financial position which include, but are not limited to the followings:

(i) The Group is taking measures to tighten cost control with an aim to attain positive cash flow from operations;

(ii) The Group is in the process of negotiation with its creditors to restructure and/or refinance its borrowings and secure necessary facilities to meet the Group's working capital and financial requirements in the near future;

(iii) The Group is negotiating with the banks to reach a settlement for the existing bank borrowings;

(iv) The Directors are considering various alternatives to strengthen the capital base of the Company including but not limited to, seeking new investment and business opportunities, private placements, open offers or rights issue of new shares of the Company; and

(v) The Group is currently re-negotiating the repayment schedules with certain debtors and endeavouring to request them to repay the trade receivables in accordance with the repayment schedules as agreed with them.

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Basis of preparation (continued)

Going concern (continued)

The Directors are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as they fall due within twelve months from the date of approval of the consolidated financial statements. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, since the execution of the above plans and measures are in progress and the future outcomes are inherently uncertain, material uncertainties exist as to whether management of the Group will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to achieve these plans and measures, including ability to repay, renew or to restructure and/or refinance its borrowings with the promissory notes holders and convertible bonds holders, generate adequate financing and operating cash flows.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised other than at the amounts at which they are currently carried in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise. The effects of these adjustments have not been reflected in the consolidated financial statements.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition- date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

(i) deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

(ii) liabilities or equity instruments related to share-based payment arrangement of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

(iii) assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Business combinations (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another standard.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 Financial Instruments ("HKFRS 9") would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Consolidation

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

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

The Company 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 Company 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 Company considers all relevant facts and circumstances in assessing whether or not the Company'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
- 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' meeting.

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

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Consolidation (continued)

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a jointly venture.

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purpose 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 monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit ("CGU") or group of CGU to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) 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 on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant of CGU or any of the cash-generating unit within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

Subsidiaries

A subsidiary is a company in which the Company directly or indirectly controls more than half of the voting power, or controls the composition of the board of directors. Investments in subsidiaries are carried in the Company's financial statement at cost less accumulated impairment loss.

Separate financial statements

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

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Revenue and other income

Revenue from contracts with customers

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

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

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

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

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

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 obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Revenue and other income (continued)

Revenue from contracts with customers (continued)

(i) Sales of goods

For sales of paper-based packaging products, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the wholesaler's specific location (delivery). Following delivery, the buyer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when selling the goods and bears the risks of obsolescence and loss in relation to the goods.

(ii) Revenue from mobile and web game operation

<u>Mobile and web games operation – Gross basis (Exclusive operation)</u>

The Group operates certain games developed by game developer and self-developed mobile and web games through the Group's platform. The Group is responsible for technical support. The platforms are responsible for distribution and, collections from players.

The Group primarily operates its mobile and web games under free to play model. Players can purchase virtual currency to obtain in-games items and premium features, commonly known as virtual items. These third-party payment platforms are entitled to service fees which are withheld and deducted from the gross proceeds collected from the players, with the net amounts remitted to the Group. These service fees are commonly referred to as channel costs. The considerations received for purchase of the virtual currency is non-refundable and related channel costs are non-cancellable. The revenue is recognised when the related in-games items and premium features are provided to players. The Group recognises revenue on a gross basis when the Group acting as the principal in these transactions, and records the channel cost under cost of sales in the consolidated statement of profit or loss and other comprehensive income.

Revenue from the virtual currency are recognised ratably over the period the virtual currency are expected consumed. At each reporting date, the income received in respect of unutilised virtual currency is recognised as contract liabilities.

<u>Mobile and web game operation – Net basis (Joint operation)</u>

The Group operated certain web games which were developed by other game developers. The Group is only responsible for promoting the game and is considered as the agents of the game developers. The Group receives commission based on a certain portion of the purchase amount for in game virtual currency remitted by players through different payment platforms. After deducting channel cost charged by the payment platforms and the sharing amount to game developers, the Group recognizes the rest of the amount as revenue. Revenue is recognised over the game player playing periods and recognised upon the purchase action by players.

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Revenue and other income (continued)

Revenue from contracts with customers (continued)

(ii) Revenue from mobile and web game operation (continued)

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

(iii) Other services

Revenue from the provision of services is recognised over the period because the customer simultaneously receives and consumes the benefits provided by the Group.

(iv) Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance). Interest income is presented as "interest income" where it is mainly earned from financial assets that are held for cash management purposes.

Leases

Definition of a lease

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

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Leases (continued)

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight- line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of 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, unless those costs are incurred to produce inventories.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Leases (continued)

The Group 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.

Lease payments included:

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

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review or expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Leases (continued)

The Group as a lessee (continued)

Lease modifications

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

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

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

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

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Foreign currencies

Items included in the consolidated financial statements of each of the companies now comprising the Group are measures using the currency of the primary environment in which the companies operate (the "functional currency").

In preparing the financial information of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing 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 on monetary items are recognised in profit or loss in the period 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 transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

- 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.

For the purpose of presenting consolidated financial statements, 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 each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the 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 exchange reserve (attributed to non-controlling interests as appropriate).

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, a disposal 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 Group are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Foreign currencies (continued)

Goodwill and fair value adjustments on identifiable assets acquires arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of exchange reserve.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Borrowing costs

Borrowing costs are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

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

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

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

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Retirement benefit costs

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

In the reporting period in which an employee has rendered services, the Group recognises the employee benefit expenses for those services in profit or loss.

The Company operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the 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 profit or loss 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 Company's employer contributions vest fully with the employees when contributed into the MPF Scheme.

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Retirement benefit costs (continued)

Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the Government of the People's Republic of China (the "PRC"), including social pension insurance, health care insurance, housing funds and other social welfare contributions. The Group contributes on a monthly basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

Share option expense

The Group operates a share option scheme for the purpose of providing incentives and rewards to eligible persons for their contributions to the Group.

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. 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 share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

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 'loss before tax' as reported in the consolidated statement 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 Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Taxation (continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax basis 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 and associates, and interests in joint ventures, 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 interest 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 each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset 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.

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

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Taxation (continued)

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

An item of property 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 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.

	Useful lives
Machinery	10 years
Computer and office equipment	5 years
Motor vehicles	5 years
Building	20 years
Leasehold improvements	Over the lease terms

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Intangible assets

Game, intellectual properties and licences

Game, intellectual properties and licences is initially recognised and measured at cost less amortisation. Acquired game licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software, and are amortised over their estimated useful lives of 1 to 3 years.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses.

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

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation for intangible asset with finite useful lives is recognised on a straight-line basis over their estimated useful lives.

Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Derecognition of intangible assets

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Impairment of tangible assets, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

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

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

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

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

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

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

Financial instruments

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

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

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

Interest and sundry income which are derived from Group's ordinary course of business are presented as other revenue and other income.

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

All other financial assets are subsequently measured at FVTPL, except that at 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 ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations ("HKFRS 3") applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

Amortised cost and interest income

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

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" line item.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, other receivables and cash and bank balances) which are subject to impairment assessment under HKFRS 9. 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, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting 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.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually and/or collectively using a provision matrix with appropriate groupings.

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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting 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.

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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(ii) 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.

(iii) 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.

(iv) Write-off policy

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data 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.

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

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

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

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

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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

An equity instruments 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 Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

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

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities at FVTPL (continued)

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated loss upon derecognition of the financial liability.

Financial liabilities at amortised costs

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

Derivative financial instruments

Derivative are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or losses on fair value changes is recognised in profit or loss.

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Derivative financial instruments (continued)

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Company are classified separately as financial liabilities, equity and derivatives in accordance with the substance of the contractual arrangements and the definitions of a financial liability, an equity instrument and derivative financial instruments. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component (including any embedded non-equity derivatives features) is estimated by measuring the fair value of similar liability that does not have an associated equity component.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible bonds, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

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 continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, 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 obligation are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognised in profit or loss.

Cash and bank balances

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted to use.

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Related parties transactions

A party is considered to be related to the Group if:

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

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

  (ii) has significant influence over the Group; or

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

(2) An entity is related to the Group if any of the following condition applies:

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

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

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

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

  (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

  (vi) The entity is controlled or jointly controlled by a person identified in (1).

  (vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

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

A transaction is considered to be a related party transaction when there is a transfer of resources and obligation between related parties.

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, 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.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND SIGNIFICANT JUDGEMENTS

In the process of applying the Group's accounting policies which are described in Note 3, management has made certain key judgements and assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next year, are discussed below:

4.1 Key sources of estimation uncertainty

Impairment on non-financial assets

The Group assesses at each reporting date whether there are any indicators of impairment for all non-financial assets, including its property, plant and equipment and right-of-use assets at each reporting date. To determine whether there is any objective evidence of impairment, the Company considers external factors including decline in asset values, significant changes with an adverse effect in the market or economic or legal environment in which the entity operates and internal factors such as evidence from internal reporting. Tangible assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. As at 31 December 2022, the carrying amounts of property, plant and equipment and right-of-use assets subject to impairment assessment were approximately RMB46,656,000 and RMB1,956,000 respectively, after taking into account the impairment losses of approximately RMB55,224,000 and Nil in respect of property, plant and equipment and right-of-use assets respectively that have been recognized in consolidated profit or loss for the year ended 31 December 2022. Details of impairment assessment of property, plant and equipment and right-of-use assets are disclosed in Notes 16 and 19 respectively. As at 31 December 2023, the carrying amounts of property, plant and equipment and right-of-use assets approximately RMB39,521,000 and RMB1,897,000, respectively, were reclassified to assets of disposal group classified as held for sale in Note 36. Regarding the non-financial assets reclassified as held for sale, refer to accounting policy of "Non-current assets and disposal groups held for sale" for details.

Impairment of inventories

The management reviews an aging analysis at the end of the reporting period, and makes impairment for obsolete and slow-moving inventory items identified that are no longer suitable for sales. The management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review at the end of the reporting period and makes impairment for obsolete and slow-moving items, when necessary. During the year ended 31 December 2023, write-off of inventories of approximately RMB721,000 (2022: RMB105,845,000) was recognised.

As at 31 December 2023, the carrying amounts of inventories were approximately RMB273,000, which was reclassified to assets of disposal group classified as held for sale in Note 36 (2022: RMB995,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND SIGNIFICANT JUDGEMENTS (continued)

4.1 Key sources of estimation uncertainty (continued)

Provision of ECL for trade receivables

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

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Note 5. As at 31 December 2023, the carrying amounts of trade receivables were Nil (2022: RMB435,000).

4.2 Significant judgement

Going concern basis

As disclosed in Note 3, the Directors have prepared the consolidated financial statements on a going concern basis after taking into consideration the following factors:

(i) The Group is taking measures to tighten cost control with an aim to attain positive cash flow from operations;

(ii) The Group is in the process of negotiation with its creditors to restructure and/or refinance its borrowings and secure necessary facilities to meet the Group's working capital and financial requirements in the near future;

(iii) The Group is negotiating with the banks to reach a settlement for the existing bank borrowings;

(iv) The Directors are considering various alternatives to strengthen the capital base of the Company including but not limited to, seeking new investment and business opportunities, private placements, open offers or rights issue of new shares of the Company; and

(v) The Group is currently re-negotiating the repayment schedules with certain debtors and endeavouring to request them to repay the trade receivables in accordance with the repayment schedules as agreed with them.

Details are set out in Note 3 to the consolidated financial statements.

5. FINANCIAL INSTRUMENTS

Financial instruments by category

The carrying amounts of each of the categories of financial instruments, which approximate to their fair values, as at the end of the reporting period are as follow:

	2023	2022
	RMB'000	RMB'000
Financial assets		
At amortised cost		
– Trade receivables	**–**	435
– Deposits and other receivables	**–**	3
– Cash and bank balances	**1**	2
	1	440
Financial liabilities		
At amortised cost		
– Trade, other payables and accruals	**441,880**	436,774
– Borrowings	**252,010**	293,841
	693,890	730,615

Regarding the carrying amounts of the same categories of financial instructions included in assets and associated liabilities of disposal group held for sale, please refer to Note 36 for details.

Financial risk management objective and policies

The Company's major financial instruments include trade receivables, deposits and other receivables, cash and bank balances, trade, other payables and accruals, borrowings and lease liabilities. The details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk and currency risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

5. FINANCIAL INSTRUMENTS (continued)

Financial risk management objective and policies (continued)

Credit risk

The credit risk of the Group mainly arises from cash and bank balances, trade receivables and other receivables. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade receivables arising from contracts with customers

In determining the recoverability of the trade receivables, the Group consider any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. Allowances for ECL are recognised against trade receivables based on simplified approach under expected credit loss model determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position and forward-looking information.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. The concentration of credit risk is limited due to the customer base being large and unrelated. No customer represents more than 5% of the total balance of trade receivables for both years.

The Group performs impairment assessment under ECL model on trade receivables based on provision matrix, the expected loss rates are based on the payment profile for sales in the past 5 years as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed.

Deposits and other receivables

As at 31 December 2022 and 2023, the management considers the ECL on deposits and other receivables to be immaterial.

Cash and bank balances

As at 31 December 2022 and 2023, all cash and bank balances were deposited in state owned banks and reputable financial institutions and were hence without significant credit risk. Management does not expect any losses from non-performance by these counterparties.

5. FINANCIAL INSTRUMENTS (continued)

Financial risk management objective and policies (continued)

Credit risk (continued)

Provision matrix – debtors' aging

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its manufacturing and sales of packaging materials operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix within lifetime ECL.

As at 31 December 2023

Trade receivables	**Expected loss rate**	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
Over 185 days past due	**100%**	**435**	**435**
Individual assessment	**N/A**	**–**	**–**
		435	**435**

As at 31 December 2022

Trade receivables	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Over 185 days past due	1.6%	442	7
Individual assessment	N/A	–	–
		442	7

5. FINANCIAL INSTRUMENTS (continued)

Financial risk management objective and policies (continued)

Credit risk (continued)

Provision matrix – debtors' aging (continued)

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2022, the Group reversed of approximately RMB19,064,000 impairment allowance for trade receivables, based on the provision matrix. During the year ended 31 December 2023, the Group provided of approximately RMB435,000 impairment allowance for trade receivables, based on the provision matrix.

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

	Lifetime ECL (not credit-impaired) RMB'000	**Lifetime ECL (credit-impaired)** RMB'000	**Total** RMB'000
As at 1 January 2022	18,035	1,036	19,071
– Reversal of impairment losses, net (Note 10)	(18,035)	(1,029)	(19,064)
As at 31 December 2022 and 1 January 2023	–	7	7
– Write-off against trade receivables	–	(7)	(7)
– Impairment losses recognised, net (Note 10)	–	435	435
As at 31 December 2023	**–**	**435**	**435**

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, have significant financial difficulty, or when the trade receivables are over two years past due, whichever occurs earlier.

5. FINANCIAL INSTRUMENTS (continued)

Financial risk management objective and policies (continued)

Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due, and it results from amount and maturity mismatches of assets and liabilities. The Group will consistently maintain a prudent financial policy and ensure that it maintains sufficient cash to meet its liquidity requirements.

The Group's financial liabilities are analysed into relevant maturity groupings based on the remaining period at the respective end of the reporting periods to the contractual maturity date, using the contractual undiscounted cash flows, as follows:

	Weighted average interest rate %	Carrying amount RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total undiscounted cash flows RMB'000
As at 31 December 2023						
Non-derivative financial liabilities						
Trade, other payables and accruals	–	441,880	441,880	–	–	441,880
Borrowings	18.42	252,010	258,702	–	–	258,702
		693,890	700,582	–	–	700,582

	Weighted average interest rate %	Carrying amount RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total undiscounted cash flows RMB'000
As at 31 December 2022						
Non-derivative financial liabilities						
Trade, other payables and accruals	–	436,774	436,774	–	–	436,774
Borrowings	15.43	293,841	339,181	–	–	339,181
		730,615	775,955	–	–	775,955

5. FINANCIAL INSTRUMENTS (continued)

Financial risk management objective and policies (continued)

Interest rate risk

The Group considers that there is no significant cash flow interest rate risk as the Group does not have variable rate borrowings. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group currently does not have any interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

No sensitivity analysis is prepared since the Group does not have any variable rate borrowings.

Currency risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The main operations of the Group were in the PRC and most of the transactions were denominated in RMB. The Company did not use any derivative financial instruments to hedge for its foreign exchange risk exposure during the years.

Foreign currency risk

The foreign currency assets and liabilities held by the Group are not material compared to the total assets and liabilities. In terms of the Group's revenue structure, a majority of the business transactions are denominated in RMB, and the proportion of foreign currency transactions are not significant to the Group.

The Directors consider that the currency risk of the Group's operations is immaterial due to the relatively low proportion of the Group's foreign currency denominated assets, liabilities, income and expense, as compared to the Group's total assets, liabilities, income and expense. Hence, no future analysis is presented.

5. FINANCIAL INSTRUMENTS (continued)

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 maximize 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 during the years.

The Group has adopted a higher finance leverage compared to the last year. The Directors monitor capital using a gearing ratio, which is total debts divided by total equity. The Group's policy aims to keep the gearing ratio at a reasonable level. The gearing ratios at the end of the reporting periods are as follows:

	2023 **RMB'000**	2022 RMB'000
Total debts (Note)	**252,010**	293,841
Total equity	**(693,581)**	(664,878)
Gearing ratio	**NA**	NA

Note: Total debts comprise total borrowings.

The externally imposed capital requirements for the Group is in order to maintain its listing on the Stock Exchange, it has to have a public float of at least 25% of the shares.

6. OPERATING SEGMENT

The board of directors is the Group's chief operating decision makers ("CODM").

The Group engaged in two operating segments which are sales of paper-based packaging products and development, distribution and operation of mobile game products. The chief operating decision makers allocated resources and assessed performance based on the profit or loss for the year for the entire business comprehensively.

Segment revenue reported represents revenue generated from external customers. There were no intersegment sales for the year ended 31 December 2023 (2022: Nil).

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segments loss represents the loss incurred from each segments without allocation of unallocated corporate income and expenses, unallocated finance costs and income tax. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

6. OPERATING SEGMENT (continued)

Segment revenue and results

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

	Manufacturing and sales of paper-based packaging products		Development, distribution and operation of mobile game products		Consolidated	
	2023	2022	**2023**	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue	**–**	4,084	**–**	–	**–**	4,084
Segment results	**(14,364)**	(163,962)	**–**	–	**(14,364)**	(163,962)
Gain on deemed disposal of a subsidiary					**7,667**	–
Unallocated corporate expenses					**(4,875)**	(2,728)
Unallocated finance costs					**(3,566)**	(96,359)
Loss before tax					**(15,138)**	(263,049)
Income tax					**–**	–
Loss for the year					**(15,138)**	(263,049)

The following is an analysis of the Group's assets and liabilities by reportable and operating segments, excluding assets and associated liabilities held for sale:

	Manufacturing and sales of paper-based packaging products		Development, distribution and operation of mobile game products		Consolidated	
	2023	2022	**2023**	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Segment assets	**1**	65,684	**–**	3	**1**	65,687
Unallocated corporate assets					**–**	50
Total assets					**1**	65,737
Segment liabilities	**–**	50,135	**–**	10,951	**–**	61,086
Unallocated corporate liabilities					**693,890**	669,529
Total liabilities					**693,890**	730,615

Assets of the Company and some dormant subsidiaries of the Group are not considered to be segment assets for reporting to the CODM as they are managed by the central treasury function.

Liabilities of the Company and some dormant subsidiaries of the Group together with the liabilities of disposal group classified as held for sale not considered to be segment liabilities for reporting to the CODM as they are managed by the central treasury function.

6. OPERATING SEGMENT (continued)

Other segment information

For the year ended 31 December 2023

	Manufacturing and sales of paper-based packaging products RMB'000	Development, distribution and operation of mobile game products RMB'000	Unallocated RMB'000	Consolidated RMB'000
Depreciation of right-of-use assets	**(59)**	**–**	**–**	**(59)**
Depreciation of property, plant and equipment	**(7,135)**	**–**	**–**	**(7,135)**
Allowance for expected credit loss recognised in respect of financial assets carried at amortised cost, net	**(435)**	**–**	**–**	**(435)**
Write-off of inventories	**(721)**	**–**	**–**	**(721)**
Finance costs	**(3,567)**	**–**	**(5,999)**	**(9,566)**

For the year ended 31 December 2022

	Manufacturing and sales of paper-based packaging products RMB'000	Development, distribution and operation of mobile game products RMB'000	Unallocated RMB'000	Consolidated RMB'000
Depreciation of right-of-use assets	(59)	–	–	(59)
Depreciation of property, plant and equipment	(17,808)	–	–	(17,808)
Reversal of allowance for expected credit loss recognised in respect of financial assets carried at amortised cost, net	19,064	–	–	19,064
Write-off of inventories	(105,845)	–	–	(105,845)
Impairment of property, plant and equipments	(55,224)	–	–	(55,224)
Finance costs	(3,412)	–	(96,359)	(99,771)

6. OPERATING SEGMENT (continued)

Other segment information (continued)

During the years ended 31 December 2022, all revenue is derived from customers in the PRC.

As at 31 December 2022 and 2023, most of the Group's non-current assets were located in the PRC. Accordingly, no analysis of the Group's segment results and assets by geographical location is disclosed.

Information about major customers

For the year ended 31 December 2022, under manufacturing and sales of paper-based packaging products segment, approximately RMB1,524,000 in revenue was generated from the Group's largest customer. No single customer contributed 10% or more to the Group's revenue under Development, distribution and operation of mobile game products for the year ended 31 December 2022.

Revenue from major customers, amounted to 10% or more of the Group's revenue, included in manufacturing and sales of paper-based packaging products segment, are set out as below:

	2023 **RMB'000**	2022 RMB'000
Customer A (Note)	**N/A**	1,524
Customer B (Note)	**N/A**	1,319
Customer C (Note)	**N/A**	932

Note: The customers did not contribute over 10% of the total revenue of the Group for the current year.

7. REVENUE

Revenue represents the net amounts received and receivable for goods sold, net of discounts and excludes value-added tax, service fees and commission received and sales of in-game virtual items:

Disaggregation of revenue from customers by major products or services line and timing is as follows:

	2023 **RMB'000**	2022 RMB'000
Revenue recognised at a point in time:		
Manufacturing and sales of paper-based packaging products	**–**	4,084
Revenue recognised over time:		
Development, distribution and operation of mobile game products	**–**	–
	–	4,084

8. OTHER REVENUE

	2023 RMB'000	2022 RMB'000
Sales of residual materials	–	219
Bank interest income	–	5
	–	224

9. GAIN ON DEEMED DISPOSAL OF A SUBSIDIARY

During the year ended 31 December 2023, the Group has terminated the structured arrangements of the operating entity, Behill Science Technology Co., Ltd, a wholly-owned subsidiary of the Company. As a result, Behill Science Technology Co., Ltd will no longer be a subsidiary of the Company and a gain on deemed disposal of approximately RMB7,667,000 recognised based on its net book value, for the year accordingly. The net assets disposal of consisted long-aged other payables and accrual and bank borrowings approximately of RMB4,608,000 and RMB2,880,000, together with the net current accounts due to the Group of RMB179,000.

The net cash flow in respect of the deemed disposal of a subsidiary is nil as no cash consideration nor cash and bank balances disposal of.

10. LOSS BEFORE TAX

Loss before tax has been arrived at after charging/(crediting):

	2023 RMB'000	2022 RMB'000
Staff costs:		
Employee benefit expense (including directors' emoluments (Note 11)):		
Wages and salaries	**942**	9,860
Retirement benefit schemes contributions	**34**	1,656
	976	11,516
Other items:		
Depreciation charge		
– Owned property, plant and equipment (Note 16)	**7,135**	17,808
– Right-of-use assets (Note 19)	**59**	59
	7,194	17,867
Auditor's remuneration	**770**	932
(Reversal of)/allowance for ECL recognised in respect of financial assets carried at amortised cost, net (Note 5)	**435**	(19,064)
Write-off of inventories	**721**	105,845
Impairment of properties, plant and equipment (Note 16)	**–**	55,224
Cost of inventories sold	**–**	1,377

11. DIRECTORS' AND KEY MANAGEMENT PERSONNEL EMOLUMENTS

(a) Directors' emoluments

Details of directors' emoluments are as follows:

	2023 RMB'000	2022 RMB'000
Fees	**270**	107
Other emoluments:		
Salaries, allowances and benefits in kind	**658**	5
Retirement benefits schemes contributions	**34**	–
	962	112

11. DIRECTORS' AND KEY MANAGEMENT PERSONNEL EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

For the year ended 31 December 2023

	Fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Retirement benefit schemes contributions RMB'000	Total remuneration RMB'000
Executive Directors				
Mr. Muk Hung Fei (Appointed on 23 December 2022)	–	205	11	216
Mr. Chen Hong Cai*	–	–	–	–
Mr. Lau Yiu Ting (Appointed on 10 February 2023)	–	165	9	174
Mr. Fang Wenhui (Re-designated on 20 March 2023)	–	144	7	151
Mr. Chan Wai Kit (Appointed on 20 March 2023)	–	144	7	151
Mr. Wang Yun Fang* (Removed on 10 February 2023)	–	–	–	–
Mr. Wu Aiguo* (Appointed on 1 December 2022 and removed on 10 February 2023)	–	–	–	–
Independent Non-executive Directors				
Mr. So Chi Ming (Appointed on 13 April 2022)	108	–	–	108
Mr. Chau Wing Nam (Appointed on 10 February 2023)	87	–	–	87
Mr. He Dingding (Appointed on 20 March 2023)	75	–	–	75
Mr. Wang Chen Guang* (Removed on 10 February 2023)	–	–	–	–
Mr. Cho Yu Kwan, Stephen* (Appointed on 3 October 2022 and removed on 10 February 2023)	–	–	–	–
	270	658	34	962

* These directors did not receive any emoluments for the year ended 31 December 2023.

11. DIRECTORS' AND KEY MANAGEMENT PERSONNEL EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

For the year ended 31 December 2022

	Fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Retirement benefit schemes contributions RMB'000	Total remuneration RMB'000
Executive Directors				
Mr. Chen Hong Cai*	–	–	–	–
Mr. Wang Yun Fang* (Removed on 10 February 2023)	–	–	–	–
Mr. Sun Shao Hua* (Retired and resigned on 27 June 2022)	–	–	–	–
Mr. Muk Hung Fei (Appointed on 23 December 2022)	–	5	–	5
Mr. Wu Aiguo* (Appointed on 1 December 2022 and removed on 10 February 2023)	–	–	–	–
Independent Non-executive Directors				
Mr. Fang Zhi Xiang (Appointed on 30 April 2021 and resigned on 14 February 2022)	8	–	–	8
Mr. Wu Yu Kun (Appointed on 30 April 2021 and resigned on 22 June 2022)	29	–	–	29
Mr. Wang Chen Guang* (Removed on 10 February 2023)	–	–	–	–
Mr. Wu Ping (Resigned on 22 June 2022)	41	–	–	41
Mr. So Chi Ming (Appointed on 13 April 2022)	29	–	–	29
Mr. Cho Yu Kwan, Stephen* (Appointed on 3 October 2022 and removed on 10 February 2023)	–	–	–	–
	107	5	–	112

* These directors did not receive any emoluments for the year ended 31 December 2022.

The Group does not have any chief executive officer during both years.

During the years, no emoluments were 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 was no arrangement under which a director waived or agreed to waive any emoluments for both years.

11. DIRECTORS' AND KEY MANAGEMENT PERSONNEL EMOLUMENTS (continued)

(b) Five highest paid employees

The five highest paid employees of the Group are analysed as follows:

	2023 RMB'000	2022 RMB'000
Directors	**692**	–
Non-directors	**5**	623
	697	623

The five highest paid individuals in the Group during both years included 4 (2022: 0) directors; details of whose emoluments are set out in Note 11(a). The emoluments of the remaining 1 (2022: 5) individuals are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	**5**	610
Retirement benefits schemes contributions	**–**	13
	5	623

The number of these non-directors, being the five highest paid employees, whose remuneration fell within the following band is as follows:

	2023	2022
Nil to HK$1,000,000	**1**	5
HK$1,000,001 to HK$1,500,000	**–**	–
	1	5

11. DIRECTORS' AND KEY MANAGEMENT PERSONNEL EMOLUMENTS (continued)

(b) Five highest paid employees (continued)

Included in the five highest paid employees, the number of senior management (being the non- director employees) whose remuneration fell within the following band is at follows:

	2023	2022
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**–**	–
	–	–

Note: The band was denominated in HK$ and the remuneration of the respective employees was translated at the average rate of RMB to HK$ for each year for the disclosure purpose.

During the years, no emoluments were paid by the Group to the non-directors, being the five highest paid employees 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 waived or agreed to waive any emoluments during the years.

12. FINANCE COSTS

	2023 **RMB'000**	2022 RMB'000
Interest expenses on borrowings	**9,566**	99,771

13. INCOME TAX

	2023 **RMB'000**	2022 RMB'000
Current tax		
– The PRC Enterprise Income Tax	**–**	–
– Over provision in prior year	**–**	–
Total income tax credit recognised in profit or loss	**–**	–

No Hong Kong Profits Tax is provided as the Group does not have any assessable profits generated from the Group's operation in Hong Kong for the years ended 31 December 2022 and 2023.

13. INCOME TAX (continued)

Under the PRC Enterprise Income Tax, the tax rate for the PRC subsidiaries is 25%. Pursuant to the relevant laws and regulations in the PRC, HongSheng (Jiangxi) Color Printing Packaging Co., Ltd ("HongSheng"), which was qualified as a High and New Technology Enterprise ("HNTE") in August 2014, and hence was entitled to a reduced enterprise income tax rate of 15% from 1 January 2014 to 31 December 2016. During the year ended 31 December 2022, HongSheng renewed the qualification as HNTE and entitled to the reduced tax rate of 15% until the year ended 31 December 2022.

During the year ended 31 December 2022, Behill Science Technology Co., Limited was qualified as HNTE and entitled to a reduced enterprise income tax rate of 15% from 1 January 2020 to 31 December 2022.

At the end of the reporting period, the Group has unused tax losses of approximately RMB239,506,000 (2021: RMB311,569,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams.

The unrecognised tax losses will expiry at following table:

	2023	2022
	RMB'000	RMB'000
2028	**–**	72,063
2029	**96,696**	96,696
2030	**75,038**	75,038
2031	**47,905**	47,905
2032	**19,867**	19,867
	239,506	311,569

The reconciliation between the income tax and accounting loss at applicable income tax rates is as follows:

	2023		2022	
	RMB'000	**%**	RMB'000	%
Loss before tax	**(15,138)**		(263,049)	
Tax at applicable income tax rate	**(3,512)**	**23.20**	(57,340)	21.80
Preferential income tax treatments	**–**	**–**	–	–
Tax effect of expenses not deductible or income not taxable for tax purpose	**3,512**	**(23.20)**	52,373	(19.91)
Tax effect of tax loss not recognised	**–**	**–**	4,967	(1.89)
	–	**–**	–	–

14. DIVIDENDS

The board of directors does not recommend payment of any dividend for the years ended 31 December 2022 and 2023.

15. LOSS PER SHARE

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

Basic and diluted loss per share

	2023	2022
	RMB'000	RMB'000
Loss attributable to owners of the Company for the purpose of basic loss per share	**(15,138)**	(263,049)

Number of shares

	2023	2022
	'000	'000
Weighted average number of ordinary shares	**1,377,498**	1,377,498

Basic loss per share for the years ended 31 December 2022 and 2023 are calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of shares in issue during the year.

For the years ended 31 December 2022 and 2023, the diluted loss per share and basic loss per share are the same as there was no potential dilutive ordinary shares outstanding during the years.

16. PROPERTY, PLANT AND EQUIPMENT

	Machinery RMB'000	Computer and office equipment RMB'000	Motor vehicles RMB'000	Ownership interest in buildings RMB'000	Leasehold improvements RMB'000	Total RMB'000
Cost						
As at 1 January 2022, 31 December 2022 and 1 January 2023	254,793	1,401	168	71,285	44,391	372,038
Write-off	–	(1,088)	(1)	–	–	(1,089)
Reclassification to assets of a disposal group classified as held for sale (Note 36)	(254,793)	(313)	(167)	(71,285)	(44,391)	(370,949)
As at 31 December 2023	–	–	–	–	–	–
Accumulated depreciation and impairment						
As at 1 January 2022	189,301	1,026	137	31,239	30,647	252,350
Charge for the year	10,585	83	6	3,386	3,748	17,808
Impairment loss	54,907	292	25	–	–	55,224
As at 31 December 2022 and 1 January 2023	254,793	1,401	168	34,625	34,395	325,382
Charge for the year	–	–	–	3,386	3,749	7,135
Eliminated on written off	–	(1,088)	(1)	–	–	(1,089)
Reclassification to assets of a disposal group classified as held for sale (Note 36)	(254,783)	(313)	(167)	(38,011)	(38,144)	(331,428)
As at 31 December 2023	–	–	–	–	–	–
Carrying amount						
As at 31 December 2023	–	–	–	–	–	–
As at 31 December 2022	–	–	–	36,660	9,996	46,656

Assets pledged as security

As at 31 December 2022, machinery with a carrying amount of approximately nil have been pledged to secure bank borrowings (Note 25) granted to the Group.

As at 31 December 2022, buildings with a carrying amount of approximately RMB36,660,000 have been pledged to secure bank borrowings (Note 25) granted to the Group.

As at 31 December 2023, such machinery and buildings which have been pledged to secure bank borrowings were together with the associated bank borrowings reclassified to assets and liabilities of disposal group classed as held for sale in Note 36.

16. PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment assessment

For the year ended 31 December 2021

Due to the significant decrease in revenue and loss for all business segments during the year, the Directors concluded there were indications for impairment and conducted impairment assessment on recoverable amounts of certain property, plant and equipment and right-of-use assets with finite useful life with carrying amounts of approximately RMB173,497,000 and RMB2,015,000 respectively before adjustments for impairment losses for the year ended 31 December 2021.

The Group has carried out the impairment assessment of the property, plant and equipment and right- of-use assets which belong to the cash generating unit of paper-based packing products segment ("Packaging CGU"). As a result, the carrying amount of the plant and machinery of the Packaging CGU has been written down to its recoverable amount and an impairment loss of approximately RMB53,787,000 on property, plant and equipment and no impairment loss on right-of-use assets were recognised during the year under "other operating losses" (Note 10).

The Group estimates the recoverable amount of the individual assets allocated to the Packaging CGU based on their fair values less cost of disposal under level 3 fair value hierarchy. The fair values were established based on the cost of reproducing or replacing the assets, less depreciation from physical deterioration and all relevant forms of obsolescence and optimisation. The fair values have been arrived by a valuation carried out at the end of the reporting period by an independent professional valuer not connected by the Group.

Also, the Group has carried out an impairment assessment of the property, plant and equipment and right-of-use assets which belong to the cash generating unit of development, distribution and operation of mobile game products segment ("Gaming CGU") based on the value-in-use calculation as stated in Note 17. As at 31 December 2021, in view of the unfavourable future prospects of Gaming CGU, the management of the Group concluded an impairment loss of approximately RMB22,000 on property, plant and equipment and no impairment loss on right-of-use assets were recognised during the year under "other operating losses" (Note 10).

For the year ended 31 December 2022 and 2023

The Directors concluded there were further indications for impairment over the recoverable amounts of certain property, plant and equipment and further wrote down its recoverable amount by an impairment loss of approximately RMB55,224,000 for the year ended 31 December 2022.

For the year ended 31 December 2023, the carrying value of property, plant and equipment was reclassified to assets of disposal group classified as held for sale in Note 36 for details.

17. GOODWILL

	RMB'000
Cost	
As at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	429,857
Accumulated impairment	
As at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	429,857
Carrying amount	
As at 31 December 2023	**–**
As at 31 December 2022	–

Goodwill amounted to approximately RMB429,857,000 were arisen from the acquisition of Cable King Limited and its subsidiaries ("Cable King Group") during the year ended 31 December 2016 which was allocated to Gaming CGU.

The mobile game industry in China was highly competitive, with frequent introduction of new games and rapid adoption of technological and product advancements. The industry also saw dominant players with substantial financial and technical resources.

The Group's existing games were at the recession stage of their respective life cycle, resulting in significant shrinkage in contribution to the segment results for the year under review. The Group had been making efforts to review its strategies and resources for the segment, and there was no new game launched during the year ended 31 December 2020 and in foreseeable future.

In view of the unfavourable operating results of Cable King Group, it was uncertain that Cable King Group would be able to generate positive cash flow in the future, the recoverable amount of Cable King Group had been determined based on value in use calculation. The Directors expected that the recoverable amount of Cable King Group would be minimal and, as such, the Directors had decided to fully impair the goodwill of approximately RMB11,999,000 and the intangible assets of approximately RMB7,135,000 related to the Cable King Group during the year ended 31 December 2020.

18. INTANGIBLE ASSETS

	Game, intellectual properties and licences RMB'000	**Online platform** RMB'000	**Total** RMB'000
Cost			
As at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	78,579	260	78,839
Accumulated amortisation and impairment			
As at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	78,579	260	78,839
Carrying amount			
As at 31 December 2023	**–**	**–**	**–**
As at 31 December 2022	–	–	–

19. RIGHT-OF-USE ASSETS

	Leasehold land RMB'000
Cost	
As at 1 January 2022, 31 December 2022 and 1 January 2023	3,000
Reclassification to assets of a disposal group classified as held for sale (Note 36)	(3,000)
As at 31 December 2023	–
Accumulated depreciation and impairment	
As at 1 January 2022	985
Charge provided for the year	59
As at 31 December 2022 and 1 January 2023	1,044
Charge provided for the year	59
Reclassification to assets of a disposal group classified as held for sale (Note 36)	(1,103)
As at 31 December 2023	**–**
Carrying amount	
As at 31 December 2023	**–**
As at 31 December 2022	1,956

As at 31 December 2022, leasehold land with a carrying amount of approximately RMB1,956,000 have been pledged to secure bank borrowings (Note 25) granted to the Group.

As at 31 December 2023, such right-of-use assets which have been pledged to secure bank borrowings were together with the associated bank borrowings reclassified to assets and liabilities of disposal group classed as held for sale in Note 36.

For the years ended 31 December 2022 and 2023, the Group had no lease liabilities.

20. INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials	–	–
Work in progress	–	–
Finished goods	–	995
	–	995

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

21. TRADE RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	**435**	435
Less: Allowance for ECL (Note 5)	**(435)**	–
	–	435

The following is an aged analysis of trade receivables, presented based on the invoice date. The analysis, net of allowance for ECL, is as follows:

	2023 RMB'000	2022 RMB'000
0–30 days	–	–
31–60 days	–	–
61–90 days	–	–
91–180 days	–	–
181–365 days	–	435
	–	435

The average credit period on sales of goods is from 60 to 150 days.

Details of impairment assessment on trade receivables are set out in Note 5.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Prepayments (Note)	–	15,690
Other receivables	–	3
	–	15,693

Note: The amounts mainly represented the prepaid value-added tax, prepayments of commission charges to game distribution channels and advertising expenses. As at 31 December 2023, such prepayments were reclassified to assets and liabilities of disposal group classed as held for sale in Note 36.

23. CASH AND BANK BALANCES

Included in the cash and bank balances as at 31 December 2022 and 2023, amount of approximately nil are subject to the foreign exchange control restrictions imposed by the government of the PRC.

Bank balances carry interest at market rates which range from 0% to 0.35% per annum for the year ended 31 December 2022 and 2023.

24. TRADE, OTHER PAYABLES AND ACCRUALS

	2023 RMB'000	2022 RMB'000
Trade payables	–	749
Accruals	**38,184**	33,340
Interest payable (Note)	**403,696**	389,902
Other payables	–	12,783
	441,880	436,774

Note: Included in interest payable as at 31 December 2023 was overdue interest on promissory notes and convertible bonds reclassified under borrowings of approximately RMB403,696,000 (2022: RMB389,902,000).

An aged analysis of trade payables, based on invoice date, is as follows:

	2023 RMB'000	2022 RMB'000
0–30 days	–	–
31–60 days	–	–
Over 60 days	–	749
	–	749

The average credit period on purchases of certain goods is 60 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

25. BORROWINGS

	2023 RMB'000	2022 RMB'000
Secured bank borrowings – repayable within one year (Note (i))	**–**	43,917
Non-secured bank borrowings – contain repayable on demand clause (Note (ii))	**–**	2,880
Secured other borrowings – repayable on demand (Note (iii))	**150,892**	150,525
Non-secured other borrowings – repayable within one year (Note (iv))	**101,118**	96,519
	252,010	293,841

Notes:

(i) All the bank borrowings were denominated in RMB. As at 31 December 2022 and 2023, the bank borrowings were secured by certain property, plant and equipment and right-of-use assets held by the Group as set out in Notes 16 and 19 respectively. As at 31 December 2023, such bank borrowings were reclassified to assets and liabilities of disposal group classed as held for sale in Note 36.

(ii) The amounts were repayable within one year but with on demand clause and shown under current liabilities. The carrying amount repayables based on repayment terms are as follow:

	2023 RMB'000	2022 RMB'000
Within one year	**–**	2,880
Within a period of more than one year but not exceeding two years	**–**	–
Within a period of more than two years but not exceeding five years	**–**	–
	–	2,880

The amount was guaranteed by Mr. Sun Shao Hua and Ms. Zheng Xue Xia.

(iii) The amounts represent overdue promissory notes (Promissory Note 1 and Promissory Note 2 (Note 26)) and convertible bond (Note 27), bearing interest at default interest rate of 22% per annum. Details are disclosed in Notes 26 and 27 respectively. The amounts has the benefit of the security constituted by the share charges created by Rich Kirin Holdings Limited and Big Wealth Limited; the guarantee of Mr. Sun Shao Hua, a Director and a controlling shareholder of the Company; and the guarantee of Novel Blaze Limited, the ultimate holding company of the Company.

(iv) On 2 June 2022, the holder of Promissory Note 3, Mr. Peng Dongmiao agreed to further extend the maturity date of borrowings amounting to RMB44,376,000 (equivalent to approximately HK$50,000,000) to 7 June 2024 and carried at interest rate of 7% from 1 January 2020. The remaining amount of the balance represents borrowings from independent third parties which repayable on demand and carried interest at 18% per annum. Details is disclosed in Note 26.

As at 31 December 2023, all borrowings were overdue, except Promissory Note 3 as detailed above.

The ranges of effective interest rates (which are equal to the contracted interest rates) on bank borrowings are as follows:

	2023 RMB'000	2022 RMB'000
Fixed rate – bank borrowings	**5.0% to 10.2%**	5.0% to 10.2%
Fixed rate – other borrowings	**4.0% to 7.0%**	7.0% to 22.0%

26. PROMISSORY NOTES

Promissory Note 1

On 19 June 2015, the Company issued a redeemable 7.5% promissory note with the principal amount of HK$80,000,000 and interest payable half yearly (the "Promissory Note 1").

The maturity date of Promissory Note 1 was originally fallen on 19 June 2016, and further extended to 19 June 2019.

On 19 June 2019, the Promissory Note 1 with outstanding principal amount of HK$40,000,000 was matured without redemption and was in default after 19 June 2019. After the default, Promissory Note 1 was reclassified as borrowings and carried default interest of 22% per annum.

Promissory Note 2

On 20 May 2016, the Company issued a redeemable 8.5% promissory note with the principal amount of HK$120,000,000 and interest payable yearly (the "Promissory Note 2").

The maturity date of Promissory Note 2 was originally fallen on 20 May 2017 and further extended to 19 May 2019.

On 19 May 2019, the Promissory Note 2 with outstanding principal amount of HK$120,000,000 was matured without redemption and was default after 19 May 2019. After the default, Promissory Note 2 was reclassified as borrowings and carried default interest at 22% per annum.

Promissory Note 3

On 19 July 2017, the Company issued a redeemable 4% promissory note with the principal amount of HK$90,000,000 and interest payable yearly (the "Promissory Note 3").

The maturity date of Promissory Note 3 was fallen on 19 July 2019.

On 19 July 2019, the Promissory Note 3 with outstanding principal amount of HK$90,000,000 was matured without redemption and reclassified as borrowings and carried interest at 4% per annum.

As at 31 December 2023, promissory notes and convertible bonds with outstanding principal amount of HK$40,000,000, HK$120,000,000 and HK$6,666,667, respectively, matured on 19 May 2019 without redemption, default and were reallocated to borrowings. The Company has entered into confirmation deeds on 25 August 2023 with the creditors to (i) extend the repayment dates of the Debts to 31 December 2024; and (ii) waive all interest accrued and to be accrued on the outstanding amount of the Debts since 1 January 2023 up to 31 December 2024.

27. CONVERTIBLE BONDS

On 20 May 2016, the Company issued redeemable 7.5% convertible bonds with aggregate principal amount of HK$30,000,000 and interest payable half yearly ("Convertible Bond").

On 12 August 2016, Convertible Bond was partly converted into 26,666,666 ordinary shares of the Company.

On 10 April 2017, Convertible Bond was partly converted into 4,444,443 ordinary shares of the Company.

The maturity date of remaining Convertible Bond was originally fallen on 20 May 2017 and further extended to 20 May 2019.

On 19 May 2019, the Convertible Bond with outstanding principal amount of HK$6,666,667 was matured without conversion and was default after 19 May 2019. After the default, Convertible Bond was reallocated to borrowings and carried at default interest of 22% per annum.

28. CAPITAL COMMITMENTS

	2023 **RMB'000**	2022 RMB'000
Authorised and contracted for capital contributions payable to subsidiaries	**60,000**	60,000

29. SHARE CAPITAL AND SHARE OPTION SCHEME

(a) Share capital

	Number of shares '000	**Share capital** HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
As at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	8,000,000	80,000

	Number of shares '000	**Share capital** HK$'000	 RMB'000
Issued and fully paid			
As at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	1,377,498	11,161	11,161

29. SHARE CAPITAL AND SHARE OPTION SCHEME (continued)

(b) Share option scheme

The Company operates a share option scheme ("the Scheme") for the purpose of providing incentives and rewards to eligible participants for their contributions to the Group. Eligible participants of the Scheme included any full-time or part-time employee of the Company or any member of the Group, including any executive directors, non-executive directors and independent non-executive directors, advisors, consultants of the Group. The Scheme was valid and effective on 13 January 2014 and, unless otherwise altered or terminated, will remain in full force for a period of ten years from that date.

The maximum number of shares in respect of which share options may be granted under the Scheme must not exceed 10% of the share capital of the Company in issue as at the date of approval of the Scheme (the "Scheme Mandate Limit"). Subject to the approval of shareholders in general meeting, the Company may refresh the Scheme Mandate Limit to the extent that the total number of shares which may be issued upon exercise of all options to be granted under the Scheme under the Scheme Mandate Limit as refreshed must not exceed 10% of the shares in issue as at the date of such shareholders' approval.

In addition, the maximum number of shares in respect of which share options may be granted to any eligible participant within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any future grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The subscription price for the shares subject to options will be a price determined by the Board and notified to each participant and shall be 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 of the options, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of the options; and (iii) the nominal value of a share.

The offer of a grant of share options may be accepted within 28 days from the date of the offer with a consideration of HK$1 being payable by the participant. An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by our Board to each participant provided that the period within which the option must be exercised shall not be more than 10 years from the date of the grant of option. The exercise of an option may be subject to the administration of our Board whose decision as to all matters arising from or in relation to the Scheme as its interpretation or effect shall (save as otherwise provided herein) be final and binding on all parties to the Scheme.

As at 31 December 2023 and 2022, no shares in respect of which share options had been granted and remained outstanding under the Scheme.

No share options granted during the year (2022: Nil), of which no share option expense was recognised (2022: Nil) during the year ended 31 December 2023.

30. RESERVES

(a) The Group

The amounts of the Group's reserves and the movements therein for the current year and prior year are presented in the consolidated statement of changes in equity.

(i) Statutory reserve

In accordance with the relevant laws and regulations of the PRC, the subsidiary established in the PRC are required to provide for PRC statutory reserve, by way of transfer 10% of the profit after taxation to the statutory reserve until such reserve reaches 50% of the registered capital of the PRC subsidiary. Subject to the certain restrictions set out in the Company Law of the PRC, part of the statutory reserve may be converted to increase paid-up capital/issued capital of the PRC subsidiary, provided that the remaining balance after capitalisation is not less than 25% of the registered capital. The statutory reserve of the PRC subsidiary was RMB50,473,000 as at 31 December 2022 and 2023.

(ii) Other reserve

Other reserve represented the difference between the Group's shares of nominal value of the paid-up capital of the subsidiary acquired over the Group's cost of acquisition of the subsidiary under common control upon reorganisation.

(iii) Exchange reserve

Exchange reserve comprises all foreign exchange difference arising from the translation of the financial statements of operations that have functional currency other than RMB which are dealt with in accordance with the accounting policies as set out in Note 3.

(b) Statement of changes in equity of the Company

	Share premium RMB'000	**Exchange reserve** RMB'000	**Accumulated losses** RMB'000	**Total** RMB'000
As at 1 January 2022	611,286	45,214	(1,173,591)	(517,091)
Loss of the year	–	–	(112,275)	(112,275)
Other comprehensive income for the year	–	(47,312)	–	(47,312)
Total comprehensive income/(loss) for the year	–	(47,312)	(112,275)	(159,587)
As at 31 December 2022 and 1 January 2023	611,286	(2,098)	(1,285,866)	(676,678)
Loss of the year	–	–	(43,878)	(43,878)
Other comprehensive income for the year	–	10,365	–	10,365
Total comprehensive income/(loss) for the year	–	10,365	(43,878)	(33,513)
As at 31 December 2023	**611,286**	**8,267**	**(1,329,744)**	**(710,191)**

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	**2023** **RMB'000**	2022 RMB'000
Non-current asset			
Interest in subsidiaries		**–**	7,852
Current assets			
Prepayments, deposits and other receivables		**–**	66
Amounts due from subsidiaries		**–**	72,584
Cash and bank balances		**1**	–
		1	72,650
Current liabilities			
Accruals and other payables		**441,879**	421,351
Borrowings		**252,010**	247,044
Amount due to a subsidiary		**5,142**	77,624
		699,031	746,019
Net current liabilities		**(699,030)**	(673,369)
Total assets less current liabilities		**(699,030)**	(665,517)
Net liabilities		**(699,030)**	(665,517)
Equity			
Share capital		**11,161**	11,161
Reserves	30(b)	**(710,191)**	(676,678)
Capital deficiency		**(699,030)**	(665,517)

Approved and authorised for issue by the board of directors on 14 June 2024 and are signed on its behalf by:

Mr. Muk Hung Fei
Chairman

Mr. Chan Wai Kit
Executive Director

32. PARTICULARS OF THE SUBSIDIARIES

Name of subsidiaries	Place and date of incorporation/ establishment/ operation	Nominal value of issued share capital/ registered capital/ paid-up capital	Percentage of attributable equity interest and voting power held by the Company 2023 Direct	2023 Indirect	2022 Direct	2022 Indirect	Principal activities
Rich Kirin Holdings Limited ("Rich Kirin")	The BVI, 13 June 2013	US$1	**100**	**–**	100	–	Investment holding
Big Wealth Limited ("Big Wealth")	The BVI, 18 November 2005	US$100	**–**	**100**	–	100	Investment holding
HongSheng (Jiangxi) Color Printing Packaging Co., Ltd ("HongSheng")	The PRC, wholly-owned foreign enterprise 29 November 2005	Registered capital HK$106,300,000 Paid-up capital HK$106,300,000	**–**	**100**	–	100	Sales of packaging materials
Jiangxi Hongkun Medical Technology Co., Ltd ("Hongkun") (Note (i))	The PRC, 6 May 2015	Registered capital RMB60,000,000 Paid-up capital Nil	**–**	**100**	–	100	Manufacture and sale of cleaning products, disposable medical supplies and environmental friendly stone-paper based products
Cable King Limited ("Cable King")	The BVI, 15 July 2015	US$1	**100**	**–**	100	–	Investment holding
Wealthy Top (China) Limited ("Wealthy Top")	The BVI, 27 May 2015	HK$1	**–**	**100**	–	100	Investment holding
Chunxin (Xiamen) Investment Management Company Limited ("Chunxin")	The PRC, wholly-owned foreign enterprise 12 February 2017	Registered capital RMB1,000,000 Paid-up capital RMB1,000,000	**–**	**100**	–	100	Provision of consultancy services
Megasea International Limited ("Megasea")	The BVI, 7 January 2019	US$100	**100**	**–**	100	–	Investment holding
Hongkong Immortal Business Trading Limited ("Hongkong Immortal")	Hong Kong, 28 March 2019	HK$100	**–**	**100**	–	100	Investment holding

Notes:

(i) The registered capital of Hongkun is RMB60,000,000. As at 31 December 2022 and 2023, the Group had not injected any capital to Hongkun and the amount shall be injected prior to 5 May 2024, while it has not been injected up to the date of this report.

33. STRUCTURED ARRANGEMENTS

As at 31 December 2022, the Group has an operating entity controlled through contractual arrangements in Cable King Group.

Particulars and main business of the operating entity

冰河(廈門)信息技術有限公司 (Behill Science Technology Co., Ltd) ("Behill") is a limited liability company established under the laws of the PRC and is wholly owned by Mr. Huang Jianqiang (黃建強) ("Mr. Huang"). Behill is controlled by the Group through Chunxin by way of certain structured contracts in relation to controlling the Behill by Chunxin (the "Structured Contracts"). Behill is principally engaged in development, distribution and operation of game products.

Major terms of the structured contracts

Power of attorney

Mr. Huang executed an irrevocable power of attorney which enables Chunxin to exercise all the powers of the shareholders of Behill.

Exclusive call option agreement

Mr. Huang irrevocably and without any additional conditions grant an exclusive option to Chunxin under which Chunxin shall have the right to require Mr. Huang to transfer his equity interest in Behill on demand to Chunxin or its designated entity or individual.

Exclusive technological support and management consulting service agreement

Chunxin shall serve as the exclusive consultant and service provider to Behill, to provide a variety of consulting technical support services to Behill for its business. Behill shall pay to Chunxin a service fee that is equal to its 100% profits before income tax (net of operating and other tax expenses) on a monthly basis.

Business cooperation agreement

Behill and Mr. Huang shall appoint persons to be designated by Chunxin to be the chairman (when applicable), directors/executive directors, general manager, chief financial controller and other senior management of Behill. Behill shall be operated in accordance with the instruction of Chunxin and Mr. Huang has undertaken not to act in any manner that may affect the assets, business, personnel, obligations, rights or the operations of Behill, unless with the prior written consent of the Chunxin or its appointee. In addition Chunxin shall have the right to obtain and review the business date, financial information and other information relevant to the operations and business of Behill.

During the year ended 31 December 2023, the Group has terminated the structured arrangements of the operating entity, Behill Science Technology Co., Ltd, a wholly-owned subsidiary of the Company. As a result, Behill Science Technology Co., Ltd will no longer be a subsidiary of the Company and a gain on deemed disposal of approximately RMB7,667,000 was recognised based on its net book value, for the year accordingly.

33. STRUCTURED ARRANGEMENTS (continued)

Revenue and assets subject to the contractual arrangements

	2023 **RMB'000**	2022 RMB'000
Revenue	–	–
Net loss	–	(168)

	2023 **RMB'000**	2022 RMB'000
Total assets (Note)	–	3,021

Note: The amount include amount due from related companies within the Group.

Equity pledge agreement

Mr. Huang agreed to pledge all equity interests in Behill to Chunxin as a security for Mr. Huang's and Behill's performance of their obligation under the aforesaid agreements.

Significance of business of Behill to the Group

The Structured Contracts enabled the Group to enter into the development, distribution and operation of game products business and enhance the profitability of the Group.

Investment in Behill

The investment in Behill has been fully impaired in the statement of financial position of the Company as at 31 December 2022.

34. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure bank borrowings (Note 25) of the Group.

	2023 **RMB'000**	2022 RMB'000
Machinery (Note 16)	–	–
Buildings (Note 16)	–	36,660
Right-of-use assets (Note 19)	–	1,956
	–	38,616

As at 31 December 2023, such machinery, buildings and right-of-use assets which have been pledged to secure bank borrowings were all together reclassified to assets and liabilities of disposal group classed as held for sale in Note 36. Please refer to Note 36 for their carrying amounts accordingly.

35. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had entered into the following related party transactions, which in the opinion of the Directors of the Company, were carried out on normal commercial terms and in the ordinary course of the Group.

(a) Key management personnel compensation

Compensation of key management personnel of the Group, including directors' remuneration as detailed in Note 11 above.

	2023 **RMB'000**	2022 RMB'000
Fees	**270**	107
Other emoluments:		
Salaries, allowances and benefits in kind	**658**	5
Retirement benefit schemes contributions	**34**	–
Total	**962**	112

(b) Transaction

Name of related parties	**Relationship**	**Nature of transactions**	**2023** **RMB'000**	2022 RMB'000
鴻聖信息科技(廈門)有限責任公司	Company controlled by a Director	Office premise rental expenses	**–**	105
Mr. Peng Dongmiao (Note)	Substantial shareholder	Interest expenses on borrowings	**5,999**	5,330

Note: During the year ended 31 December 2023, interest expenses was incurred in relation to Promissory Notes 3 held by Mr. Peng Dongmiao. The Promissory Note 3 of HK$90,000,000 was reclassified to borrowings (Note 25) during the year ended 31 December 2019, HK$40,000,000 was repaid during the year ended 31 December 2021, and the maturity date of the remaining HK$50,000,000 was extended to 7 June 2022 (Note 25).

(c) Outstanding balance with related parties

The Group's Promissory Note 3, which has been reclassified as borrowings, was due to its substantial shareholder, Mr. Peng Dongmiao, as at 31 December 2023 and 2022. For more details, please refer to Note 25.

36. ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

Since May 2023 onwards, Jiangxi Bank and China Construction Bank (the "Banks") were creditors of HongSheng (Jiangxi) Color Printing Packaging Co., Ltd ("HongSheng"), a wholly-owned subsidiary of the Group, and HongSheng was indebted to the Banks with an amount of approximately RMB32 million, which was overdue on 18 June 2021 and an amount of approximately RMB12 million, which was overdue on 29 April 2022, respectively. The Banks have individually applied to the district court for an enforcement order on HongSheng, which would require all the revenue generated by HongSheng, including the Group's factory and all the production lines located in the PRC, to be used for repayment to the Banks. As such, the Company would follow the enforcement of liquation process of HongSheng accordingly.

	Balance before fair value re-measurement as at 31 December 2023 RMB'000	Fair value re-measurement RMB'000	As at 31 December 2023 RMB'000
Current assets			
Property, plant and equipment	39,521	–	39,521
Right-of-use assets	1,897	–	1,897
Inventories	273	–	273
Prepayment, deposits and other receivables	15,627	–	15,627
Cash and bank balances	2	–	2
	57,320	–	57,320
Current liabilities			
Trade, other payables and accruals	13,095	–	13,095
Borrowings	43,917	–	43,917
	57,012	–	57,012

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Borrowings RMB'000 (Note 25)	**Interest payable** RMB'000 (Note 24)	**Total** RMB'000
As at 1 January 2022	274,250	266,399	540,649
Cash flows	(83)	–	(83)
Interest expense	99,771	–	99,771
Other non-cash movements	(99,771)	99,771	–
Exchange realignment	19,674	23,732	43,406
As at 31 December 2022 and 1 January 2023	293,841	389,902	683,743
Cash flows	–	–	–
Interest expense	9,566	–	9,566
Other non-cash movements	(56,363)	2,995	(53,368)
Exchange realignment	4,966	10,799	15,765
As at 31 December 2023	**252,010**	**403,696**	**655,706**

38. LEGAL PROCEEDING AGAINST A FORMER SUBSTANTIAL SHAREHOLDER

Novel Blaze, a former substantial shareholder of the Company, was a guarantor of the Promissory Note 1 (Note 26) issued by the Company to Chance Talent Management Limited ("Chance Talent") on 19 June 2015.

On 19 September 2019, Chance Talent sought to redeem the Note without success. On 17 October 2019, Chance Talent sent a letter of demand for the outstanding amount under the Note to Novel Blaze, as guarantor. Novel Blaze did not answer the letter of demand. On or around 29 November 2019, Chance Talent served a statutory demand on Novel Blaze for repayment of the total sum of HK$76,185,100, being the outstanding principal amount plus interest due under the Note. Novel Blaze did not answer the statutory demand as a result of an administrative oversight and a failure to appreciate its significance, and therefore did not apply to set aside the statutory demand.

On 3 March 2020, Chance Talent issued an application in the Commercial Court of the British Virgin Islands ("BVI") to wind up Novel Blaze (the "Application") on the basis that Novel Blaze had failed to comply with the statutory demand and that Novel Blaze was unable to pay its debts as they fell due and hence insolvent.

The hearing of the Application was adjourned to allow for on-going settlement discussions but ultimately proceeded on 8 June 2020. The judge granted the Application and made an Order (the "Winding-Up Order") appointing Roy Bailey of Ernest & Young Ltd, and Matt Ng and So Kit Tee Anita, both of Ernst & Young Transactions Limited, as joint liquidators of Novel Blaze (collectively, the "Joint Liquidators"). The Winding-Up Order appointing the Liquidators came into effect on 29 June 2020.

38. LEGAL PROCEEDING AGAINST A FORMER SUBSTANTIAL SHAREHOLDER (continued)

On 22 June 2020, Novel Blaze filed the Appeal and on 25 June 2020, Novel Blaze filed an application on an urgent basis for a stay of the Winding-Up Order pending the determination of the Appeal (the "Stay Application").

On 9 July 2020, the BVI Court handed down judgment refusing the Stay Application. The Appeal was heard on 23 November 2020 and the decision of the BVI Court denying Novel Blaze's appeal against its winding-up was handed down on 16 April 2021.

On 25 September 2020, the Joint Liquidators applied to the Hong Kong Court by way of an originating summons for recognition of their appointment in Hong Kong. On 5 October 2022, the Hong Kong Court granted a recognition order to the Joint Liquidators.

Following the appointment, the Joint Liquidators identified a sum of HK$13,312,480.90 (US$1,706,728.31) in this liquidation which mainly consisted of the disposal proceeds of the 408,000,000 shares issued by the Company in a sum of HK$13,311,972.02 (US$1,706,663.07) and a cash balance maintained in a Hong Kong securities account in the amount of HK$508.88 (US$65.24).

By way of letters dated 1 November 2022 and 10 November 2022, the Notice of Appointment of Joint Liquidators and the Claim Form for proof of debt were sent to all know potential creditors.

On 16 November 2022, Chance Talent notified the Joint Liquidators that they had sold their interest in debt owned by Novel Blaze to an individual (the "New Creditor").

On 1 December 2022, the Joint Liquidators received one Proof of Debt from the New Creditor claiming the sum of HK$85,512,500 (US$10,963,141.03). The only proofs of debt that have been received in the liquidation of the Novel Blaze were from Chance Talent on 19 August 2022 and the New Creditor on 1 December 2022. The claim from the New Creditor was admitted in full on 1 February 2023 and the claim from Chance Talent was rejected in full on 10 February 2023 due to Chance Talent having sold its debt.

As set out above, a distribution notice was sent to the New Creditor on 8 March 2023. On 16 March 2023, the Joint Liquidators has filed an application to the BVI court, having regard to any adjustment to the calculation of costs of the Joint Liquidators.

Following the Court's approval, a sum of HK$7,751,661.06 (US$993,802.70), being the first and final ordinary dividend of 9.06 cents in dollar was distributed to the New Creditor on 18 April 2023.

39. EVENTS AFTER THE REPORTING PERIOD

Proposed subscription of shares and convertible bonds and possible mandatory unconditional cash offer

On 25 August 2023, the Company entered into a subscription agreement with Max Tuner Limited ("Max Tuner"), pursuant to which the Company agreed to issue to Max Tuner and Max Tuner agreed to subscribe (i) 4,132,492,986 new Shares, representing 75% of the enlarged issued share capital of the Company upon completion of such subscription agreement but before exercise of the conversion rights attaching to the convertible bonds at HK$0.01 each; and (ii) two-year 2% coupon convertible bonds in an aggregate principal amount of HK$496,258,738.61, which are convertible into new Shares at an initial conversion price of HK$0.01 per Share (subject to adjustments) (the "Subscriptions"). The gross proceeds from the issuance of the subscription shares and the convertible bonds in the amount of approximately HK$538 million will be applied to set off the debts owed by the Company to Max Tuner in full on a dollar-to-dollar basis. The Subscriptions have been approved by the Shareholders on 23 November 2023.

Upon the completion of the Subscriptions, Max Tuner and parties acting in concert with it will be required under Rule 26.1 of the Takeovers Code to make an unconditional mandatory cash offer to acquire all the issued shares of the Company. As at the date of this report, other than the approval by the Shareholders on the Subscriptions and the transactions contemplated under the subscription agreement at the extraordinary general meeting held on 23 November 2023, other conditions precedent have not been satisfied and/or waived. References are made to the joint announcement issued by the Company and Max Tuner dated 25 August 2023 in relation to the Subscription Agreement and the possible Offer (the "Rule 3.5 Joint Announcement") and the announcements issued by the Company and Max Tuner on 28 December 2023, 5 January 2024, 5 March 2024, 26 March 2024 and 26 April 2024 (the "Update Announcements").

On 28 May 2024, Max Tuner and ChaoShang had entered into a second supplemental agreement to the New Facility Agreement. The New Loan Facility is available for drawdown during the period commencing from the date of the New Facility Agreement and ending on a date falling on the 7th Business Day after the close of Offer unless the Subscription fails to complete by 31 August 2024. If the Subscription cannot be completed by 31 August 2024, the New Facility Agreement shall cease and determine. As additional time is required for the Company to fulfill the resumption guidance for the resumption of trading in the Shares, the Company and Max Tuner have entered into an extension letter dated 28 February 2024 to extend the long stop date of the subscription agreement (the "Long Stop Date") from 29 February 2024 to 31 May 2024, and on 29 May 2024, the Company and Max Tuner further extend the Long Stop Date from 31 May 2024 to 31 August 2024 by entering an extension letter dated 29 May 2024.

40. APPROVAL FOR CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 14 June 2024.

Five-Year Financial Summary

For the year ended 31 December 2023

A summary of the results and of the assets and liabilities of the Group for the last five financial years as extracted from the published consolidated financial statements is set out below:

RESULTS

	Year ended 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**–**	4,084	182,553	214,535	443,642
Loss for the year	**(15,138)**	(263,049)	(189,934)	(238,867)	(441,311)

ASSETS AND LIABILITIES

	As at 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**57,321**	65,737	243,372	403,884	565,441
Total liabilities	**(750,902)**	(730,615)	(595,840)	(581,479)	(534,251)
Net (liabilities)/assets	**(693,581)**	(664,878)	(352,468)	(177,595)	31,190

Note: The summary above does not from part of the audited financial statements.