

ANNUAL REPORT
2023



PALINDA GROUP HOLDINGS LIMITED
百利達集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8179



CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Ms. Huang Wei (*Chairlady*)
Mr. Dou Sheng

Independent Non-executive Directors

Mr. So Yat Chuen
Mr. Wu Chi King
Ms. Cheng Wai, Iris

Compliance Officer

Ms. Huang Wei

Authorised Representatives

Ms. Huang Wei
Mr. Wong Wai Chun, Alex
(resigned on 5 December 2023)
Ms. Lau Annie
(appointed on 5 December 2023
and resigned on 21 December 2023)
Mr. Lai Nga Ming, Edmund
(appointed on 21 December 2023)

Company Secretary

Mr. Wong Wai Chun, Alex
(resigned on 5 December 2023)
Ms. Lau Annie
(appointed on 5 December 2023
and resigned on 21 December 2023)
Mr. Lai Nga Ming, Edmund
(appointed on 21 December 2023)

Audit Committee Members

Mr. Wu Chi King (*Chairman*)
Ms. Cheng Wai, Iris
Mr. So Yat Chuen

Remuneration Committee Members

Mr. So Yat Chuen (*Chairman*)
Mr. Wu Chi King
Ms. Cheng Wai, Iris

Nomination Committee Members

Mr. So Yat Chuen (*Chairman*)
Mr. Wu Chi King
Ms. Cheng Wai, Iris

Auditor

Privatco CPA Limited
Certified Public Accountants

Principal Bankers

Bank of China (Hong Kong) Limited
Industrial and Commercial Bank of
China (Asia) Limited
Shanghai Commercial Bank Limited

Registered Office

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Head Office, Headquarter and Principal Place of Business in Hong Kong

Unit 306-A201, 3/F.
Harbour Centre, Tower 1
1 Hok Cheung Street
Hung Hom, Kowloon
Hong Kong

Hong Kong Share Registrars and Transfer Office

Union Registrars Limited
Suites 3301-04, 33/F.
Two Chinachem Exchange Square
338 King's Road, North Point, Hong Kong

Company Website

www.palinda.com

GEM Stock Code

8179

CHAIRLADY'S STATEMENT

TO OUR SHAREHOLDERS

On behalf of the Board of Directors (the "Board"), I am pleased to present the annual results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2023 (the "Year" or the "Year 2023").

During the Year 2023, the Group's revenue amounted to approximately HK\$332.2 million which was approximately 25.5% higher than that of the last corresponding year ended 31 December 2022 (Last Year or Year 2022). The rise was mainly due to the significant increase in revenue for the wine business from approximately HK\$262.0 million for the Year 2022 to approximately HK\$332.2 million for the Year of 2023. Although, the revenue of food products operation business decreased from the Year 2022 (HK\$2.7 million) to the Year 2023 (HK\$Nil), the Group remains positive in the food products operation business and is actively seeking potential food market opportunities.

WINE BUSINESS

The Group has expanded its business to wine trading as the major revenue segment during the Year under review. The Board believes the development of the wine trading business represents a good opportunity to further expand its distribution and wholesale channels. The Group's wines are mainly sourced from various reputable vineyards and wineries in Australia, with a focus on premium quality red wine as the major product. During the Year 2023, the wine trading business achieved encouraged results which recorded a significant increase in revenue to approximately HK\$332.2 million (2022: approximately HK\$262.0 million) with a segment profit of approximately HK\$0.8 million (2022: profit of approximately HK\$10.8 million).

The Group's Australian subsidiary had gone through a difficult year, and the decrease of segment profit was the result of grapevine virus diseases affecting its grape production and harvest; grapes over-supply in the Australia market leading to surplus and selling price reduction; and its impairment on biological assets for the whole year. Nevertheless, the subsidiary kept reviewing and improving its expertise of vineyard management in facing from such challenges as natural disaster and market change. The Group stays optimistic about the upcoming harvest.

Although the Group's gross profit margin reduced from approximately 9.2% in the year 2022 to approximately 6.1% in the year 2023 as offering discounts and product sale packages in order to promote our wine brand name "**Palinda**", we keep expanding the local markets, developing sales networks and agents in different regions, and making multiple sales through new retail formats.

FOOD PRODUCTS OPERATION

The food products operation business was operated by the subsidiaries of the Company to produce and supply barbequed food through our own retail stores in Hong Kong.

For the Year 2023, the food products operation recorded HK\$Nil in revenue when compared with approximately HK\$2.7 million for the Year 2022. Although, certain subsidiaries of the Company had been disposed during the Year 2023, the Group remains positive in the food products operation and the remaining subsidiaries are actively seeking potential food market opportunities.

CHAIRLADY'S STATEMENT

PROSPECTS

2024 remains a challenging year for the wine business and food products operation in view of potential global economy recession despite the fact that mainland China's reopening is expected to reinvigorate potentially markets. The board will continue to monitor the market condition and capture business opportunities to enhance the performance of the Group.

The Board always strives to improve the Group's business operations and financial position by proactively controlling the operational cost and seeking potential investment opportunities that would diversify the Group's existing business portfolio and broaden its source of income, and enhance value to the shareholders.

APPRECIATION

I would like to thank our shareholders for their support to the Group. I would also like to thank my fellow Directors, senior managements and all staff members for their positive contributions during the Year. We will continue to work towards our goal and improve our results in the future.

Huang Wei
Chairlady

Hong Kong, 28 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's principal activities during the Year 2023 were (i) sales and distribution of wine products, ancillary wines-related products; and (ii) sales and distribution of food products in Hong Kong.

Wine Business

The Group's wine is mainly from various reputable vineyards and wineries in Western Australia, with a focus on premium red wines as the major product. During the Year, the wine business segment recorded a growth of revenue and achieved reasonable results of approximately HK\$332.2 million in revenue with a segment profit of approximately HK\$0.8 million compare with approximately HK\$262.0 million in revenue and with a segment profit of approximately HK\$10.8 million respectively for the Last Year.

The Group sold out one of our company subsidiaries in Western Australia during the year. Our another Australian subsidiary had also gone through a difficult year as grapevine virus diseases affecting its grape production and harvest; grapes over-supply in the Australian market leading to surplus and selling price reduction; and its impairment on biological assets for the whole year. Nevertheless, the subsidiary kept reviewing and improving its expertise of vineyard management in facing from such challenges as natural disaster and market change. The Group stays optimistic about the upcoming harvest.

The Group's gross profit margin reduced from approximately 9.2% in the year 2022 to approximately 6.1% in the year 2023 as offering discounts and product sale packages in order to promote our wine brand name "Palinda". In response to the shrink of the gross profit margin, we actively seek to expand the local markets, develop sales networks and agents in different regions, and make multiple sales channels through new retail formats.

Food products operation

The revenue of food products operation recorded a drop from approximately HK\$2.7 million for the Year 2022 to HK\$Nil for the Year 2023, accounting for approximately Nil% (2022: approximately 1.02%) of the Group's revenue.

The HK\$Nil revenue of the food products operation recorded for the Year 2023, primarily due to the sell-out of certain subsidiaries of the Group during the year. The Group remains positive in the food products operation and the remaining subsidiaries are actively seeking potential food market opportunities.

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2023, the Group derived the revenue principally from the wine business and food products operation business in Hong Kong. The Group generally recognised revenue from the sales of wines and food products upon delivery of the wines and food products to the customers with their acceptance of the Group's products.

Revenue with double-digit increased by approximately HK\$67.5 million or approximately 25.5%, from approximately HK\$264.7 million for the Year 2022 to approximately HK\$332.2 million for the Year 2023. Such rise was mainly due to the expansion of the wine trading business in the Year 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of sales and inventories consumed

Cost of sales and inventories consumed mainly comprised cost of wines, vineyard costs and food materials. The cost of sales and inventories consumed increased by approximately HK\$71.8 million, or approximately 29.9% from approximately HK\$240.2 million for the Year 2022 to approximately HK\$312.0 million for the Year 2023. The rise of the cost of sales and inventories consumed was following the trend of increase of the revenue in the wine business as the market development during the Year 2023 and offering discounts and product sale packages in order to maintain customer loyalty, to attract prospective customers and to further develop potential business market.

Other income

Other income comprised mainly sundry income and government grants. Other income decreased by approximately HK\$0.8 million from approximately HK\$1.3 million for the Year 2022 to approximately HK\$0.5 million for the Year 2023. The drop of other income was mainly due to the decrease of sundry income and the Group had no longer obtained the government grants for covid-19 related subsidies in the Year 2023 (2022: approximately HK\$0.2 million).

Employee benefits expenses

Employee benefits expenses slightly decreased by approximately HK\$0.3 million, or approximately by 9.7% from approximately HK\$3.1 million for the Year 2022 to approximately HK\$2.8 million for the Year 2023. The slightly decrease of employee benefits expenses was mainly due to the costs saving from disposal of certain food products operation subsidiaries during the Year 2023.

Other gains and losses, net

Other gains and losses, net comprised mainly on fair value change of assets, provision of impairment including expected credit losses, and results from disposal of subsidiaries. Other losses, net increased by approximately HK\$10.4 million from approximately gains of HK\$0.3 million for the Year 2022 to approximately losses of HK\$10.1 million for the Year 2023. The significant change of other losses mainly due to fair value change of biological assets of approximately HK\$4.5 million, and impairment on biological assets of approximately HK\$5.0 million.

Administrative expenses

The Group's administrative expenses mainly included depreciation of property, plant and equipment and of right-of-use assets, legal and professional fees and other administrative expenses. The Group recorded a decline in administrative expenses by approximately HK\$1.8 million, or approximately 15.8% from approximately HK\$11.4 million for the Year 2022 to approximately HK\$9.6 million for the Year 2023.

Finance costs

The Group's finance costs mainly included interests on borrowings, and interest on lease liabilities. Finance costs have been increased by approximately HK\$2.0 million, or approximately 41.7% from approximately HK\$4.8 million for the Year 2022 to approximately HK\$6.8 million for the Year 2023. The rise of finance costs mainly results from the interest on borrowings including bank and non-financial institutions of approximately HK\$6.7 million during the year ended Year 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the year

As a result of the cumulative factors discussed above, the loss for the Year 2023 was approximately HK\$8.7 million as compared to profit for the Year 2022 of approximately HK\$6.6 million. Such decrease was mainly due to rise of cost of sales and inventories consumed, other losses, net and finance costs for the Year 2023 comparing with the Year 2022. The gross profit margin reduced from approximately 9.2% for the year 2022 to approximately 6.1% for the year 2023. Such reduction was mainly due to the discounts and product sale package offer in order to maintain customer loyalty, to attract prospective customers and to further develop potential business market.

DIVIDENDS

No dividend was paid or proposed by the Company during the year ended 31 December 2023 (2022: HK\$Nil).

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Capital structure

During the year ended 31 December 2023, the Company issued in aggregate 199,372,000 subscription shares by way of placing. The gross proceeds raised from the subscription was approximately HK\$19.94 million, and the net proceeds after deduction of all relevant expenses, was approximately HK\$19.87 million, which were used for the Group's general working capital and the repayment of other borrowing.

As at 31 December 2023, the share capital and equity attributable to owners of the Company amounted to approximately HK\$119,624,000 and HK\$366,167,000 respectively (2022: approximately HK\$99,686,000 and HK\$355,841,000 respectively). Details of the capital risk management are set out in the Note 28 to the consolidated financial statements.

Net current assets

As at 31 December 2023, the Group's net current assets was approximately HK\$320.2 million (2022: approximately HK\$300.0 million) and the Group had cash and bank balance of approximately HK\$3.2 million (2022: approximately HK\$4.0 million)

Borrowings and charges on the Group's assets

Details of borrowings and charges on the Group's assets as at 31 December 2023 are set out in Note 22 to the consolidated financial statements.

Gearing ratio

Gearing ratio is calculated as net debt (borrowings, promissory notes and lease liabilities less bank balances and cash) divided by the total of net debt and total equity (excluding non-controlling interest). As at 31 December 2023, the gearing ratio was approximately 34% (2022: approximately 24%).

MANAGEMENT DISCUSSION AND ANALYSIS

Exchange Rate Exposure

The Group's business operations are denominated mainly in Hong Kong dollars ("HK\$"). Other than the interest in a wholly owned Subsidiary is denominated in Australian Dollar ("AUD"), the Group's assets and liabilities are mainly denominated in HK\$. Currently, the Group has not entered into agreements or purchased instruments to hedge the Group's exchange rate risks. Any material fluctuation in the exchange rates of HK\$ or AUD may have an impact on the financial results of the Group.

The Group manages foreign currency risk by closely monitoring the movement of the foreign currency rates.

INVESTMENT PROPERTIES

The Group sold one of our subsidiaries in Western Australia together with its investment property on 5 May 2023. As at 31 December 2023, the Group has no more investment property.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Saved as disposal of subsidiaries disclosed in Notes 27 to the consolidated financial statements and event after the end of the reporting period, there were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the Year. Saved as disclosed elsewhere in this report, there is no plan for material investments or capital assets as at 31 December 2023.

CONTINGENT LIABILITIES

Save as disclosed elsewhere in this annual report, the Group had no material contingent liabilities as at 31 December 2023 (2022: Nil).

CAPITAL COMMITMENTS

There were no capital commitments for the Group as at 31 December 2022 and 2023.

EMPLOYEES AND EMOLUMENT POLICIES

The Group had over 14 employees (including Directors) as at 31 December 2023 (2022: 14). The Group recruits and promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff and to enable smooth operation within the Group, the Group offers competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages are subject to review on a regular basis. The emoluments of the Directors and senior management are reviewed by the Remuneration Committee, having regard to the Group's operating results, market competitiveness, individual performance and achievement, and approved by the Board.

DIRECTORS' REPORT

The Board is pleased to present their annual report together with the audited consolidated financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES

The Company is an exempted company with limited liability incorporated in the Cayman Islands on 10 February 2011.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 32 to the consolidated financial statements. The Group is principally engaged in (i) wine business; (ii) food products operation business.

SEGMENT INFORMATION

Details of segment information of the Group for the Year are set out in Note 6 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the Year and the state of affairs of the Company and of the Group as at that date are set out in the consolidated financial statements on pages 38 to 107.

During the Year, no interim dividend (2022: Nil) was declared and paid.

During the Year, there was no arrangement under which any shareholder waived or agreed to waive any dividend.

The Directors do not recommend the payment of final dividend for the Year (2022: Nil). Further details of dividends are set out in Note 12 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Group as well as discussion and analysis of the Group's performance during the Year and the material factors underlying its financial performance and financial position can be found in the "Chairlady's Statement" and "Management Discussion and Analysis" set out on pages 4 to 5 and pages 6 to 9 respectively.

DIRECTORS' REPORT

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors are aware that the Group is exposed to a variety of risks, some are specific to the businesses in which the Group operates while others are common risks that most businesses face. Procedures have been established by the Directors to ensure significant risks that may adversely affect the Group's operation and performance are identified and corresponding measures are in place to mitigate those risks. Save as disclosed in Note 29 to the consolidated financial statements and elsewhere in this annual report, the following are the most significant risks identified as at 31 December 2023. If any of these events occur, the Group's businesses, financial conditions, results of operations and/or prospects of the Group could be materially and adversely affected. These key risks are by no means exhaustive or comprehensive, and there may be other risks, in addition to those highlighted below, which are not known by the Group or which may not appear significant now but could turn out to be so in the future. Key risks related to the Group's businesses and to the industries in which the Group operates include:

Market Risk

Adverse financial impacts include earnings volatility, cost volatility including changes in income and corporate taxes, transportation and fuel prices, interest rates and other operating expenses; exchange rate volatility in the currencies we use; and the Australia-China political and trade tensions affecting market sentiment and status of Hong Kong, such as the excessive import duties imposed on Australian wines into China increasing cost of trades.

Employee Engagement Risk

We are only as good as our people and so our ability to achieve our vision depends on the effectiveness of our staff both ashore and at sea. Loss of key staff or an inability to attract, train or retain staff could affect our ability to grow our business and achieve our long-term goals.

Customer Satisfaction and Reputation Risk

Poor service may lead to impaired brand value and reputation as a trusted counterparty, which could restrict our access to customers, cargoes, transportation handling, funding and talent.

IT Security Risk

Our business processes rely heavily on IT systems (including cloud-based) and daily communications and accounting systems. Failure of a key IT system, targeted attacks on our system, or a breach of security could result in communications breakdown and business disruption.

DIRECTORS' REPORT

Operational Efficiency Risk

Poor internal systems, processes, communications and management could adversely impact our business and undermine our operational efficiency.

Liquidity Risk

Insufficient financial resources (such as borrowing facilities) may negatively impact the Group's ability to meet its payment obligations as they fall due.

Wine product cost may increase due to global warming and climate change

Grape is the major ingredient in wine, which is highly affected by weather. Water deficits and droughts, hail, flooding, the frequency of extreme weather events all influence the way a grape is grown and its final quality. It turns out implies a fluctuation in product costing of the Group.

Weather is an uncontrollable factor that the Group is not able to manage if bad weather occurs. There is no assurance that the Group will be able to maintain adequate supply from other countries with promising quality. The Group may be required to increase the procurement cost, which may adversely affect the Group's profitability.

Keen competition in Hong Kong wine industry

Due to zero import custom policy in 2008 and the benefits promoted by the Government of the HKSAR, it reduces the cost to enter the wine business market resulting in lower barrier to become wine traders in Hong Kong.

Sustainable effort has to be made, in order to gate keeping the costing and quality of the Group's sourced wine, or it may be adversely affected in the event that the Group is not competitive in terms of the pricing, or there is a drop in the quality of the products.

Consumer willingness to buy tends to be conservative due to economy uncertainty

Wine generally being classified as a luxury product which being segmented into medium to high-end market. It may be highly affected by economy uncertainties. The Group may have to reduce the price levels or offer better business terms to customers, which may adversely affect the Group's performance.

Most of the Group's food production revenue from food products operation was derived from the concessionaire stores in supermarket chains in Hong Kong

Over 99% of the revenue from wine business as derived from the sales channel in Hong Kong. As at 31 December 2023, we do not operate any fixed place for retailing of wine business in Hong Kong.

DIRECTORS' REPORT

Environmental policies and performance

The Group commits to the long term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction.

The Group also commits to the principle and practice of recycling and reducing. To help conserve the environment, it implements green office practices such as re-deployment of office furniture as far as possible, encourages use of recycled paper for printing and copying, double-sided printing and copying and reduces energy consumption by switching off idle lightings, air conditioning and electrical appliances.

Any deficiency in compliance with emissions and other environmental legislation and standards may result in financial loss and significant damage to our brand and the long-term sustainability of our wine business.

Compliance with the relevant laws and regulations

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

Relationship with suppliers, customers and other stakeholders

The Group understands the importance of maintaining a good relationship with its suppliers, customers and other stakeholders to meet its immediate and long-term goals. There was no material and significant dispute between the Group and its suppliers, customers and/or other stakeholders during the Year.

PERMITTED INDEMNITY

Pursuant to the memorandum and articles of association ("Articles of Association") of the Company, the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in the execution of their duties in their offices. Such permitted indemnity provision has been in force throughout the year. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

ANNUAL GENERAL MEETING

A circular containing the details of 2024 AGM and the notice of 2024 AGM and form of proxy accompanying thereto will soon be despatched to shareholders.

DIRECTORS' REPORT

RESERVES

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

DISTRIBUTABLE RESERVES

As at 31 December 2023 the Company's reserves not available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK\$53,909,000 (2022: HK\$54,831,000). The amount includes the Company's share premium, capital reserve and accumulated losses which may be distributable provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

PROPERTY, PLANT AND EQUIPMENT

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

INTEREST CAPITALISED

No interest was capitalised by the Group during the Year.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group, as extracted from the consolidated financial statements, is set out on page 108 of this annual report. This summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital and movements during the year are set out in Note 24 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS AND SUPPLIERS

During the Year and Last Year, the Group's total revenue from its five largest customers accounted for approximately 51% (2022: 54%).

DIRECTORS' REPORT

The information in respect of the Group's purchases attributable to the major suppliers for the Year and Last Year is as follows:

	Percentage of the Group's total sales/purchases	
	2023	2022
The largest supplier	36%	14%
Five largest suppliers in aggregate	82%	51%

None of the Directors, their associates or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's share capital) had any beneficial interest in the major suppliers disclosed above.

DIRECTORS

The Directors during the Year and up to the date of this annual report are as follows:

Executive Directors

Ms. Huang Wei (*Chairlady*)

Mr. Dou Sheng

Independent Non-executive Directors

Mr. So Yat Chuen

Mr. Wu Chi King

Ms. Cheng Wai, Iris

Pursuant to article 84 of the Articles of Association, Mr. Dou Sheng and Mr. So Yat Chuen shall retire from office as Executive Director and Independent Non-executive Director respectively, by rotation at the 2024 AGM and, being eligible, offer themselves for re-election at the 2024 AGM.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out as follows:

EXECUTIVE DIRECTORS

Ms. Huang Wei (黃巍女士), aged 57, was appointed as an Executive Director on 12 August 2019, as an authorised representative and a compliance officer of the Company on 24 October 2019 and as a chairlady on 30 September 2019. Ms. Huang obtained a Bachelor of Business (Accounting) degree from Central Queensland University in 1997. Ms. Huang has over 20 years of experience in financial management aspects. She is also a director of certain subsidiaries of the Group and is responsible for overall management and strategic planning of the Group.

DIRECTORS' REPORT

Mr. Dou Sheng (竇勝先生), aged 45, was appointed as an Executive Director on 24 October 2019. He obtained a Bachelor degree in Material Science and Engineering from the Henan University of Science and Technology* (河南科技大學) in 2002. He has over 10 years of experience in sales distribution and marketing in China. He is also a director of certain subsidiaries of the Group and is responsible for business development and marketing of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Chi King (胡子敬先生), aged 41, was appointed as an Independent Non-executive Director on 8 September 2022. He is also the chairman of the Audit Committee and member of the Nomination Committee and Remuneration Committee. Mr. Wu received a Bachelor of Computer Science from Monash University and is a Certified Practising Accountant (CPA) of Certified Practising Accountant Australia. He has accumulated extensive experience in finance and accounting by working in various listed and sizable companies in Hong Kong. Mr. Wu is currently the Finance Controller of Hang Heung Cake Shop Company Limited, a private company incorporated in Hong Kong with limited liability which is a food product manufacturer. Mr. Wu is also an Independent Non-executive Director of Wan Cheng Metal Packaging Company Limited, a company whose shares are listed on GEM of the Stock Exchange (Stock Code: 8291) and Mansion International Holdings Limited, a company whose shares are listed on GEM of the Stock Exchange (Stock Code: 8456) since June 2020 and June 2021 respectively.

Mr. So Yat Chuen (蘇溢泉先生), aged 56, was appointed as an Independent Non-executive Director on 22 February 2019. He is also the chairman of the Nomination Committee and Remuneration Committee and a member of the Audit Committee. Mr. So is a solicitor of the High Court of the Hong Kong Special Administrative Region and has over 22 years of experience in legal sector. Mr. So obtained a Bachelor of Laws degree from Peking University, a Post-graduate Diploma in English and Hong Kong Law from Manchester Metropolitan University in 2001 and a Master of Laws degree from the University of Greenwich in 2016.

Ms. Cheng Wai Iris (鄭蕙女士), aged 52, was appointed as an Independent Non-executive Director on 16 December 2022. She is also the member of Audit Committee and Nomination Committee and Remuneration Committee. Ms. Cheng received a Master of Business Administration from Murdoch University. She has accumulated extensive experience in international trade, marketing, investment, bank financing and asset management by working in various sizable companies in Hong Kong and China. From June 2014 to May 2015, she was Administration Manager of Fashion Focus Leather Goods Mfg. Ltd and also Special Personal Assistant of the Chairman of the Group. She then joined Sonic International (Toys) Ltd worked as Executive Secretary of the company from October 2015 to July 2021.

* For identification purpose only

DIRECTORS' REPORT

SENIOR MANAGEMENT

Mr. Lai Nga Ming, Edmund (賴雅明先生), was appointed as company secretary and authorised representative of the Company on 21 December 2023. He obtained a Bachelor of Arts (Honours) in Accountancy from The Hong Kong Polytechnic University and is a member of the Hong Kong Institute of Certified Public Accountants. He has accumulated extensive experience in auditing and accounting by working in various international firms of Certified Public Accounts, listed and multinational companies in Hong Kong such as Grant Thornton Hong, BDO Hong Kong and SDM Education Group Holdings Limited (stock code: 8363), the shares of which are listed on GEM of the Stock Exchange. He is currently the company secretary of Luxxu Group Limited (stock code: 1327), the shares of which are listed on the main board of the Stock Exchange, since November 2016. He was also the company secretary of C&N Holdings Limited (stock code: 8430) between July 2021 and July 2023. He has been an Independent Non-executive Director of Founder Holdings Limited (stock code: 418) since April 2020, and he was an Independent Non-executive Director of Peking University Resources (Holdings) Company Limited (stock code: 618) between April 2020 and September 2021; the shares of which are listed on the main board of the Stock Exchange.

DIRECTORS' SERVICE CONTRACTS

Ms. Huang Wei, the Executive Director, has entered into a service agreement with the Company for a term of three years with effect from the date of appointment on 12 August 2019. The term of service shall be renewed and extended automatically by one year on the expiry of such initial term and on the expiry of every successive period of one year thereafter, unless either party has given at least three month's written notice of non-renewal before the expiry of the then existing term.

Mr. Dou Sheng, the Executive Director, has entered into a service agreement with the Company for a term of three years with effect from the date of appointment 24 October 2019. The term of service shall be renewed and extended automatically by one year on the expiry of such initial term and on the expiry of every successive period of one year thereafter, unless either party has given at least three month's written notice of non-renewal before the expiry of the then existing term.

Each of the Independent Non-executive Director has entered into a letter of appointment with the Company for a term of one year from their dates of appointment and is subject to termination by either party giving not less than one month's written notice.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REPORT

INDEPENDENCE CONFIRMATION

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all of the Independent Non-executive Directors are independent.

REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT AND HIGHEST PAID INDIVIDUALS

Details of the Directors' remuneration and the five individuals with highest emoluments are set out in Note 11 to the consolidated financial statements.

For the Year, the remuneration of the senior management whose details are included in the "Biographical Details of The Directors and Senior Management" section of this annual report fell within the following bands:

Remuneration Bands	Number of Individuals*
Below HK\$1,000,000	5

* Resigned Senior Management during the Year are included

MANAGEMENT CONTRACTS

As at 31 December 2023, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

EMOLUMENT POLICY

In order to attract and retain high quality staff and to enable smooth operation within the Group, the Group offers competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages are subject to review on a regular basis.

The emoluments of the Directors and senior management are reviewed by the Remuneration Committee, having regard to the Group's operating results, market competitiveness, individual performance and achievement, and approved by the Board.

RETIREMENT BENEFIT SCHEME

Details of the retirement benefit scheme of the Group are set out in Note 25 to the consolidated financial statements.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACT

Saved as disclosed under the section "Connected Transactions" below, no contract of significance to which the Company, or any of its holding company or subsidiaries was a party, and in which a Director or his connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors and their respective associates had an interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group during the Year or as at 31 December 2023.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2023, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required, pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange were as follows:

Long Positions in the Company

Name of Director	Capacity/nature of interest	Total number of ordinary shares held	Approximate percentage of interest
Ms. Huang Wei	Beneficial owner	180,244,800	15.07%

Saved as disclosed above, as at 31 December 2023, none of the Directors and chief executives of the Company had, or deemed to have, any interests or short positions in any shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 to Rule 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' REPORT

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed under the sections "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares or Debentures of the Company and Its Associated Corporations" above, at no time during the Year was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

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

So far as the Directors are aware, as at 31 December 2023, other than the Directors or chief executives of the Company whose interests or short positions are disclosed under the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares or Debentures of the Company and Its Associated Corporations" above, no parties have interest or short position in the shares or underlying shares of the Company which have to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO, and who were expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

PURCHASE, SALE OR REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the Year.

CONNECTED TRANSACTIONS

Significant related party transactions entered into by the Group during the Year are disclosed in Note 26 to the consolidated financial statements.

Save as disclosed in the section headed "Continuing Connected Transactions" of this annual report, none of the related party transactions constitute a connected transaction (as defined in the GEM Listing Rules) that is required to be disclosed.

CONTINUING CONNECTED TRANSACTIONS

The Group has entered into certain agreements with the Company's connected persons (as defined under Chapter 20 of the GEM Listing Rules) constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules which are disclosed in Note 26 and fully exempted under 20.71(1) of the GEM Listing Rules.

DIRECTORS' REPORT

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2023 and up to the date of this annual report.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms which are the same as the required standard of dealings set out in Rule 5.48 to Rule 5.67 of the GEM Listing Rules. The Company periodically issues notices to its Directors reminding them of the general prohibition on dealing in the Company's listed securities during the blackout periods before the publication of announcements of financial results. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the required standards of dealings throughout the year. The Company was not aware of any non-compliance during the Year.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" section of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this annual report, based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company maintained the amount of public float as required under the GEM Listing Rules.

AUDIT COMMITTEE

The Company established the Audit Committee pursuant to a resolution of the Directors passed on 25 June 2011 and 1st revised on 30 December 2015 and 2nd revised on 20 December 2018 with written terms of reference in compliance with Rule 5.28 and Rule 5.29 of the GEM Listing Rules. The written terms of reference of the Audit Committee was adopted in compliance with paragraph C3.3 of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Audit Committee, among other things, are to assist the Board in overseeing and reviewing (i) the effectiveness of the Group's risk management and internal control systems and regulatory compliance of the Group; (ii) the integrity of the Company's financial statements and application of accounting standards and significant judgements contained in the financial statements; and (iii) the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditor. As at 31 December 2023, the Audit Committee consists of three Independent Non-executive Directors, namely Mr. Wu Chi King, Mr. So Yat Chuen and Ms. Cheng Wai, Iris. Mr. Wu Chi King was the chairman of the Audit Committee.

DIRECTORS' REPORT

During the Year, the Audit Committee performed duties including reviewing the financial reports and compliance procedures, the risk management and internal control systems and considering the re-election of auditor of the Company.

The Group's annual results for the Year have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the financial statements of the Company and the Group for the Year comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

AUDITOR

The financial statements for the years ended 31 December 2021 and 2022 were audited by Elite Partners CPA Limited. On 27 November 2023, Elite Partners CPA Limited resigned as the auditor of the Company and on 27 November 2023, Privatco CPA Limited was appointed as the new auditor of the Company to fill the casual vacancy and to hold office until the conclusion of the next annual general meeting of the Company. A resolution will be submitted to the next annual general meeting to re-appoint Privatco CPA Limited as the auditor of the Company.

On behalf of the Board
Palinda Group Holdings Limited

Huang Wei
Chairlady and Executive Director

Hong Kong, 28 March 2024

CORPORATE GOVERNANCE REPORT

The Board has adopted various policies to ensure compliance with the code provisions of the CG Code under Appendix 15 of the GEM Listing Rules. For the Year, the Company has fully complied with all applicable provisions of the CG Code.

Under the code provision A2.1 of the CG Code, the role of chairman and chief executive (“CEO”) should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established.

Subsequent to the resignation of former CEO, the post has been vacant as at 31 December 2023, the Board will keep reviewing the current structure of the Board from time to time and the Company will make appointment with suitable knowledge, skill and experience to fill the post of the CEO as appropriate.

The Company will continue to enhance its corporate governance appropriate to the conduct and growth of its business and to review its corporate governance from time to time to ensure they comply with the statutory and the CG Code and align with the latest developments.

BOARD OF DIRECTORS

Board Composition

The Board currently comprises five members, of which two are Executive Directors namely Ms. Huang Wei (Chairlady) and Mr. Dou Sheng and three are Independent Non-executive Directors namely Mr. Wu Chi King, Mr. So Yat Chuen and Ms. Cheng Wai Iris. Each of the Directors’ respective biographical details are set out in the section headed “Directors and Senior Management’s Biographies” of this annual report.

The Board included three Independent Non-executive Directors with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise during the year.

CHAIRLADY AND CEO

The roles of the Chairlady and CEO should be separated and should not be performed by the same individual to ensure their respective independence, accountability and responsibility. The Chairlady is responsible for the Group’s strategic planning and the management of the operations of the Board, while the CEO takes the lead in the Group’s operations and business development. There is a clear division of responsibilities between the Chairlady and CEO of the Company which provides a balance of power and authority.

Subsequent to the resignation of former CEO, the post has been vacant as at 31 December 2023, the Board will keep reviewing the current structure of the Board from time to time and the Company will make appointment with suitable knowledge, skill and experience to fill the post of the CEO as appropriate.

CORPORATE GOVERNANCE REPORT

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Independent Non-executive Directors are appointed for a fixed term of one year commencing from their dates of appointment for which Mr. Wu Chi King whose term commenced on 8 September 2022 and Mr. So Yat Chuen whose term commenced on 22 February 2019 and Ms. Cheng Wai, Iris whose term commenced on 16 December 2022. The appointment can be terminated by either the Company or the Independent Non-executive Director giving to the other party not less than one month's prior written notice. The Company and the Independent Non-executive Director shall discuss whether to renew the term of appointment of the Independent Non-executive Director prior to the expiration of the relevant term of appointment. If either party disagrees with the renewal of the term of appointment of the Independent Non-executive Director, such party shall notify the other party in writing at least two months prior to the expiration of the relevant term of appointment. Subject to the consent of both parties, the term of appointment of the Independent Non-executive Director may be renewed automatically for one year on expiry of the initial term and for successive terms of one year each commencing on expiry of the then current term. Also, the Independent Non-executive Directors are subject to re-election on retirement by rotation at the AGM in accordance with the Articles of Association.

The Company has received written annual confirmation from each Independent Non-executive Director of his independence pursuant to the requirements of the Rule 5.09 of the GEM Listing Rules. The Company considers all Independent Non-executive Directors to be independent in accordance with the independence guidelines set out in the GEM Listing Rules for the Year.

ROLE AND FUNCTION OF THE BOARD

The Board is responsible for overall management of the Group's business, which assumes the responsibility for leadership and control of the Group and is collectively responsible for promoting the success of the Group by directing and supervising its affairs.

DELEGATION BY THE BOARD

The Board reserves for its decisions on all major matters of the Group, including the approval and monitoring of major policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

The day-to-day management, administration and operation of the Group are delegated to the Executive Directors and senior management. The delegated functions and work tasks are reviewed from time to time. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

The Independent Non-executive Directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board.

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy (the “Board Diversity Policy”) in 2013 and revised in 2018 setting out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

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 Nomination Committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness.

NOMINATION POLICY

The Company also adopted a nomination policy (The “Nomination Policy”) on 20 December 2018. The purpose of the Nomination Policy is to identify candidates who are suitable to become a member of the Board and to make recommendations to the Board on the selection of candidates nominated for directorships. The Board shall be composed of members with balance of skills, experience and diversity of perspectives appropriate to accomplish the Group’s business development, strategies, operation, challenges and opportunities. The core criteria for selection include gender, age, cultural and education background, professional qualifications, skills, knowledge and industry and regional experience, number of directorship in other listed/public companies and in case of Independent Non-executive Directors, the number of years they have already served. According to the nomination procedure, the Nomination Committee is responsible for identifying potential new Directors and recommends to the Board for decision. The appointment shall be subject to the approval by the Board in accordance with the Company’s Memorandum and Articles of Association, the GEM Listing Rules and the Nomination Policy.

PROFESSIONAL DEVELOPMENT OF THE DIRECTORS

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interests and business of the Group and such induction materials will also be provided to the newly appointed Directors before their appointment as Directors. All Directors have been updated on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. There is a procedure agreed by the Board to ensure Directors, upon request, to seek independent professional advice in appropriate circumstances, at the Company’s expenses.

CORPORATE GOVERNANCE REPORT

The Directors confirmed that they have complied with the code provision A.6.5 of the CG Code on Directors' training. During the Year, all Directors have participated in continuous professional development by attending seminars/in-house briefing/reading materials to develop and refresh their knowledge and skills and provided a record of training to the Company. These covered a broad range of topics including Directors' duties, corporate governance and recent updates on the GEM Listing Rules.

Name of Directors	Attended seminars, briefing or read materials
Executive Directors	
Ms. Huang Wei	✓
Mr. Dou Sheng	✓
Independent Non-executive Directors	
Mr. So Yat Chuen	✓
Mr. Wu Chi King	✓
Ms. Cheng Wai, Iris	✓

BOARD MEETINGS

Notice of at least 14 days have been given to all Directors for all regular Board meetings and the Directors can include matters for discussion in the agenda if necessary. Agenda and accompanying Board papers in respect of regular Board meetings are sent out in full to all Directors within reasonable time before the meeting. Draft minutes of all Board meetings are circulated to Directors for comment within a reasonable time prior to confirmation.

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

CORPORATE GOVERNANCE REPORT

NUMBER OF MEETINGS AND ATTENDANCE RECORDS

For the Year, 12 Board meetings were held, out of which 4 were regular Board meetings for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Group. The attendance records of each Director at the Board meetings and Board committees' Meetings are set out in the table below:

Name of Directors	Board	Meetings attended/Eligible to attend			AGM
		Audit Committee	Remuneration Committee	Nomination Committee	
Executive Directors					
Ms. Huang Wei	12/12	–	–	–	1/1
Mr. Dou Sheng	12/12	–	–	–	1/1
Independent Non-executive Directors					
Mr. So Yat Chuen	12/12	5/5	1/1	1/1	1/1
Mr. Wu Chi King	12/12	5/5	1/1	1/1	1/1
Ms. Cheng Wai, Iris	12/12	5/5	1/1	1/1	1/1

BOARD COMMITTEE

Audit Committee

The Company established the Audit Committee pursuant to a resolution of the Directors passed on 25 June 2011 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The written terms of reference of the Audit Committee was adopted in compliance with paragraph C3.3 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. On 30 December 2015 and 20 December 2018, the Board adopted a set of the revised terms of reference of the Audit Committee in line with the GEM Listing Rules requirement. The revised terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on both the GEM website and the Company's website. The primary duties of the Audit Committee, among other things, are to assist the Board in overseeing and reviewing (i) the effectiveness of the Group's risk management and internal control systems and regulatory compliance of the Group; (ii) the integrity of the Company's financial statements and application of accounting standards and significant judgements contained in the financial statements; and (iii) the relationship with the external auditors by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditor.

As at 31 December 2023, the Audit Committee consists of three Independent Non-executive Directors, namely Mr. Wu Chi King, Mr. So Yat Chuen and Ms. Cheng Wai, Iris. Mr. Wu Chi King was the chairman of the Audit Committee. During the Year, 5 meetings of Audit Committee were held for, inter alia, reviewing the Group's quarterly, interim and annual results, the financial reporting and compliance procedures, the risk management and internal control systems and considering the re-election of auditor of the Company.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

The Company established the Remuneration Committee pursuant to a resolution of the Directors passed on 25 June 2011 with written terms of reference in compliance with paragraph B1.2 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. On 23 March 2012 and 29 December 2022, the Board adopted a set of revised terms of reference of the Remuneration Committee in line with the GEM Listing Rules requirement. The revised terms of reference setting out the Remuneration Committee's authority, duties and responsibilities are available on both the GEM website and the Company's website. The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; and ensure none of the Directors determine their own remuneration. The Remuneration Committee has adopted the operation model where it performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of individual Executive Directors and senior management.

As at 31 December 2023, the Remuneration Committee consists of three Independent Non-executive Directors, namely Mr. Wu Chi King, Mr. So Yat Chuen and Ms. Cheng Wai, Iris. Mr. So Yat Chuen was the chairman of the Remuneration Committee. Details of the remuneration of Directors are set out in Note 11 to the consolidated financial statements. During the Year, 1 meeting of Remuneration Committee were held for, inter alia, reviewing the remuneration policy and structure and determining the annual remuneration packages of the Directors and the senior management and determining the annual remuneration packages of the newly appointed Directors and senior management, if any.

Nomination Committee

The Company established the Nomination Committee by the Board at the Board meeting held on 23 March 2012 with written terms of reference in compliance with paragraph A5.2 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. On 23 March 2012, 22 October 2013 and 20 December 2018, the Board adopted a set of the revised terms of reference of the Nomination Committee in line with the GEM Listing Rules requirement. The revised terms of reference setting out the Nomination Committee's authority, duties and responsibilities are available on both the GEM website and the Company's website. The primary duties of the Nomination Committee are to make recommendations to the Board on nomination and appointment of Directors and Board succession, with a view to appoint to the Board individuals with suitable experience and capabilities to maintain and improve the competitiveness of the Company.

Before the Nomination Committee was established, all Directors are responsible for making recommendations to the Board on nomination and appointment of Directors and Board succession, with a view to appoint to the Board individuals with suitable experience and capabilities to maintain and improve the competitiveness of the Company. Where vacancies on the Board exist, the Nomination Committee (or the Board before the Nomination Committee was established) will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, including the independence status in the case of an Independent Non-executive Director, the Company's needs and other relevant statutory requirements and regulations.

CORPORATE GOVERNANCE REPORT

As at 31 December 2023, the Nomination Committee consists of three Independent Non-executive Directors, namely Mr. Wu Chi King, Mr. So Yat Chuen and Ms. Cheng Wai, Iris Mr. So Yat Chuen was the chairman of the Nomination Committee. During the Year, 1 meeting of Nomination Committee were held for, inter alia, considering the retirement and re-election of the Directors and the appointment of the new Directors and senior management, if any. The Nomination Committee has also reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group has achieved the effectiveness of the Board Diversity Policy during the year.

Corporate Governance Function

All members of the Board are responsible for performing the corporate governance functions. The terms of reference of corporate governance functions was adopted by the Board at the Board meeting held on 23 March 2012 and is in compliance with paragraph D3.1 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. During the Year, the Board has reviewed the policy of the corporate governance and the corporate governance report of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Group adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding directors' securities transactions of the Company. Upon the Company's specific enquiry, each Director had confirmed that, they had fully complied with the required standard of dealings and there was no event of non-compliance for the Year.

AUDITOR'S REMUNERATION

For the Year, the fees paid/payable to Privatco CPA Limited, the auditor of the Company, and its affiliate companies in respect of audit services provided by them to the Group were as follows:

Service rendered	Fees paid/ payable HK\$'000
Audit services	300
Total	<u>300</u>

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board is responsible for the Group's risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable, but not absolute assurance against misstatement or loss.

Given the relatively simple corporate and operation structure, the Group currently does not have an internal audit function.

The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management as well as overseeing the formation, implementation and monitoring of the risk management and internal control systems.

In addition, the Group engages independent professional advisor to conduct an annual review of the effectiveness of the Group's risk management and internal control system in various material aspects including financial, operational and compliance controls. The risk management report and internal control report are submitted and reviewed by the Audit Committee at least once a year. Summary of findings and recommendations are discussed at the Audit Committee meeting with a view to improve the Group's operations.

For the Year, the Board, through its Audit Committee, is satisfied that the Group's risk management and internal control systems (i) are adequate to meet the needs of the Group in its current business environment; and (ii) comply with the code provisions on internal control as set out in the GEM Listing Rules.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group and ensure that the consolidated financial statements are prepared in accordance with statutory requirements and applicable accounting standards. In preparing the consolidated financial statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. Having made appropriate enquiries, the Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the consolidated financial statements.

The statement of external auditor of the Company, Privatco CPA Limited, about its reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report.

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS AND COMMUNICATION

The Board recognises the importance of good communications with all shareholders. The Company encourages two-way communications with both its institutional and private investors. A shareholder's communication policy was adopted by the Board at the Board meeting held on 23 March 2012 aiming at providing the shareholders and potential investors with ready and timely access to balanced and understandable information of the Company. Extensive information about the Company's activities is provided in its interim report, quarterly reports and this annual report, which are sent to shareholders of the Company. The AGM provides a valuable forum for direct communication between the Board and the Company's shareholders. The Chairman of the Board as well as Chairmen of the Board Committees together with the auditor will present to answer shareholders' questions. The circular of the AGM is distributed to all shareholders at least 21 clear days before the meeting. Separate resolutions are proposed at general meetings on each separate issue and voting of which are taken by poll pursuant to the GEM Listing Rules. Any results of the poll are published on both the GEM website and the Company's website. All corporate communication with shareholders will be posted on the Company's website for shareholders' information.

The 2023 AGM was held on 8 June 2023. Save as the attendance of the Board disclosed under the paragraph headed "Number of Meetings and Attendance Records" above, the auditor also attended the 2023 AGM to answer questions of the shareholders.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company may be sent by post to the Company's head office or by email to enquiry@palinda.com.

DIVIDEND POLICY

Subject to the approval of the shareholders and requirement of the relevant law, the Company shall pay annual dividends to the shareholders if the Group is profitable, operations environment is stable and there is no significant investment or commitment made by the Group. The aggregate amount of dividend per year shall not exceed 20% of the consolidated annual net profits (excluding extraordinary items, if any) attributable to the shareholders of the Company, taking into consideration the criteria described below. The remaining net profits will be used for Group's development and operations. The dividend policy allows the Company to declare special dividends from time to time in addition to the annual dividends.

The Company's ability to pay dividends will depend upon, among other things, the Group's current and future operations, financial position, development pipeline, prevailing economic environment, contractual restrictions, capital and other reserve requirements, dividends received from the Company's subsidiaries and associates/joint ventures, as well as any other conditions or factors which the Board deems relevant and having regard to the directors' fiduciary duties.

COMPANY SECRETARY

The Company Secretary, Mr. Lai Nga Ming, Edmund, was appointed on 21 December 2023. He is responsible for facilitating the Board meeting process, as well as communications among Board members, with shareholders and management. Mr. Lai's biography is set out in the "Directors and Senior Management's Biographies" section. During the Year, Mr. Lai undertook not less than 15 hours of professional training to update his skills and knowledge.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHT

Procedures for Shareholders to Convene an Extraordinary General Meeting

Pursuant to the Article of Association, an EGM may be convened by the Board upon requisition by any shareholder holding not less than one-tenth of the issued share capital of the Company and the securities being held carrying the right of voting at any general meetings of the Company. The shareholder shall make a written requisition to the Board or the Company Secretary at the head office of the Company at Unit 306-A201, 3/F., Harbour Centre, Tower 1, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong, specifying the shareholding information of the shareholder, his/her contact details and the proposal regarding any specified transaction/business and its supporting documents.

The Board shall arrange to hold such general meeting within two (2) months after the receipt of such written requisition. Pursuant to the Article of Association, the Company shall serve requisite notice of the general meeting, including the time, place of meeting and particulars of resolutions to be considered at the meeting and the general nature of the business.

If within twenty-one (21) days of the receipt of such written requisition, the Board fails to proceed to convene such EGM, the requisitioner(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitioner(s) as a result of the failure of the Board shall be reimbursed to the requisitioner(s) by the Company.

Procedures for Putting Forward Proposals at a General Meeting

A shareholder shall make a written requisition to the Board or the Company Secretary at the head office of the Company at Unit 306-A201, 3/F., Harbour Centre, Tower 1, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong, specifying the shareholding information of the shareholder, his/her contact details and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquires and concerns to the Board in writing through the Company Secretary at the head office of the Company at Unit 306-A201, 3/F., Harbour Centre, Tower 1, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong, or send email to enquiry@palinda.com. Shareholders may also make enquiries with the Board at the general meetings of the Company.

CONSTITUTIONAL DOCUMENTS

During the Year, in order to increase the authorised share capital of the Company from 1,000,000,000 shares to 10,000,000,000 shares by creating an additional 9,000,000,000 shares, the Company had made changes to its Articles to be in line with the latest legal and regulatory requirements, including the applicable laws of the Cayman Islands and the amendments made to Appendix A1 to the GEM Listing Rules which took effect on 1 January 2022. The adoption of the amended and restated memorandum and articles of association of the Company had obtained shareholders' approval at the AGM held on 8 June 2023. An up-to-date version of the Company's Articles is also available on the Company's website and the Stock Exchange's website.

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2023

TO THE MEMBERS OF PALINDA GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)



Privatco CPA Limited

OPINION

We have audited the consolidated financial statements of Palinda Group Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) set out on pages 38 to 107, 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 significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT (Continued)

For the year ended 31 December 2023

Key audit matter

Impairment of property, plant and equipment

The carrying amount of property, plant and equipment at 31 December 2023 were approximately HK\$44,575,000 which were belongs to multiple cash generating units ("CGUs") as detailed in note 14 of the consolidated financials statements.

For the impairment assessment, the Group appointed an independent professional valuer to assess the recoverable amount of property, plant and equipment.

We had identified impairment assessment of property, plant and equipment as a key audit matter because the balance was material and significant management judgement was required to determine the key assumptions including estimated future income, operating margins and discount rate, etc.

The disclosures of property, plant and equipment are included in note 14 to the consolidated financial statements.

How the matter was addressed in our audit

Our procedures in relation to the impairment assessment of property, plant and equipment included:

- We assessed the value in use calculation methodology used and the appropriateness of the key assumptions adopted in the value in use calculation;
- We obtained the valuation report and discussed with the independent external valuer for the methodologies and the relevant underlying key assumptions used;
- We discussed with management whether any impairment indicator exists and basis for the impairment recognised;
- We challenged the reasonableness of key assumptions based on our knowledge of the business and industry;
- We checked the accuracy and relevance of input data used; and
- We evaluated the independent external valuer's competence, capabilities and objectivity.

Based on the procedures performed above, we considered that the key assumptions used in assessing the carrying value of property, plant and equipment are supported by the evidence obtained.

INDEPENDENT AUDITOR'S REPORT (Continued)

For the year ended 31 December 2023

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those statements on 31 March 2023.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

INDEPENDENT AUDITOR'S REPORT (Continued)

For the year ended 31 December 2023

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)

For the year ended 31 December 2023

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

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

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

Privatco CPA Limited

Certified Public Accountants

Lam Man Chi

Practising Certificate Number: P05324

Hong Kong,
28 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	NOTES	2023 HK\$'000	2022 HK\$'000
Revenue	6	332,244	264,679
Other income	7	535	1,312
Cost of sales and inventories consumed		(311,992)	(240,239)
Employee benefits expenses	8	(2,823)	(3,062)
Other gains and losses, net	8	(10,107)	280
Administrative expenses		(9,603)	(11,375)
Finance costs	9	(6,810)	(4,753)
(Loss)/Profit before tax	8	(8,556)	6,842
Income tax expenses	10	(143)	(292)
(Loss)/Profit for the year		(8,699)	6,550
(Loss)/Profit for the year attributable to:			
Owners of the Company		(8,699)	6,725
Non-controlling interest		–	(175)
		(8,699)	6,550

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

For the year ended 31 December 2023

	NOTE	2023 HK\$'000	2022 HK\$'000
Other comprehensive income/(expense) for the year			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation foreign operations		30	(537)
		30	(537)
Total comprehensive (expense)/income for the year		(8,669)	6,013
Total comprehensive (expense)/income for the year attributable to:			
Owners of the Company		(8,669)	6,188
Non-controlling interests		–	(175)
		(8,669)	6,013
(Loss)/Earnings per share			
Basic and diluted (HK cent)	13	(0.85)	0.85

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	NOTES	2023 HK\$'000	2022 HK\$'000
Non-current assets			
Property, plant and equipment	14	44,575	48,786
Right-of-use assets	15	1,501	233
Investment properties	16	–	6,965
		46,076	55,984
Current assets			
Inventories	17	393,716	370,031
Biological assets	18	187	4,966
Trade receivables	19	51,875	34,282
Prepayments, deposits and other receivables	19	450	839
Income tax recoverable		453	–
Bank balances and cash	20	3,218	3,974
		449,899	414,092
Current liabilities			
Trade payables	21	697	3,442
Other payables, accruals and deposits received	21	1,941	20,500
Borrowings	22	125,630	90,000
Income tax payable		–	55
Lease liabilities	23	1,448	238
		129,716	114,235
Net current assets		320,183	299,857
Total assets less current liabilities		366,259	355,841

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2023

	NOTES	2023 HK\$'000	2022 HK\$'000
Non-current liabilities			
Lease liabilities	23	92	–
		92	–
Net assets		366,167	355,841
Capital and reserves			
Share capital	24	119,624	99,686
Reserves		246,543	256,155
Equity attributable to owners of the Company		366,167	355,841
Non-controlling interests		–	–
Total equity		366,167	355,841

The consolidated financial statements on pages 38 to 107 were approved and authorised for issue by the board of directors on 28 March 2024 and are signed on its behalf by:

HUANG WEI
Director

DOU SHENG
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to owners of the Company							Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000 (Note (i))	Capital reserve HK\$'000 (Note (ii))	Foreign currency translation reserve HK\$'000 (Note (iii))	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	
At 1 January 2023	99,686	682,028	106	685	(426,664)	355,841	–	355,841
Loss for the year	–	–	–	–	(8,699)	(8,699)	–	(8,699)
Other comprehensive income for the year								
Exchange differences arising on translation of foreign operations	–	–	–	30	–	30	–	30
Total comprehensive income/(expense) for the year	–	–	–	30	(8,699)	(8,669)	–	(8,669)
Issuance of shares under subscription agreement	19,938	–	–	–	–	19,938	–	19,938
Expense for issue of shares	–	(68)	–	–	–	(68)	–	(68)
Disposal of subsidiaries	–	–	–	(875)	–	(875)	–	(875)
At 31 December 2023	119,624	681,960	106	(160)	(435,363)	366,167	–	366,167
At 1 January 2022	58,658	678,665	106	1,222	(433,389)	305,262	(5,328)	299,934
Profit for the year	–	–	–	–	6,725	6,725	(175)	6,550
Other comprehensive expenses for the year								
Exchange differences arising on translation of foreign operations	–	–	–	(537)	–	(537)	–	(537)
Total comprehensive income/(expense) for the year	–	–	–	(537)	6,725	6,188	(175)	6,013
Issuance of shares under rights issue	29,328	–	–	–	–	29,328	–	29,328
Expense for issue of shares	–	(3,891)	–	–	–	(3,891)	–	(3,891)
Issuance of shares for acquisition of subsidiary	11,700	7,254	–	–	–	18,954	–	18,954
Disposal of subsidiaries	–	–	–	–	–	–	5,503	5,503
At 31 December 2022	99,686	682,028	106	685	(426,664)	355,841	–	355,841

Notes:

- (i) Share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company which is governed by the Cayman Companies Law.
- (ii) Capital reserve represents the difference between the aggregate amount of issued and fully paid share capital of the subsidiaries acquired by the Company and the nominal amount of the shares issued by the Company in exchange for the entire equity interests in the subsidiaries as part of the group reorganisation.
- (iii) Foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of subsidiaries whose functional currencies are currency other than Hong Kong dollar.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 HK\$'000	2022 HK\$'000
OPERATING ACTIVITIES		
(Loss)/profit before tax	(8,556)	6,842
Adjustments for:		
Change in fair value of biological assets	4,468	(690)
Gain on fair value change of investment property	–	(265)
Depreciation of property, plant and equipment	64	203
Depreciation of right-of-use assets	1,536	2,080
Impairment of biological assets	4,966	–
Loss/(gain) on disposal of subsidiaries	311	(525)
Gain on early termination of lease	–	(36)
Finance costs	6,810	4,753
Loss on disposal of property, plant and equipment	–	344
Provision for impairment of trade receivables	362	824
Bank interest income	(3)	(1)
Operating cash flows before movements in working capital	9,958	13,529
(Increase)/decrease in inventories	(23,685)	23,092
(Increase)/decrease in biological asset	(165)	62
(Increase)/decrease in trade receivables	(17,955)	6,783
(Increase)/decrease in prepayments, deposit and other receivables	(226)	1,357
Decrease in trade payables	(2,745)	(61,031)
Increase/(decrease) in other payables, accruals and deposits received	44	(31,515)
(Decrease)/increase in amounts due to directors	(18,533)	18,533
Cash used in operations	(53,307)	(29,190)
Interest paid	(5,469)	(4,655)
Income tax paid	(891)	(88)
NET CASH USED IN OPERATING ACTIVITIES	(59,667)	(33,933)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended 31 December 2023

	2023 HK\$'000	2022 HK\$'000
INVESTING ACTIVITIES		
Net cash inflow/(outflow) from acquisition of subsidiaries	6,568	(10,446)
Net cash outflow on disposal of subsidiaries	–	(320)
Purchase of property, plant and equipment	–	(13)
Proceeds from disposal of property, plant and equipment	–	105
Bank interest received	3	1
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	6,571	(10,673)
FINANCING ACTIVITIES		
Repayment of borrowings	(30,080)	(2,182)
Repayment of promissory notes	–	(5,750)
Repayment of lease liabilities – Principal Portion	(1,502)	(2,111)
Repayment of lease liabilities – Interest Portion	(120)	(98)
Proceeds from issue of new shares	19,938	29,328
Proceed from borrowings	64,489	30,000
Share issuing expenses	(68)	(3,891)
NET CASH GENERATED FROM FINANCING ACTIVITIES	52,657	45,296
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(439)	690
Cash and cash equivalents at the beginning of the year	3,974	4,039
Effect of foreign exchange rate changes	(317)	(755)
CASH AND CASH EQUIVALENT AT THE END OF THE YEAR	3,218	3,974
Analysis of cash and cash equivalents at the end of the year		
Bank balances and cash	3,218	3,974

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL INFORMATION

Palinda Group Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability on 10 February 2011 under the Companies Law (2010 Revision) of the Cayman Islands. The shares of the Company have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 8 July 2011. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is Unit 306-A201, 3/F, Harbour Centre, Tower 1, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong.

The Company’s principal activity is investment holding. The principal activities of its subsidiaries (together with the Company referred to as the “Group”) are sales and distribution of wine products, ancillary wines-related products, and sales and distribution of food products.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company and all values are rounded to the nearest thousand (HK\$’000) unless otherwise indicated.

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

(A) Amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 17	Insurance contracts
Amendments to HKAS 8	Definition of accounting estimates
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies
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

The application of the amendments to HKFRSs in the current year 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 except as described below.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

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

(B) 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:

Amendment to HKAS 1 and Hong Kong Interpretation 5 (Revised)	Classification of Liabilities as Current and Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ¹
Amendments to HKAS 1 Amendments to HKFRS 16 Amendments to HKAS 7 and HKFRS 7	Non-current Liabilities with Covenants ¹ Lease Liabilities in a Sale and Leaseback ¹ Supplier Finance Arrangements ¹
Amendments to HKAS 21 Amendments to HKFRS 10 and HKAS 28	Lack of Exchangeability ² Sales or Contribution of Assets between an Investor and its Associate or Joint Venture ³

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

² Effective for annual periods beginning on or after 1 January 2025.

³ Effective for annual periods beginning on or after a date to be determined.

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

(C) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

As disclosed in note 25, in June 2022 the Hong Kong SAR Government (the “Government”) gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”), which will come into effect from 1 May 2025 (the “Transition Date”). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund (“MPF”) scheme to reduce the long service payment (“LSP”) in respect of an employee’s service from the Transition Date (the abolition of the “offsetting mechanism”). In addition the LSP in respect of the service before the Transition Date will be calculated on the employee’s monthly salary immediately before the Transition Date and the years of service up to that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

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

(C) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism (Continued)

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

However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19 *Employee Benefits* that previously allowed such deemed contributions to be recognised as reduction of service cost (negative service cost) in the period the contributions were made; instead these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit.

To better reflect the substance of the abolition of the offsetting mechanism, the Group has changed its accounting policy in connection with its LSP liability and has applied the above HKICPA guidance retrospectively. The cessation of applying the practical expedient in paragraph 93(b) of HKAS 19 *Employee Benefits* in conjunction with the enactment of the Amendment Ordinance resulted in a catch-up profit or loss adjustment in June 2022 for the service cost up to that date and consequential impacts on current service cost, interest expense and remeasurement effects from changes in actuarial assumptions for the rest of 2022 (see note 25), with the corresponding adjustment to the comparative carrying amount of the LSP liability. This change in accounting policy did not have an impact on the opening balance of equity at 1 January 2022, and the cash flows and earnings per share amounts for the year ended 31 December 2022. It also did not have a material impact on the Company level statement of financial position as at 31 December 2022 and 31 December 2023.

The directors of the Group consider that the changes in the accounting policy in the current year had no material impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, investment properties and biological assets that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

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 leasing transactions that are accounted for in accordance with HKFRS 16 *Leases*, and have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company (i) has power over the investee; (ii) is exposed, or rights, to variable returns from its involvement with the investee; and (iii) has the ability to use its power to affect its returns.

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

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

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

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

All intra-group assets, 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 interest entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

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, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements 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;
- 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; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16 *Leases*) as if the acquired leases were new leases at the acquisition date, except for lease for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease which compared with market terms.

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 re-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 relevant subsidiary'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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Business combinations (Continued)

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included 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 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 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 fair value subsequent reporting dates with the corresponding gain or loss being recognised in profit or loss.

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 during the measurement period, and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Revenue from contract 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Revenue from contract with customers (Continued)

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 *Financial Instruments*. 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 the same contract are accounted for and presented on a net basis.

Performance obligations for contracts with customers

Revenues from sales and distribution of food products and sales of grapes, wine and ancillary wine-related products are recognised at a point in time when control of the goods has been transferred, being when the goods have been delivered to the customers. Payment of the transaction price is due immediately at the point the customer purchases the goods.

Leases

Definition of a lease

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

For contracts entered into or modified or arising from business combinations on or after the date of initial application of HKFRS 16 *Leases*, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 *Leases* 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Leases (Continued)

The Group as 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, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

Short-term leases

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. Lease payments on short-term leases 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Leases (Continued)

The Group as lessee (Continued)

Refundable rental deposits

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

Lease liabilities

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

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable after the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

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

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

Foreign currencies

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Foreign currencies (Continued)

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

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

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

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

Employee benefits

(a) Retirement benefit schemes

Payments to the MPF Scheme (the "MPF Scheme") are recognised as an expense when employees have rendered services entitling them to the contributions. The Group operates an MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee-administered funds.

Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, with the employers' contributions subject to a cap of monthly relevant income of HK\$30,000. The Group's contributions to the scheme are expensed as incurred and vested in accordance with the scheme's vesting scales. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Employee benefits (Continued)

(b) *Defined benefit plan obligations*

The Group has the following defined benefit plans:

- LSP under the Hong Kong Employment Ordinance.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. For LSP obligation, the estimated amount of future benefits is determined after deducting the negative service cost arising from the accrued benefits derived from the Group's MPF contributions that have been vested with employees, which are deemed to be contribution from the relevant employees.

(c) *Employee entitlements*

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Biological assets

Biological assets comprise grapes before harvest in leased farms and are classified as current assets due to the short development period prior to harvest.

Biological assets are stated at fair value less costs to sell from initial measurement up to the point of harvest, except where fair value cannot be measured reliably due to unavailability of quoted market prices and for which alternative fair value measurements are determined to be unreliable, in which case the assets are held at growing costs incurred less any accumulated impairment losses.

Once the fair value becomes reliably measurable, the biological assets are measured at fair value less costs to sell and changes in fair value are recognised in the consolidated statement of profit or loss for the period in which it arises.

Biological assets that meet the definition of bearer plants (i.e., grapevines) are within the scope of HKAS 16 *Property, Plant and Equipment*. Bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment before they are in the location and condition necessary to be capable of operating in the manner intended by management. After initial recognition, bearer plants are measured at cost less any accumulated impairment before maturity. Subsequently when the bearer plants are mature, they are measured at cost, less any accumulated depreciation and impairment, with changes recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Biological assets (Continued)

The grapevines are presented and accounted for as bearer plants, see “property, plant and equipment”. However, the fresh fruit bunches growing on the grapevines are accounted for as biological assets until the point of harvest. Harvested grapes are transferred to inventories at fair value less costs to sell when harvested. Fair value at the point of harvest is based on the selling prices for similar fruits prevailing in the market as at or close to the harvest dates.

Costs to sell include the incremental selling costs, including auctioneers’ fees, commission paid to brokers and dealers and estimated costs of transport to the market but exclude finance costs and income taxes.

The related costs including fertilizers and pesticide cost incurred for harvest of grapes are capitalized, until such time the grapes is harvested.

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 it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, interests in associates and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Taxation (Continued)

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

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

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

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

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

Freehold land are not depreciated and are measured at cost less subsequent accumulated impairment losses, if any.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Investment properties

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

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

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Impairment of property, plant and equipments, and right-of-use assets

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Impairment of property, plant and equipments, and right-of-use assets (Continued)

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

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 CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, 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 cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) 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 or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined using the First-In-First-Out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale included incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sales.

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 and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial Instruments (Continued)

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 and financial liabilities at fair value through profit or loss (“FVTPL”)) are added to or deducted from the fair value of the financial assets and financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income and dividend income which are derived from the Group’s ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial Instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) 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.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("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 includes any dividend or interest earned on the financial asset and is included in the "other gains and losses, net" line item.

Impairment on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (i) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (ii) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial Instruments (Continued)

Impairment on financial assets (Continued)

The Group has elected to measure loss allowances for trade receivables and loan and interest receivables using HKFRS 9 *Financial Instruments* simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12 months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

(i) Definition of default

The Group considers that default has occurred when: (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is more than 90 days past due.

(ii) Credit-impaired financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial Instruments (Continued)

Impairment on financial assets (Continued)

(iii) 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 case of trade receivables, when the amounts are over 1 year past due, whichever occur 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.

(iv) 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.

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 the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial Instruments (Continued)

Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, deposits and other payables, borrowings, amounts due to directors and lease liabilities are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition of financial assets and liabilities

The Group derecognises a financial asset only when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9 *Financial Instruments*.

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

Financial liabilities are derecognised when, and only when, the Group's obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

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 provision is at 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 is material).

Related parties

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

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control of the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) both entities are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); or
 - (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Related parties (Continued)

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

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

Segment reporting

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

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Estimated useful lives and impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at cost less accumulated depreciation and impairment losses, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (i) whether an event has occurred or any indicators that may affect the asset value; (ii) whether the carrying amount of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (iii) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the CGU to which the asset belongs. Changing the assumptions and estimates, including discount rates or the growth rate in the cash flow projections, could materially affect the net recoverable amounts.

As at 31 December 2023, the carrying amounts of property, plant and equipment and right of use assets are approximately HK\$44,575,000 and HK\$1,501,000 (2022: HK\$48,786,000 and HK\$233,000) respectively. An impairment losses on property, plant and equipment of HK\$Nil (2022: HK\$Nil) and an impairment losses on right-of-use assets of HK\$Nil (2022: HK\$Nil) were recognised during the year ended 31 December 2023.

Estimated impairment of financial assets at amortised cost

The Group's financial assets at amortised cost are assessed for impairment based on the ECL model required by HKFRS 9 *Financial Instruments*. The assessment made by the Group has taken into account relevant historical information adjusted for forward looking information available to the Group at the date of assessment (to the extent that such information is reasonable and supportable without undue cost or effort). Management has exercised judgment in estimating the amount of ECL. If the actual outcome is different from management's estimate, an additional impairment loss or reversal of impairment loss may arise.

Fair value measurements and valuation processes of biological assets

The biological assets of the Group are measured at fair value less costs to sell of grapes at harvest based on market prices. The directors have engaged an independent professional valuer to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of biological assets, the Group uses unobservable input. Where Level 1 or 2 inputs are not available, the Group engages an independent professional valuer to perform the valuation. Management works closely with the independent professional valuer to establish the appropriate valuation techniques and inputs to the model. Management reports the independent professional valuer's findings to the directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

6. REVENUE AND SEGMENT INFORMATION

Information reported by the board of directors, the chief operating decision maker (the “CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods sold which is also consistent with the basis of organisation of the Group. No operating segments identified by the CODM have been aggregated in arriving at the reporting segments of the Group.

Specifically, the Group’s reportable and operating segments are as follows:

- (i) Wine business – the sales and distribution of wine products and ancillary wines-related products
- (ii) Food products operation – the sales and distribution of food products

Segment revenues and results

The following is an analysis of the Group’s revenues and results from continuous operations by reportable segments.

For the year ended 31 December 2023

	Wine Business <i>HK\$’000</i>	Food Products Operation <i>HK\$’000</i>	Total <i>HK\$’000</i>
Segment revenue	332,244	–	332,244
Segment results	840	(134)	706
Interest income			3
Unallocated corporate income and expenses, net			(2,455)
Finance costs			(6,810)
Loss before tax			(8,556)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the year ended 31 December 2022

	Wine Business <i>HK\$'000</i>	Food Products Operation <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	261,986	2,693	264,679
Segment results	10,798	977	11,775
Interest income			1
Unallocated corporate income and expenses, net			(181)
Finance costs			(4,753)
Profit before tax			<u>6,842</u>

Disaggregation of revenue from contracts with customers:

	Wine Business <i>HK\$'000</i>	Food Products Operation <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2023			
Types of goods			
Sales and distribution of wine products	332,053	–	332,053
Sales of ancillary wine-related products	191	–	191
Sales and distribution of food products	–	–	–
Revenue from contracts with customers and segment revenue	<u>332,244</u>	<u>–</u>	<u>332,244</u>
Sales channel			
Retail	991	–	991
Wholesale	331,253	–	331,253
Revenue from contracts with customers	<u>332,244</u>	<u>–</u>	<u>332,244</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

	Wine Business <i>HK\$'000</i>	Food Products Operation <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2022			
Types of goods			
Sales and distribution of wine products	261,803	–	261,803
Sales of ancillary wine-related products	183	–	183
Sales and distribution of food products	–	2,693	2,693
	<hr/>		
Revenue from contracts with customers and segment revenue	261,986	2,693	264,679
	<hr/>		
Sales channel			
Retail	915	2,693	3,608
Wholesale	261,071	–	261,071
	<hr/>		
Revenue from contracts with customers	261,986	2,693	264,679
	<hr/> <hr/>		

All of the Group's revenue from contracts with customers are recognised at a point in time.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4 to the consolidated financial statements. Segment results represent the profit earned/(loss suffered) by each segment without allocation of certain other income, certain other gains and losses, net, central administrative costs, certain employee benefits expenses and finance costs. This is the measure reported by the CODM for the purposes of resource allocation and performance assessments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

	Wine Business <i>HK\$'000</i>	Food Products Operation <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2023				
ASSETS				
Segment assets	495,305	7	–	495,312
Unallocated corporate assets	–	–	663	663
Consolidated total assets				495,975
LIABILITIES				
Segment liabilities	128,617	–	–	128,617
Unallocated corporate liabilities	–	–	1,191	1,191
Consolidated total liabilities				129,808

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

	Wine Business <i>HK\$'000</i>	Food Products Operation <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2022				
ASSETS				
Segment assets	469,586	19	–	469,605
Unallocated corporate assets	–	–	471	<u>471</u>
Consolidated total assets				<u><u>470,076</u></u>
LIABILITIES				
Segment liabilities	95,364	1,139	–	96,503
Unallocated corporate liabilities	–	–	17,732	<u>17,732</u>
Consolidated total liabilities				<u><u>114,235</u></u>

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than certain property, plant and equipment, certain right-of-use assets, certain prepayments, deposits and other receivables, certain bank balances and cash and certain income tax recoverable that cannot be allocated to a specific segment; and
- all liabilities are allocated to operating segments other than certain income tax payable and certain other payables, accruals and deposits received that cannot be allocated to a specific segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

6. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

The Group's operations are located in Hong Kong (place of domicile) and Australia.

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers For the year ended 31 December		Non-current assets As at 31 December	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Hong Kong (place of domicile)	332,244	264,679	1,525	283
Australia	–	–	44,551	55,701
	332,244	264,679	46,076	55,984

Information about major customers

For the year ended 31 December 2023, revenue attributable to the Group's largest customer accounted for 13% (2022: 15%) of the Group's total revenue and aggregate revenue attributable to the five largest customers of the Group account for 51% (2022: 54%) of the Group's total revenue.

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

	Year ended 31 December	
	2023 HK\$'000	2022 HK\$'000
Customer A – Wines Business	44,482	N/A
Customer B – Wines Business	40,296	N/A
Customer C – Wines Business	32,156	39,130
Customer D – Wines Business	N/A	28,007
Customer E – Wines Business	N/A	26,486

Except for disclosed above, no other customers contributed 10% or more to the Group's total revenue for corresponding years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

6. REVENUE AND SEGMENT INFORMATION (Continued)

Other segment information

Amount included in the measure of segment results or segment assets:

	Wine Business <i>HK\$'000</i>	Food Products Operation <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2023				
Depreciation of property, plant and equipment	61	–	3	64
Depreciation of right-of-use assets	1,536	–	–	1,536
Expenses relating to short-term leases	364	–	144	508
Fair value changes on investment property	–	–	–	–
Loss arising from changes in fair value less costs to sell of biological assets	4,468	–	–	4,468
Loss on disposal of subsidiaries	–	142	169	311
Impairment on biological assets	4,966	–	–	4,966
Provision for impairment on trade receivables	326	–	–	326

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

6. REVENUE AND SEGMENT INFORMATION (Continued)

Other segment information (Continued)

	Wine Business <i>HK\$'000</i>	Food Products Operation <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2022				
Depreciation of property, plant and equipment	4	196	3	203
Depreciation of right-of-use assets	1,395	639	46	2,080
Expenses relating to short-term leases	331	116	108	555
Fair value changes on investment property	(265)	–	–	(265)
Gain arising from changes in fair value less costs to sell of biological assets	(690)	–	–	(690)
Gain on disposal of subsidiaries	–	(525)	–	(525)
Gain on early termination of leases, net	–	–	(36)	(36)
Loss of disposal of property, plant and equipment	–	344	–	344
Provision for impairment on trade receivables	824	–	–	824
Others	–	–	68	68

Amounts regularly provided to the CODM but not included in the measure of segment results or segment assets:

	Wine Business <i>HK\$'000</i>	Food Products Operation <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2023				
Interest income	3	–	–	3
Finance costs	(6,810)	–	–	(6,810)

	Wine Business <i>HK\$'000</i>	Food Products Operation <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2022				
Interest income	1	–	–	1
Finance costs	(4,588)	(53)	(112)	(4,753)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

7. OTHER INCOME

	2023 HK\$'000	2022 HK\$'000
Bank interest income	3	1
Sundry income	532	997
Government grants (<i>Note 2</i>)	–	314
	535	1,312

Note:

- 1) During the year ended 31 December 2023, government grants of HK\$Nil was recognised (2022: HK\$314,000) in respect of COVID-19 related subsidies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

8. (LOSS)/PROFIT BEFORE TAX

	2023 HK\$'000	2022 HK\$'000
(Loss)/Profit before tax has been arrived at after charging/(crediting):		
Other gains and losses, net		
Fair value changes on investment property	–	(265)
Loss/(gain) arising from changes in fair value less costs to sell of biological assets	4,468	(690)
Loss/(gain) on disposal of subsidiaries	311	(525)
Gain on early termination of leases, net	–	(36)
Impairment on biological assets	4,966	–
Loss on disposal of property, plant and equipment	–	344
Provision for impairment on trade receivables	362	824
Others	–	68
	10,107	(280)
Employee benefits expenses (including directors' and chief executive's emoluments)		
Salaries, wages and other benefits	2,709	2,925
Contributions to retirement benefits schemes		
Defined contribution plan	114	137
	2,823	3,062
Auditor's remunerations	300	430
Advertising expenses	3,586	4,806
Cost of sales and inventories consumed	311,992	240,239
Depreciation of property, plant and equipment	4,554	880
Less: amount capitalised into biological assets	(4,490)	(677)
	64	203
Depreciation of right-of-use of assets	1,536	2,080
Expenses relating to short-term leases	508	555
Legal and professional fees	751	1,167

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

9. FINANCE COSTS

	2023 HK\$'000	2022 HK\$'000
Interest on borrowings	6,690	4,616
Interest on promissory notes	–	39
Interest on lease liabilities	120	98
	6,810	4,753

10. INCOME TAX EXPENSES

	2023 HK\$'000	2022 HK\$'000
Current income tax-Hong Kong:		
Current year provision	–	(292)
Under provision in previous years	(143)	–
Deferred tax:		
Credit for year	–	–
	(143)	(292)

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

Accordingly, the provision for Hong Kong Profits Tax for the years ended 31 December 2023 and 2022 is calculated in accordance with the two-tiered tax regime.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

10. INCOME TAX EXPENSES (Continued)

The income tax expenses for the year can be reconciled to the (loss)/profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2023 HK\$'000	2022 HK\$'000
(Loss)/Profit before tax	(8,556)	6,842
Tax at tax rates applicable to the jurisdiction concerned	(1,412)	954
Tax effect of income not taxable for tax purpose	(1,679)	(474)
Tax effect of expenses not deductible for tax purpose	3,256	754
Tax effect of taxable temporary differences not recognised	(6)	(1,010)
Tax effect of estimated tax losses not recognised	280	68
Utilisation of tax losses previously not recognised	(296)	–
Income tax expenses for the year	143	292

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Directors' emoluments for the years ended 31 December 2023 and 2022, disclosed pursuant to the applicable Listing rules and the Hong Kong Companies Ordinance, is as follows:

	Fees		Salaries, other benefits		Contributions to retirement benefits scheme – defined contribution plan		Discretionary bonus		Total	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Executive directors:										
Ms. Huang Wei	–	–	240	240	12	12	–	–	252	252
Mr. Dou Sheng	–	–	264	264	13	13	–	–	277	277
Independent non-executive directors:										
Mr. Lee Lap Keung (resigned on 8 September 2022)	–	82	–	–	–	–	–	–	–	82
Mr. So Yai Chuen	120	120	–	–	–	–	–	–	120	120
Dr. Wu Wing Kuen <i>B.B.S.</i> (resigned on 16 December 2022)	–	115	–	–	–	–	–	–	–	115
Mr. Wu Chi King (appointed on 8 September 2022)	120	38	–	–	–	–	–	–	120	38
Ms. Cheng Wai, Iris (appointed on 16 December 2022)	110	–	–	–	–	–	–	–	110	–
	350	355	504	504	25	25	–	–	879	884

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(b) Five highest paid individuals

The five highest paid individuals included two directors (2022: two). Details of the emoluments of the five highest paid individuals were as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries and other benefits	1,224	1,332
Contributions to retirement benefits scheme – defined contribution plan	61	67
	1,285	1,399

Their emoluments were within the following bands:

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

During the years ended 31 December 2023 and 2022, no emoluments were paid by the Group to the five highest paid individuals, directors or the chief executive as an inducement to join or upon joining the Group or as compensation for loss of office. No other directors, the chief executive or the five highest paid individuals waived or agreed to waive any emoluments paid by the Group.

The remuneration of the directors and the chief executive is determined by the remuneration committee having regard to the performance of individual and market trends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

12. DIVIDENDS

No dividend was paid or proposed for ordinary share of the Company during the year ended 31 December 2023 nor has any dividend been proposed since the end of the reporting period (2022: nil).

13. (LOSS)/EARNINGS PER SHARE

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

	2023 HK\$'000	2022 HK\$'000
(Loss)/Earnings		
(Loss)/Earnings for the purpose of basic and diluted (loss)/earnings per share, being (loss)/profit for the year attributable to the owners of the Company	(8,699)	6,725
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	1,018,653,791	793,755,281

The calculation of basic and diluted (loss)/earnings per share for the years ended 31 December 2023 and 2022 is based on the (loss)/profit for the year attributable to owners of the Company and the weighted average number of ordinary shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK\$'000	Leasehold improvements HK\$'000	Plant and equipment HK\$'000	Furniture, fixtures and equipment HK\$'000	Bearer plant HK\$'000	Total HK\$'000
COST						
At 1 January 2022	–	3,753	–	719	1,850	6,322
Acquisition of assets	15,393	–	6,513	–	28,896	50,802
Addition	–	–	–	13	–	13
Disposal of subsidiaries	–	(642)	–	(229)	–	(871)
Disposal	–	(3,111)	–	–	–	(3,111)
Exchange realignment	556	–	319	185	–	1,060
At 31 December 2022 and 1 January 2023	15,949	–	6,832	688	30,746	54,215
Addition	–	–	–	–	–	–
Disposal of subsidiaries	–	–	–	(37)	(1,850)	(1,887)
Exchange realignment	(53)	–	3	–	–	(50)
31 December 2023	15,896	–	6,835	651	28,896	52,278
ACCUMULATED DEPRECIATION/ ACCUMULATION IMPAIRMENT						
At 1 January 2022	–	2,664	–	320	1,433	4,417
Provided for the year	–	146	244	103	387	880
Acquisition of assets	–	–	2,137	–	–	2,137
Disposal of subsidiaries	–	(148)	–	(49)	–	(197)
Disposal	–	(2,662)	–	–	–	(2,662)
Exchange realignment	–	–	380	253	221	854
At 31 December 2022 and 1 January 2023	–	–	2,761	627	2,041	5,429
Provided for the year	–	–	2,862	29	1,663	4,554
Disposal of subsidiaries	–	–	–	(36)	(1,803)	(1,839)
Exchange realignment	–	–	(441)	–	–	(441)
31 December 2023	–	–	5,182	620	1,901	7,703
CARRYING AMOUNT						
At 31 December 2023	15,896	–	1,653	31	26,995	44,575
At 31 December 2022	15,949	–	4,071	61	28,705	48,786

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Freehold land	N/A
Leasehold improvements	20% or over the lease terms, whichever is shorter
Plant and equipment	20%
Furniture, fixtures and equipment	20%
Bearer plant	12 to 30 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The recoverable amount of the property, plant and equipment has been determined by a valuation carried out by BMI Appraisals Limited, an independent professional valuer not connected with the Group. BMI Appraisals Limited is an international professional firm providing a wide range of spectrum of professional valuation and consultancy services.

The recoverable amount is determined based on a value in use calculation using cash flow projections based on financial budgets covering a period of the remaining useful life of bearer plants. Key unobservable input used included the growth rate of 3.05% and the pre-tax discount rate applied for the cash flow projection of 11.98%. The directors of the Group have discussed with the valuer the valuation assumptions and valuation results.

15. RIGHT-OF-USE ASSETS

	Office Premises <i>HK\$'000</i>	Warehouse <i>HK\$'000</i>	Motor Vehicle <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost				
At 1 January 2022	5,409	1,481	350	7,240
Disposal of subsidiaries	(1,812)	–	–	(1,812)
Written off upon expiry of leases	(2,066)	(1,481)	–	(3,547)
Written off upon early termination of leases	(1,531)	–	–	(1,531)
At 31 December 2022 and 1 January 2023	–	–	350	350
Addition	2,038	766	–	2,804
At 31 December 2023	2,038	766	350	3,154
Accumulated Depreciation				
At 1 January 2022	1,605	1,173	29	2,807
Provided for the year	1,684	308	88	2,080
Disposal of subsidiaries	(736)	–	–	(736)
Written off upon expiry of leases	(2,066)	(1,481)	–	(3,547)
Written off upon early termination of leases	(487)	–	–	(487)
At 31 December 2022 and 1 January 2023	–	–	117	117
Provided for the year	1,019	447	70	1,536
At 31 December 2023	1,019	447	187	1,653
Carrying Amount				
At 31 December 2023	1,019	319	163	1,501
At 31 December 2022	–	–	233	233

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

15. RIGHT-OF-USE ASSETS (Continued)

During the year ended 31 December 2023, the total cash outflow for leases, including payments of principal and interest portion of lease liabilities, short-term leases, and payments of lease payments on or before lease commencement date, was approximately HK\$2,016,000 (2022: HK\$2,720,000).

For the years ended 31 December 2023 and 2022, the Group leases office premises and warehouses for its operations. Lease contracts are entered into for fixed term of 1–2 years (2022: 1–2 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group has no extension option in a number of leases during the years ended 31 December 2023 and 2022.

16. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
At 1 January 2022	6,700
Change in fair value of investment property	<u>265</u>
At 31 December 2022 and 1 January 2023	6,965
Change in fair value of investment property	–
Disposal of subsidiaries	<u>(6,965)</u>
At 31 December 2023	<u><u>–</u></u>

The fair value of the Group's investment property as at 5 May 2023 was approximately HK\$6,965,000 (31 December 2022: HK\$6,965,000). The fair value performed by independent professional valuers.

The fair value of the investment properties has been determined by a valuation carried out by BMI Appraisals Limited, an independent professional valuer not connected with the Group. BMI Appraisals Limited is an international professional firm providing a wide range of spectrum of professional valuation and consultancy services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

16. INVESTMENT PROPERTIES (Continued)

There were no transfers between level of fair value hierarchy during the year.

The following table gives information about how the fair values of the investment properties are determined:

	Fair value hierarchy	Fair value as at 5 May 2023 HK\$'000	Fair value as at 31 December 2022 HK\$'000	Valuation technique and key inputs
Investment property A	Level 3	6,965	6,965	Market comparison approach – by reference to recent sales price of comparable properties on a price per square feet basis using market data which is publicly available

17. INVENTORIES

	2023 HK\$'000	2022 HK\$'000
Wines	393,716	370,031

18. BIOLOGICAL ASSETS

Movements of biological assets, representing grapes growing on bearer plants, are summarised as follows:

	2023 HK\$'000	2022 HK\$'000
At 1 January,	4,966	–
Additions through acquisition of business	–	3,661
Increase due to cultivation	4,655	615
Transfer of harvested grapes to inventory	–	–
(Loss)/gain arising from changes in fair value less costs to sell	(4,468)	690
Impairment on biological assets	(4,966)	–
At 31 December	187	4,966

During the year, the Group harvested 0 tonnes (2022: 0 tonnes) of grapes. Australia's grapes for 2022 harvest has been lost due to the virus, so no grapes were harvested from April to May 2023. Balance of biological assets up to 31 May 2023 are impaired. The grapes for 2023 are still growing, and all grapes will be harvested from April to May 2024.

The directors measured the fair value less costs to sell of grapes at harvest based on market prices as at or close to the harvest dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

18. BIOLOGICAL ASSETS (Continued)

Cultivation costs incurred are accounted for as additions to the biological assets. All grapes are harvested annually April to May of each year. After the harvest, plantation works commence again on the farmland. The market approach is adopted to value the grapes (the "Agricultural Produce"). The fair values of the Agricultural Produce are calculated to be the product of the market price and estimated quantities of the Agricultural Produce after deducting reasonable costs related to selling.

The fair value measurement of the grapes is categorised as Level 3 fair value measurement within the three level fair value hierarchy as defined in HKFRS 13 *Fair Value Measurement*. Significant unobservable inputs are the market price for harvested grapes.

The fair value less costs to sell of the Group's biological assets measured at the end of the reporting period on a recurring basis, categorised as level 3 fair value measurement based on the inputs to the valuation techniques used. The valuation of grapes would be performed annually.

During the year ended 31 December 2023, there were no transfers between levels in the hierarchy.

The fair value of the biological assets has been determined by a valuation carried out by on that date by BMI Appraisals Limited, an independent professional valuer not connected with the Group. BMI Appraisals Limited is an international professional firm providing a wide range of spectrum of professional valuation and consultancy services.

The fair values of agricultural produce are calculated based on the inputs to the valuation techniques used. The following table gives information about how the fair values of these biological assets are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy in which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

Type	Fair value hierarchy	Valuation technique	Significant unobservable input	Range		Relationship of unobservable inputs to fair value
				2023	2022	
Grapes	Level 3	Market approach with reference to market-determined prices with similar size, species and age	Market-determined price	Weighted average price of AUD500 (approximately HK\$2,660) per tonne	Weighted average price of AUD1,425 (approximately HK\$7,700) per tonne	The higher of market-determined price, the higher of the fair value less costs to sell determined
			Estimate Grapes Production	70 tonnes	645 tonnes	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

19. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Trade receivables	53,399	35,444
Less: impairment allowance under ECL	(1,524)	(1,162)
Trade receivables, net	51,875	34,282
Prepayments, deposits and other receivables	450	839
	52,325	35,121

The ageing analysis of trade receivables net of allowance of expected credit losses, presented based on invoice date, at the end of the reporting period is as follows:

	2023 HK\$'000	2022 HK\$'000
Within 30 days	51,839	13,118
31-60 days	27	16,121
61-90 days	5	5,036
Over 90 days	4	7
	51,875	34,282

The Group does not hold any collateral over its trade receivables.

The Group allows an average credit period of 30 days to its customers.

Details of the impairment assessment of trade receivables, deposits and other receivables are set out in note 29 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

20. BANK BALANCES AND CASH

Cash at banks carries interest at prevailing market rates and is placed with credit worthy banks with no recent history of default.

Details of the impairment assessment of bank balances are set out in note 29 to the consolidated financial statements.

21. TRADE PAYABLES, OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2023 HK\$'000	2022 HK\$'000
Trade payables	697	3,442
Other payables	693	734
Accruals	750	972
Deposits received	498	261
Other payables, accruals and deposits received	1,941	1,967
Amounts due to director	–	18,533
	2,638	23,942

Payment terms granted by suppliers are generally 30 to 45 days after the end of the month in which the relevant purchases are made. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

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

	2023 HK\$'000	2022 HK\$'000
Within 30 days	444	3,442
31-60 days	253	–
61-90 days	–	–
Over 90 days	–	–
	697	3,442

The amounts due to directors are unsecured, interest-free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

22. BORROWINGS

	2023 HK\$'000	2022 HK\$'000
Borrowings		
Bank loans, secured	90,000	90,000
Non-financial Institution loans, unsecured	35,630	–
	125,630	90,000

	2023 HK\$'000	2022 HK\$'000
The borrowings are repayable as follows:		
– On Demand or within one year	125,630	90,000
– After one year but within two years	–	–
– After two years but within five years	–	–
– More than five years	–	–
	125,630	90,000

As at 31 December 2023 and 2022, the facility agreements of bank loans contained repayment on demand clauses pursuant to which the banks could at their discretion demand repayment of the entire outstanding balances from the Group in the absence of any defaults. The whole balance is therefore recognised under current liabilities.

Bank loans are interest bearing at prime rate per annum (2022: prime rate per annum) as at 31 December 2023.

As of 31 December 2023 and 2022, the facility agreements of non-financial institution loans are repayable within one year, together with the interests.

Non-financial institution loans are interest-bearing at a fixed rate of 7% to 8% (2022: Nil) as of 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

22. BORROWINGS (Continued)

The effective interest rate at the end of the reporting period is as follows:

	2023	2022
Borrowings	5.99% to 8.00%	5.00%

As at 31 December 2023, the Group had aggregate banking facilities of approximately HK\$90,000,000 (2022: HK\$90,000,000), of which the available facilities were 6.125% (2022: 5.625%) utilised amounting to HK\$90,000,000 (2022: HK\$90,000,000). These banking facilities are secured by a floating charge on inventories.

As at 31 December 2023, the Group had aggregate loans from non-financial institutions of approximately HK\$35,630,000 including principal and interest (2022: Nil). These non-financial institutions are unsecured.

23. LEASE LIABILITIES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Lease liabilities payables:		
Within one year	1,448	238
Within a period of more than one year but not more than two years	79	–
Within a period of more than two years but not more than five years	13	–
	1,540	238
Less: Amount due for settlement with 12 months shown under current liabilities	(1,448)	(238)
	92	–

The weighted average incremental borrowing rate applied to lease liabilities ranged from 4.03% to 6.22% (2022: 4.29%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

24. SHARE CAPITAL

	Nominal value per share	Number of shares	Nominal value HK\$'000
Authorised share capital:			
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	HK\$0.10	10,000,000,000	100,000
Issued and fully paid:			
At 1 January 2022	HK\$0.10	586,576,334	58,658
Right issue (<i>note (i)</i>)	HK\$0.10	293,288,167	29,328
Issue of consideration shares (<i>note (ii)</i>)	HK\$0.10	117,000,000	11,700
At 31 December 2022 and 1 January 2023		996,864,501	99,686
Subscription (<i>note (iii)</i>)	HK\$0.10	199,372,000	19,938
At 31 December 2023		1,196,236,501	119,624

Notes:

- (i) On 6 July 2022, the Company raised approximately HK\$29,328,000, net of expenses by way of the rights issue of 293,288,167 right share on the basis of one rights share for every two shares to the subscription price of HK\$0.1 per share.
- (ii) On 27 October 2022, the Company issued 117,000,000 ordinary shares to Ms. Yuen Wai Ching Loretta, being the vendor for the acquisition of Rainbow Fountain International Limited, as part of the consideration for the acquisition of Rainbow Fountain International Limited.
- (iii) On 22 November 2023, the Company issued 199,372,000 ordinary shares of HK\$0.10 per share to several subscribers based on the Subscription Agreements. The net proceeds from the Subscription are intended to be applied as general working capital and the repayment of borrowings.

All the new shares issued during the year rank *pari passu* with the existing shares in all respects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

25. RETIREMENT BENEFIT SCHEME

The Group operates the MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, the Group is required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000 per employee. Contributions to the MPF Scheme vest immediately.

The total expense recognised in profit or loss of approximately HK\$114,000 (2022: HK\$137,000) represents contributions payable to these schemes by the Group from continuing operations in respect of the current accounting period at rates specified in the rules of the plans. At the end of the reporting period, there are no forfeited contributions.

LSP Liabilities

Hong Kong employees that have been employed continuously for at least five years are entitled to LSP in accordance with the Hong Kong Employment Ordinance under certain circumstances. These circumstances include where an employee is dismissed for reasons other than serious misconduct or redundancy, that employee resigns at the age of 65 or above, or the employment contract is of fixed term and expires without renewal. The amount of LSP payable is determined with reference to the employee's final salary (capped at HK\$22,500) and years of services, reduced by the amount of any accrued benefits derived from the Group's contributions to MPF scheme, with an overall cap of HK\$390,000 per employee. Currently, the Group does not have any separate funding arrangement in place to meet its LSP obligation.

In June 2022, the Government gazette the Amendment Ordinance, which will eventually abolish the statutory right of an employer to reduce its LSP payable to a Hong Kong employee by drawing on its mandatory contribution to the MPF scheme. The Government has subsequently announced that the Amendment Ordinance will come into effect from the Transition Date. Separately, the Government is also expected to introduce a subsidy scheme to assist employers after the abolition.

Among other things, once the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee's service from the Transition Date. However, where an employee's employment commenced before the Transition Date, the employer can continue to sue the above accrued benefits to reduce the LSP in respect of the employee's service up to that date; in addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

The Group has accounted for the offsetting mechanism and its abolition as disclosed in note 2(C).

The Group has determined that the Amendment Ordinance primarily impacts the Group's LSP liability with respect to Hong Kong employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

25. RETIREMENT BENEFIT SCHEME (Continued)

LSP Liabilities (Continued)

The present value of unfunded obligations as 31 December:

	2023 HK\$'000	2022 HK\$'000
Provision of LSP	24	11

The unobservable assumptions for the estimation:

The weighted average duration of the defined benefit obligation is 15 years (2022: 13 years).

11 employees, including directors, for the year ended 31 December 2023 (2022: 11 employees, including directors).

For the year ended 31 December 2023, the estimated growth rate of salaries is 2.5% (2022: 2.5%).

The directors of the Group consider that the changes in the accounting policy in the current year had no material impact on the consolidated financial statements.

26. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties:

(a) Transactions with related parties

The Group had the following significant transactions with the related parties during both years:

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
Lease rentals paid to related companies	<i>(i)</i>	2,016	2,024

Note:

- (i) Operating lease rentals were paid according to the terms of the rental agreements entered between the Group and the related companies owned by the spouse of Ms. Huang Wei, the executive director and the substantial shareholder of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

26. RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation to key management personnel

The remuneration of the directors and other members of key management during the years ended 31 December 2023 and 2022 are as follows:

	2023 HK\$'000	2022 HK\$'000
Short-term benefits	879	884
Post-employment benefits	–	–
	879	884

27. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2023

(i) Food Idea 001 Limited (“FI001”)

On 16 January 2023, Arrow Vision Limited (“Arrow Vision”), a wholly-owned subsidiary of the Company, disposed of its equity interest in FI001, at an agreed cash consideration of HK\$100. The disposal of FI001 was completed on 16 January 2023 and upon completion of the disposal, FI001 ceased to be the subsidiaries of the Group.

(ii) Irving Global Limited and its subsidiaries (“IGL Group”)

On 12 May 2023, Arrow Vision disposed of entire equity interest in IGL Group, at an aggregate cash consideration of US\$10,000. The disposal of IGL Group was completed on 12 May 2023 and upon the completion of the disposal, IGL Group ceased to be the subsidiaries of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

27. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 December 2023 (Continued)

(iii) Win Everest Holdings Limited and its subsidiaries (“WEHL Group”)

On 5 May 2023, Arrow Vision disposed of entire equity interest in WEHL Group, at an aggregate cash consideration of HK\$7,200,000. The disposal of WEHL Group was completed on 5 May 2023 and upon the completion of the disposal, WEHL Group ceased to be the subsidiaries of the Group.

Analysis of assets and liabilities over which control was lost:

	FI001 HK\$'000	IGL Group HK\$'000	WEHL Group HK\$'000
Property, plant and equipment	–	2	2
Investment properties	–	–	6,965
Trade receivables	–	–	246
Other receivables	134	235	221
Income tax recoverable	–	19	–
Bank balances and cash	11	41	658
Accruals and other payables	(3)	(11)	(56)
Net Assets/(Liabilities) disposed of	142	286	8,036

Analysis of gain or loss on disposal

	FI001 HK\$'000	IGL Group HK\$'000	WEHL Group HK\$'000
Cash consideration	–	78	7,200
Net Liabilities disposed of	(142)	(286)	(8,036)
Exchange differences	–	–	875
(Gain)/Loss on Disposal	(142)	(208)	39

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

27. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 December 2023 (Continued)

Analysis of net cash inflow/outflow from disposal

	FI001 HK\$'000	IGL Group HK\$'000	WEHL Group HK\$'000
Consideration received	–	78	7,200
Less: Bank balances and cash disposed of	(11)	(41)	(658)
Net cash inflow/(outflow) from disposal	(11)	37	6,542

28. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of total debts (including borrowings and lease liabilities), net of bank balances and cash, and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group expects to maintain a stable gearing ratio through the issue of new shares as well as the undertaking of new debts. Gearing ratio is calculated as net debt (borrowings and lease liabilities, less bank balances and cash) divided by the total of net debt and total equity (excluding non-controlling interests).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

28. CAPITAL RISK MANAGEMENT (Continued)

The gearing ratios as at 31 December 2023 and 2022 are as follows:

	2023 HK\$'000	2022 HK\$'000
Total debt	127,170	90,238
Bank balances and cash	(3,218)	(3,974)
Net debt	123,952	86,264
Equity attributable to owners of the Company	366,167	355,841
Gearing ratio	34%	24%

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(a) Categories of financial instruments

	2023 HK\$'000	2022 HK\$'000
Financial assets		
Financial assets at amortised cost	55,376	38,848
Financial liabilities		
Financial liabilities at amortised cost	129,058	113,208

(b) Financial risk management objectives and policies

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

Market risk

Interest rate risk

As at 31 December 2023 and 2022, the Group is exposed to fair value interest rate risk in relation to secured and unsecured borrowings and lease liabilities which carried at fixed rates.

As at 31 December 2023 and 2022, the Group is also exposed to cash flow interest rate risk in relation to bank balances and borrowings, and details of which are set out in notes 20 and 22 to the consolidated financial statements respectively. It is the Group's policy to keep them at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR"), Hong Kong Prime Rate ("Prime Rate") and the best lending rate of respective banks arising from the Group's secured bank loans respectively.

The Group's exposure to cash flow interest rate risk in relation to bank balances is minimal as these balances have a short maturity period.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate secured bank borrowings at the end of the reporting period. The analysis is prepared assuming these financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2022: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

An increase/decrease of 100 basis points (2022: 100 basis points) in interest rates, with all other variables were held constant, would increase/decrease the Group's profit/(loss) before tax for the year by approximately HK\$900,000 (2022: HK\$900,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

As at 31 December 2023 and 2022, the Group had not breached any of the covenant clauses of its obligations under borrowings.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights within one year after the reporting date. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

At 31 December 2023						
Weighted average effective interest rate (Note (i))	Within one year or On demand HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	More than 5 years HK\$'000	Total Undiscounted Cash flow HK\$'000	Carrying Amount HK\$'000
Non-derivative financial liabilities						
Trade payables	–	697	–	–	697	697
Deposits and other payables	–	1,191	–	–	1,191	1,191
Borrowings	5.99%	131,021	–	–	131,021	125,630
Lease liabilities	5.57%	1,491	80	13	1,584	1,540
		134,400	80	13	–	134,493
						129,058

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

Liquidity risk (Continued)

At 31 December 2022							
	Weighted average effective Interest rate (Note (i))	Within one year or On demand HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	More than 5 years HK\$'000	Total Undiscounted Cash flow HK\$'000	Carrying Amount HK\$'000
Non-derivative financial liabilities							
Trade payables	-	3,442	-	-	-	3,442	3,442
Deposits and other payables	-	995	-	-	-	995	995
Amounts due to directors	-	18,533	-	-	-	18,533	18,533
Borrowings	5.00%	94,500	-	-	-	94,500	90,000
Lease liabilities	4.29%	256	-	-	-	256	238
		117,726	-	-	-	117,726	113,208

Note:

- (i) Weighted average effective interest rate is determined based on variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Credit risk and impairment assessment

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables, deposits and other receivables and bank balances. The Group's exposure to credit risk arising from bank balances is limited because the counterparties are large banks that have low credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

Credit risk and impairment assessment (Continued)

Trade receivables

The Group's trade receivables, before impairment, consist of approximately HK\$53,399,000 (2022: HK\$35,444,000) from wine business segment.

The directors have reviewed the creditability of the trade receivables from the food products operation segment and customers considered the exposure on credit risks associated with these customers are minimal as most of these customers are reputable companies with no history of default.

For wine business segment, the Group uses customers' ageing to assess the impairment for its customers 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.

	At 31 December 2023			At 31 December 2022		
	Gross Expected Loss Rate %	Gross Carrying Amount HK\$'000	Loss Allowance HK\$'000	Gross Expected Loss Rate %	Gross Carrying Amount HK\$'000	Loss Allowance HK\$'000
Not yet due	2.85	53,360	1,521	0.91	13,239	121
1-30 days past due	3.57	28	1	4.31	16,847	726
31-60 days past due	16.67	6	1	5.87	5,350	314
Over 60 days past due	20.00	5	1	12.50	8	1
		<u>53,399</u>	<u>1,524</u>		<u>35,444</u>	<u>1,162</u>

None of the Group's trade receivables was credit-impaired at the end of the reporting period.

The Group has concentration of credit risk as 18.3% (2022: Nil%) and 79.6% (2022: 34.6%) of the trade receivables was due from the Group's largest customer and five largest customers respectively.

Bank balances

Credit risk on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by credit agencies. The Group assessed 12 months ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

Credit risk and impairment assessment (Continued)

Deposits and other receivables

For deposits and other receivables, the directors make periodic individual assessment on the recoverability of deposits and other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors believe that there is no significant increase in credit risk of these amounts since initial recognition and the Group provide impairment based on 12 months ECL. For the years ended 31 December 2023 and 2022, the Group assessed ECL for deposits and other receivables were insignificant and thus no loss allowance was recognised.

30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	At 1 January 2022 HK\$'000	Financing cash flow HK\$'000	Disposal of subsidiaries HK\$'000	Interest expenses incurred HK\$'000	Early termination of lease HK\$'000	Recognition of lease liability HK\$'000	At 31 December 2022 HK\$'000
Borrowings	65,591	23,202	(3,409)	4,616	–	–	90,000
Promissory notes	5,750	(5,789)	–	39	–	–	–
Lease liabilities	4,596	(2,209)	(1,167)	98	(1,080)	–	238
	75,937	15,204	(4,576)	4,753	(1,080)	–	90,238

	At 1 January 2023 HK\$'000	Financing cash flow HK\$'000	Disposal of subsidiaries HK\$'000	Interest expenses incurred HK\$'000	Early termination of lease HK\$'000	Recognition of lease liability HK\$'000	At 31 December 2023 HK\$'000
Borrowings	90,000	28,940	–	6,690	–	–	125,630
Lease liabilities	238	(1,622)	–	120	–	2,804	1,540
	90,238	27,318	–	6,810	–	2,804	127,170

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

31. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2023 HK\$'000	2022 HK\$'000
Non-current assets		
Investment in subsidiaries	–	–
Property, plant and equipment	8	11
	8	11
Current assets		
Prepayments	49	269
Amounts due from subsidiaries	66,067	45,516
Income tax recoverable	234	–
Bank balances and cash	346	158
	66,696	45,943
Current liabilities		
Other payables and accruals	989	1,099
	989	1,099
Net current assets	65,707	44,844
Total assets less current liabilities	65,715	44,855
Net assets	65,715	44,855
Capital and reserves		
Share capital	119,624	99,686
Reserves	(53,909)	(54,831)
Total equity	65,715	44,855

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

31. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Movement in the Company's reserves

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2022	678,665	12,706	(754,935)	(63,564)
Issue of share for acquisition of assets	7,254	–	–	7,254
Expenses for issue of shares	(3,891)	–	–	(3,891)
Profit and total comprehensive income for the year	–	–	5,370	5,370
At 31 December 2022 and 1 January 2023	682,028	12,706	(749,565)	(54,831)
Expenses for issue of shares	(68)	–	–	(68)
Loss and total comprehensive income for the year	–	–	990	990
At 31 December 2023	681,960	12,706	(748,575)	(53,909)

Note: The capital reserve represents the difference between the nominal value of the shares issued for the acquisition of equity interests in the subsidiaries as part of re-organisation and the consolidated equity of the subsidiaries acquired by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

32. PARTICULAR OF SUBSIDIARIES OF THE COMPANY

Particulars of subsidiaries of the Company as at 31 December 2023 and 2022 are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Issued and fully paid up ordinary share capital by the Group	Percentage of ownership interest attributable to the Company				Proportion of voting power held by the Group		Principal activities
			2023		2022		2023	2022	
			Direct	Indirect	Direct	Indirect			
Arrow Vision Limited	BVI	US\$1	100%	–	100%	–	100%	100%	Investment holding
Irving Global Limited <i>(Note i)</i>	BVI	US\$10,000	–	–	–	100%	–	100%	Investment holding
Palinda Wines (H.K.) Limited	Hong Kong	HK\$10,000	–	100%	–	100%	100%	100%	Trading of wine products
Palinda Holding Group Limited	BVI	US\$6,000	–	100%	–	100%	100%	100%	Investment holding
Palinda Wines Limited <i>(Note i)</i>	Hong Kong	HK\$100	–	–	–	100%	–	100%	Retailing of wine products
Phini Holdings Limited	Hong Kong	HK\$209,199	–	99.62%	–	99.62%	99.62%	99.62%	Trading of wine and ancillary wine-relate products
Win Everest Holdings Limited <i>(Note i)</i>	BVI	US\$10,000	–	–	–	100%	–	100%	Investment holding
Adinfern Margaret River Pty Ltd <i>(Note i)</i>	Australia	AUS\$3,100,000	–	–	–	100%	–	100%	Vineyard and investment property
Rainbow Fountain International Limited	BVI	US\$1	–	100%	–	100%	100%	100%	Investment holding
Rainbow Fountain International Pty Limited	Australia	AUS\$1	–	100%	–	100%	100%	100%	Grape growing
Food Idea 001 Limited <i>(Note i)</i>	Hong Kong	HK\$100	–	–	–	100%	–	100%	Food products operation
Happy Profit Global Limited	BVI	US\$1	–	100%	–	100%	100%	100%	Investment holding
Palinda Cultural Media Limited	Hong Kong	HK\$100	–	100%	–	100%	100%	100%	Food products operation

All subsidiaries are companies incorporated with limited liability in their respective place of incorporation.

None of the subsidiaries had issued any debt securities subsisting at the end of both years or at any time during both years.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

32. PARTICULAR OF SUBSIDIARIES OF THE COMPANY (Continued)

Note:

- (i) The subsidiary was disposed during the year ended 31 December 2023.

The directors considered that the non-controlling interest of non-wholly owned subsidiaries of the Group were insignificant to the Group and thus are not separately presented in these consolidated financial statements. In addition, no separate financial information of these non-wholly owned subsidiaries are required to present.

33. COMMITMENTS

Commitments outstanding at 31 December not provided for in the financial statements were as follows:

	2023 HK\$'000	2022 HK\$'000
Short-term leases commitment	36	354

34. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issued by the board of directors on 28 March 2024.

SUMMARY OF FINANCIAL INFORMATION

RESULTS	Year ended 31 December				
	2023 HKD'000	2022 HKD'000	2021 HKD'000	2020 HKD'000	2019 HKD'000
Revenue	332,244	264,679	147,633	152,511	230,692
(Loss)/profit before tax	(8,556)	6,842	(75,265)	(40,965)	(52,498)
Income tax (expenses)/credit	(143)	(292)	12,075	2,917	(835)
(Loss)/profit for the year	(8,699)	6,550	(63,190)	(38,048)	(53,333)
ASSETS AND LIABILITIES	As at 31 December				
	2023 HKD'000	2022 HKD'000	2021 HKD'000	2020 HKD'000	2019 HKD'000
Current assets	449,899	414,092	441,645	386,010	422,403
Non-current assets	46,076	55,984	13,038	82,930	60,127
Total assets	495,975	470,076	454,683	468,940	482,530
Current liabilities	129,716	114,235	152,858	87,681	48,581
Non-current liabilities	92	167	1,891	18,236	74,993
Total liabilities	129,808	114,235	154,749	105,917	123,574
Net assets	366,167	355,841	299,934	363,023	358,956
Equity attributable to owners of the Company	366,167	355,841	305,262	368,324	360,318
Non-controlling interests	–	–	(5,328)	(5,301)	(1,362)
	366,167	355,841	299,934	363,023	358,956