

Reports and Financial Statements

**MACROLINK CAPITAL HOLDINGS  
LIMITED**

新華聯資本有限公司

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For the year ended 31 December 2023

Privatco CPA Limited



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Expressed in Hong Kong Dollars ("HKD")	

## Independent Auditor's Report

**To the members of Macrolink Capital Holdings Limited**

新華聯資本有限公司

(Incorporated in Bermuda with limited liability)

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### *Adverse Opinion*

We have audited the financial statements of Macrolink Capital Holdings Limited (the “Company”) set out on pages 5 to 35, which comprise the statement of financial position as at 31 December 2023, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, because of the significant of the matter described in the *basis for adverse opinion* section of our report, the financial statements do not give a true and fair view of the financial position of the Company as at 31 December 2023 and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In all other respects, in our opinion the financial statements have been properly prepared in compliance with the Companies Ordinance.

#### *Basis for Adverse Opinion*

##### *Preparation of consolidated financial statements*

The Company has not prepared consolidated financial statements in accordance with the requirements of Hong Kong Financial Reporting Standard 10 “Consolidated Financial Statements” issued by the HKICPA. In our opinion, there is insufficient information concerning the consolidated financial position of the Company’s subsidiaries in these financial statements to give a true and fair view of the state of affairs of the Company and its subsidiaries (collectively referred to as the “Group”) as at 31 December 2023 and of the results of the Group as a whole for the year then ended. It is not practicable to quantify the effects of the departure from these requirements.

**Basis for Adverse Opinion (Cont'd)*****Going concern assumption***

We draw attention to note 2 to the financial statements, which indicates that, the Company incurred a net loss of HKD11,862,899 for the year ended 31 December 2023 and, as of that date, the Company's current liabilities exceed its current assets by HKD8,969,946. As stated in note 2, these events or conditions, along with other matters are set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

The going concern assumption of the Company relied on the continued financial support from the major shareholder of the Company. Should the Company be unable to obtain the financial support from the major shareholders, it might not be able to continue to operate as a going concern, adjustments would have to be made to write down the carrying values of the Company's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these financial statements. However, we have not obtained sufficient appropriate audit evidence in relation to verify the assumption or input or existence in relation to the measures describe above and regarding the Company's ability to meet its financial obligations and we have disclaimed our opinion

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

***Other Information***

The directors are responsible for the other information.

Our opinion of the 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 financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



***Responsibilities of Directors and Those Charged with Governance for the Financial Statements***

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

In preparing the financial statements, the directors are responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

- Identify and assess the risks of material misstatement of the 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 risks 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

**Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)**

- 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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

**PRIVATCO CPA LIMITED**

Certified Public Accountants

LAM Man Chi

Practising Certificate No.: P05324

Hong Kong, 28 August 2024

## Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2023

	Notes	2023 HKD	2022 HKD
Revenue	4	169,875,589	254,330,886
Cost of sales		(168,851,878)	(253,184,438)
<b>Gross profit</b>		<b>1,023,711</b>	<b>1,146,448</b>
Other income	5	2,209,709	3,266,250
Administrative expenses		(16,475,539)	(80,083,543)
Fair value gain / (loss) on financial assets		2,095,200	(582,000)
Finance costs	7	(540,341)	(563,319)
<b>Loss before taxation</b>	8	<b>(11,687,260)</b>	<b>(76,816,164)</b>
Income tax expense	9	(175,639)	(172,599)
<b>Loss and total comprehensive income for the year</b>		<b>(11,862,899)</b>	<b>(76,988,763)</b>

The notes on pages 10 to 35 form part of these consolidated financial statements.

## Statement of Financial Position as at 31 December 2023


	Notes	2023 HKD	2022 HKD
<b>Non-current assets</b>			
Investments in subsidiaries	10	390,008	390,008
Right-of-use assets	11	1,145,457	368,736
		<b>1,535,465</b>	<b>758,744</b>
<b>Current assets</b>			
Inventories	12	13,019,937	23,255,026
Deposits, prepayment and other receivables	13	536,775	1,154,430
Amounts due from subsidiaries	14	14,266,000	11,926,000
Financial instruments at fair value through profit or loss	15	17,634,600	15,539,400
Cash and bank equivalents	16	73,216,930	79,406,952
		<b>118,674,242</b>	<b>131,281,808</b>
<b>Current liabilities</b>			
Borrowings	17	(5,475,252)	(5,597,412)
Accruals and other payables	18	(13,615,682)	(14,229,941)
Lease liabilities	19	(810,154)	(375,166)
Amount due to a related company	20	(100,000,000)	(100,000,000)
Amounts due to subsidiaries	21	(7,743,100)	(7,753,100)
		<b>(127,644,188)</b>	<b>(127,955,619)</b>
<b>Net current (liabilities) / assets</b>		<b>(8,969,946)</b>	<b>3,326,189</b>
<b>Non-current liabilities</b>			
Lease liabilities	19	(343,485)	--
<b>NET (LIABILITIES) / ASSETS</b>		<b>(7,777,966)</b>	<b>4,084,933</b>



Statement of Financial Position (Cont'd)  
as at 31 December 2023

	Notes	2023 HKD	2022 HKD
<b>Equity</b>			
Share capital	22(a)	120,624,925	120,624,925
Share premium		163,909,948	163,909,948
Accumulated losses		(292,312,839)	(280,449,940)
		(7,777,966)	4,084,933

These consolidated financial statements on pages 10 to 35 were approved and authorised for issue by the Board of Directors on 28 August 2024 and are signed on its behalf by:

  
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**LIU Yaojia**  
Director

  
\_\_\_\_\_  
**ZHANG Jian**  
Director

## Statement of Changes in Equity for the year ended 31 December 2023

	Share capital HKD	Share Premium HKD	Accumulated losses HKD	Total HKD
Balance at 1 January 2022	120,624,925	163,909,948	(203,461,177)	81,073,696
Total comprehensive income for the year	--	--	(76,988,763)	(76,988,763)
Balance at 31 December 2022	120,624,925	163,909,948	(280,449,940)	4,084,933
Total comprehensive income for the year	--	--	(11,862,899)	(11,862,899)
<b>Balance at 31 December 2023</b>	<b>120,624,925</b>	<b>163,909,948</b>	<b>(292,312,839)</b>	<b>(7,777,966)</b>

## Statement of Cash Flows for the year ended 31 December 2023

	2023 HKD	2022 HKD
<b>Operating activities</b>		
Loss before taxation	(11,687,260)	(76,816,164)
Adjustment for:		
Bank interest income	(32,548)	(5,202)
Depreciation – property, plant and equipment	--	4,334
Depreciation – right-of-use assets	840,395	884,968
Dividend income	(1,756,383)	(1,335,474)
Fair value (gain) / loss on financial assets	(2,095,000)	582,000
Finance costs	517,672	544,108
Exchange difference	(201)	(967,098)
Operating loss before changes in working capital	(14,213,325)	(77,108,528)
Decrease / (Increase) in inventories	10,235,089	(2,202,727)
Decrease in deposits, prepayment and other receivables	617,655	1,807,522
Decrease in accruals and other payables	(614,259)	(245,086)
Cash used in operating activities	(3,974,840)	(77,748,819)
Tax paid	(175,638)	(172,599)
Net cash used in operating activities	(4,150,478)	(77,921,418)
<b>Investing activities</b>		
Bank interest income received	32,548	5,202
Dividend income received	1,756,383	1,335,474
Proceed from disposal of investment property	--	50,000,000
Net cash generated from investing activities	1,788,931	51,340,676
<b>Financing activities</b>		
Repayment to holding company	--	(50,000,000)
(Advance to) / Repayment from subsidiaries, net	(2,350,000)	66,078,475
Interest element on lease liabilities	(517,672)	(544,108)
Principal element on lease liabilities	(838,643)	(884,879)
Repayment on borrowings	(122,160)	(518,048)
Net cash (used in) / generated from financing activities	(3,828,475)	14,131,440
Net decrease in cash and cash equivalents	(6,190,022)	(12,449,302)
Cash and cash equivalents at 1 January	79,406,952	91,856,254
Cash and cash equivalents at 31 December	73,216,930	79,406,952
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash and bank balances (notes 16)	73,216,930	79,406,952

# Notes to the Financial Statements for the year ended 31 December 2023

## 1. GENERAL INFORMATION

Macrolink Capital Holdings Limited (the “Company”) is incorporated in Bermuda as an exempted company with limited liability. The address of its registered office and principal place of business is 15/F., COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong. The principal activities of the Company are securities investment, trading of nickel and investment holding.

In the opinion of the directors, the ultimate holding company of the Company and its ultimate controlling parties are Macrolink Group Limited and Mr. Fu Kwan.

These financial statements are presented in Hong Kong dollars (“HKD”), which is the Company’s functional and presentation currency.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Company. Note 2.1 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Company for the current and prior accounting periods reflected in these financial statements.

The measurement basis used in the preparation of the financial statements is the historical cost basis, except that certain financial instruments are stated at their fair value in accordance with the accounting policy set out below.



## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

Significant accounting policies adopted by the Company in preparing the financial statements are set out below:

### 2.1 Application of amendments to HKFRSs

#### Amendments to HKFRSs that are mandatorily effective for the current year

The HKICPA has issued the following amendments to HKFRSs that are mandatory effective for the current accounting period of the Company:

- Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of Accounting Policies (amendments)*
- Amendments to HKAS 8, *Definition of Accounting Estimates (amendments)*
- Amendment to HKAS 12, *Deferred tax related to assets and liabilities arising from a single transaction (amendments)*
- Amendments to HKAS 12, *International Tax Reform — Pillar Two Model Rules (amendments)*
- Amendments to HKFRS 17, *Insurance Contracts (new standard)*, and *Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information*

None of these amendments have had a material effect on how the Company's results and financial position for the current or prior periods have prepared or presented. The Company has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Cont'd)

### 2.1 Application of amendments to HKFRSs (Cont'd)

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS* Standards and the amendments to HKFRSs in the current year had no material impact on the Company's financial position and performance for the current and prior years and/or on the disclosures set out in these financial statements.

New or revised standards that have been issued but not yet effective:

Title	Mandatory effective date
Amendments to HKAS 1: Classification of Liabilities as Current or Non-current (amendments)#	1 January 2024
Amendments to HKAS 1: Non-current Liabilities with Covenants (amendments)# #	1 January 2024
Amendments to HKFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HK Int 5 (Revised): Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (Revised))	1 January 2024
Amendments to HKAS 7 and HKFRS 7: Supplier Finance Arrangements (amendments)	1 January 2024
Amendments to HKAS 21: Lack of Exchangeability (amendments)	1 January 2025
Amendments to HKFRS 10 and HKAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	To be determined

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

## **2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)**

### **2.2 Going concern**

Notwithstanding the existence of a deficit on equity at the end of the reporting period, the financial statements have been prepared on a going concern basis. The continuation of the Company's business depends upon the Company having future profitable operations and the continuing financial support of the director at a level sufficient to finance the Company's activities.

### **2.3 Subsidiaries and non-controlling interests**

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Company has power, only substantive rights (held by the Company and other parties) are considered.

Investments in subsidiaries are stated at cost less impairment losses (see note 2.6).

### **2.4 Revenue recognition**

Income is classified by the Company as revenue when it arises from the provision of services in the ordinary course of the Company's business.

Revenue is recognised when control over service is transferred to the customer, at the amount of promised consideration to which the Company is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

#### **(a) Revenue from the sale of nickel**

Revenue from sale of nickel is recognised when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods and the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the nickel sold.

#### **(b) Interest income**

Interest income is recognised as it accrues using the effective interest method.



## **2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)**

### **2.5 Income tax**

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

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

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

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

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.



## **2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)**

### **2.5 Income tax (Continued)**

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

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

### **2.6 Credit losses and impairment of assets**

#### **2.6.1 Credit losses from financial assets**

The Company recognises a loss allowance for expected credit losses (“ECLs”) on financial assets measured at amortised cost (including trade and other receivables, amounts due from subsidiaries and cash and cash equivalents).

#### Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive), discounted at the original effective interest rate, where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk. In measuring ECLs, the Company takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

## **2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)**

### **2.6 Credit losses and impairment of assets (Continued)**

#### Measurement of ECLs (Continued)

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For other financial assets measured at amortised cost, the Company recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial asset since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

#### Significant increase in credit risk

In assessing whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of default occurring on the financial asset assessed at the end of the reporting period with that assessed at the date of initial recognition. In making this reassessment, the Company considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held) or (ii) the financial asset is 1 year past due. The Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast adverse changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Company.

## **2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)**

### **2.6 Credit losses and impairment of assets (Continued)**

#### Significant increase in credit risk (Continued)

For loan commitments, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Company becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment, the Company considers changes in the risk of default occurring on the loan to which the loan commitment relates.

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

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investment in debt securities that are measured at FVOCI and accumulated in the fair value reserve (recycling).

#### Basis of calculation of interest income on credit-impaired financial assets

Interest income recognised in accordance with note 2.4 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 the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;



## **2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)**

### **2.6 Credit losses and impairment of assets (Continued)**

#### Basis of calculation of interest income on credit-impaired financial assets (Continued)

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

#### Write-off policy

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

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

#### **2.6.2 Impairment of other non-current assets**

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

- property, plant and equipment, including right-of-use assets;
- goodwill; and
- investments in subsidiaries in the statement of financial position.
- If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.



## **2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)**

### **2.6 Credit losses and impairment of assets (Continued)**

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects currency market assessments of the time value of money and the risks specific to the assets. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit)

- Recognition of impairment losses

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

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

### **2.7 Cash and cash equivalents**

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

## **2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)**

### **2.8 Trade and other receivables**

Receivables recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

### **2.9 Trade and other payables**

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

### **2.10 Leased assets**

At inception of a contract, the Company assesses whether the contract is, or contains, 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

Where the contract contains lease component(s) and non-lease component(s), the Company has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Company recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Company are primary office furniture. When the Company enters into a lease in respect of a low-value asset, the Company decides whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalized are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

## **2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)**

### **2.10 Leased assets (Continued)**

The right-of-use asset recognised when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Company will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Leases which do not transfer substantially all the risk and rewards of ownership to the Company are classified as operating leases. Where the Company has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease terms, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

### **2.11 Foreign currency transactions**

The functional currency of the Company is Hong Kong Dollar. Foreign currency transactions are translated into the functional currency at the approximate rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the end of reporting period are translated at the approximate rates of exchange ruling at that date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated using the exchange rates at that date when the fair value was measured. Exchange differences arising on the settlement or translation of foreign currency monetary items are recognised in profit or loss. However, exchange differences relating to a gain or loss on a non-monetary item that is recognised in other comprehensive income is recognised in other comprehensive income too.



## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

### 2.12 Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

#### *Financial assets*

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

The Company measures financial assets subsequently at amortised cost if both of the following conditions are met:

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

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

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

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9, 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.



## **2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)**

### **2.13 Related parties**

For the purpose of these financial statements, related party includes a person and entity as defined below:

- (a) A person or a close member of that person's family is related to the Company if that person:
  - (i) has control or joint control over the Company;
  - (ii) has significant influence over the Company; or
  - (iii) is a member of the key management personnel of the Company or of a parent of the Company;
- (b) An entity is related to the Company if any of the following conditions applies:
  - (i) the entity and the Company 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 entity.
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
  - (vi) the entity is controlled or jointly controlled by a person identified in (a).
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

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

## **2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)**

### **2.14 Employee benefit obligations**

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

### **2.15 Provisions and contingent liabilities**

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

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

## **3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under certain circumstances. Note 23 contains information about assumptions and their risk factors relating to financial instruments. Other key sources of estimation uncertainty are as follows:

### **(a) Impairment losses for bad and doubtful debts**

The Company estimates impairment losses for bad and doubtful debts resulting from the inability of the customers to make the required payments. The Company bases the estimates on the ageing of the insurance premium balance, customer credit-worthiness and historical write-off experience. If the financial conditions of customers were to deteriorate, actual write-offs would be higher than estimated.

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Cont'd)

(b) Impairment losses for non-current assets

If circumstances indicate that the carrying value of non-current assets may not be recoverable, the assets may be considered impaired and an impairment loss may be recognised in accordance with HKAS 36, Impairment of assets. The carrying amount of non-current assets is reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. The assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amounts are reduced to the recoverable amounts. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. It is difficult to estimate precisely fair value less costs of disposal because quoted market prices for the Company's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to revenue and amount of operating costs. The Company uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs.

(c) Deferred income tax assets

Significant judgement is required in determining the recognition of deferred income tax assets. The Company has not recognised deferred income tax assets mainly in respect of unused tax losses as, in the opinion of the director, there is no evidence that sufficient future taxable profit will be available to utilise such temporary differences.

### 4. REVENUE

Revenue represents income from trading of nickel. The amount of each significant category of revenue during the year is as follows:

	2023 HKD	2022 HKD
<b><u>Revenue from contracts with customers</u></b>		
Trading of nickel	169,875,589	254,330,886

In addition to the information shown in the above disclosures, the revenue from contracts with customers within HKFRS15 is disaggregated as follow:

	2023 HKD	2022 HKD
<b><u>Timing of revenue recognition</u></b>		
At a point in time	169,875,589	254,330,886

## 5. OTHER INCOME

	2023 HKD	2022 HKD
Bank interest income	32,548	23,895
Dividend income	1,756,383	1,725,985
Management fee income	420,778	796,370
Waiver of amounts due to directors	--	720,000
	<b>2,209,709</b>	<b>3,266,250</b>

## 6. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 383(1) of the Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2023 HKD	2022 HKD
Fees	540,000	540,000
Other emoluments	1,718,343	1,484,196
Contributions to defined contribution plan	45,917	23,460
	<b>2,304,260</b>	<b>2,047,656</b>

## 7. FINANCE COSTS

	2023 HKD	2022 HKD
Interest on lease liabilities	22,669	19,211
Interest on other borrowing – unsecured	517,672	544,108
	<b>540,341</b>	<b>563,319</b>



## 8. LOSS BEFORE TAXATION

The following items have been recognised as expenses in determining loss before taxation:

(a) Staff costs

	2023 HKD	2022 HKD
Salaries, wages and other benefits	2,214,899	3,438,576
Key management personnel's remuneration	2,304,260	2,047,656
	<b>4,519,159</b>	<b>5,486,232</b>

(b) Other items

	2023 HKD	2022 HKD
Exchange losses	332,378	863,971

## 9. INCOME TAX EXPENSE

(a) Taxation in the statement of profit or loss represents:

No provision for Hong Kong Profits Tax has been made as the Company has no assessable profit for the year. (2022: Nil)

The Company is subject to PRC Corporate Income Tax rate of 25% (2022: 25%). Taxation for the Company is calculated using the estimated annual effective rates of taxation that are expected to be applicable. No provision for PRC's Corporate Income Tax has been made as the tax losses brought forward from previous years exceed the estimated assessable profit for the year.

(b) Deferred tax assets not recognised

No provision for deferred taxation has been made as the Company has no significant potential tax liabilities arising on timing difference.

## 10. INVESTMENTS IN SUBSIDIARIES

	2023 HKD	2022 HKD
Unlisted shares, at cost	390,008	390,008

At 31 December 2023, the Company had an interest in the following subsidiaries:

Name of Company	Place of Incorporation and operation	Paid up capital	Held by the Company		Principal Activity
			2023	2022	
Junefield Energy Holdings Limited	British Virgin Island ("BVI")	USD1	100%	100%	Investment holding
Tophine Reward Limited	BVI	USD50,000	100%	100%	Investment holding
Macrolink International Development Limited	Hong Kong	USD5,000,000	100%	100%	Investment holding

## 11. RIGHT-OF-USE ASSETS

### Leasehold land and building

	2023 HKD	2022 HKD
<u>Cost</u>		
At 1 January	368,736	1,253,703
Additions	1,617,116	—
Depreciation	(840,395)	(884,967)
At 31 December	1,145,457	368,736

## 12. INVENTORIES

	2023 HKD	2022 HKD
Raw materials – Nickel	13,019,937	23,255,026

### 13. DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES

	2023 HKD	2022 HKD
Deposits	243,130	281,491
Prepayment	241,817	605,564
Other receivables	51,828	267,375
	<b>536,775</b>	<b>1,154,430</b>

The amounts of deposits, prepayment and other receivables are expected to be recovered or recognised as expense within one year.

### 14. AMOUNTS DUE FROM SUBSIDIARIES

	2023 HKD	2022 HKD
Junefield Energy Limited	361,740,795	359,400,795
Less: Provision for impairment loss	(347,474,795)	(347,474,795)
	<b>14,266,000</b>	<b>11,926,000</b>

This amount is unsecured, non-interest bearing and repayable on demand.

### 15. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 HKD	2022 HKD
Listed equity investments, at market value	17,634,600	15,539,400

### 16. CASH AND CASH EQUIVALENTS

Bank balances carry interest at prevailing market rates for both years.

The Company's bank balances and cash that are denominated in currencies other than the functional currency of the Company are set out below:

	2023 HKD	2022 HKD
HKD	40,001,543	70,267,946
USD	27,247,172	8,956,364
RMB	5,968,215	182,642
	<b>73,216,930</b>	<b>79,406,952</b>

## 17. BORROWINGS

	2023 HKD	2022 HKD
Other loan – unsecured	5,475,252	5,597,412

The unsecured loan is denominated in RMB, bears interest at a rate of 9.5% per annum and repayable on demand.

## 18. ACCRUALS AND OTHER PAYABLES

	2023 HKD	2022 HKD
Accruals	1,822,127	2,705,513
Other payables	11,793,555	11,524,428
	13,615,682	14,229,941

The carrying values of accruals and other payables approximately their fair value as at 31 December 2023. All are expected to be settled or recognised as income within one year or repayable on demand.

## 19. LEASE LIABILITIES

	2023 HKD	2022 HKD
Carrying amount as at 1 January	375,166	1,260,045
New lease	1,617,116	–
Accretion of interest	22,669	19,211
Repayment	(861,312)	(904,090)
Carrying amount as at 31 December	1,153,639	375,166

The Company had the following total future minimum lease payments payable under non-cancellable operating lease:

	2023 HKD	2022 HKD
Not later than one year	810,154	375,166
Later than one year	343,485	–
	1,153,639	375,166



## 20. AMOUNT DUE TO A RELATED COMPANY

	2023 HKD	2022 HKD
Macrolink Group Limited	100,000,000	100,000,000

This amount is unsecured, non-interest bearing and repayable on demand.

## 21. AMOUNTS DUE TO SUBSIDIARIES

These amounts are unsecured, non-interest bearing and repayable on demand.

## 22. CAPITAL AND RESERVE

### (a) Issued share capital

	2023 HKD	2022 HKD
Authorised:		
25,000,000,000 (2022: 2,500,000,000)		
Ordinary shares at HKD0.10 each	2,500,000,000	2,500,000,000
Issued and fully paid:		
1,206,249,251 (2022: 1,206,249,251)		
Ordinary shares at HKD0.10 each	120,624,925	120,624,925

### (b) Capital management

The primary objective of the Company's capital management is to safeguard the Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Company's overall strategy remains unchanged from prior year.

The capital structure of the Company consists of net debt, which includes equity attributable to owners of the Company, comprising issued share capital and reserve.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Company will balance its overall capital structure through adjusting the new share issues.

## 23. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

### (a) Credit risk

As at 31 December 2023 and 2022, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statement of financial position. The Company has policies in place for the control and monitoring of relevant credit risk.

In order to minimise the credit risk, the management of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

The directors of the Company considered other receivables and amount due from subsidiaries to be low credit risk and thus the impairment provision during the year was insignificant.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- actual or expected significant adverse change in business, financial or economic conditions that are expected to cause a significant change to the borrowers' ability to make its obligations
- actual or expected significant changes in the operating results of the borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third party guarantees or credit enhancements
- significant increase in credit risk on other financial instruments of the borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Company and changes in the operating results of the borrower

## 23. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### (a) Credit risk (Continued)

#### *The Company's exposure to credit risk*

In order to minimise credit risk, the Company has assigned its management team to develop and maintain the Company's credit risk grading to categorise exposures according to their degree of risk of default. The management team uses publicly available financial information and the Company's own trading records to rate its major customers and other debtors. The Company's exposure and the credit ratings of its counterparties are continuously monitor and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Company's current credit risk grading framework comprises the following categories:

<u>Category</u>	<u>Description</u>	<u>Basis for recognising ECL</u>
Performing	For financial assets where has low risk of default or has been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Doubtful impaired	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL – not credit impaired
Default impaired	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off

## 23. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### (b) Liquidity risk

The Company has net current liabilities of HKD8,969,946 and net current assets of HKD3,326,189 as at 31 December 2023 and 2022 respectively which is exposed to liquidity risk. In order to mitigate the liquidity risk, the management obtained the financial support from fellow subsidiaries in which has undertaken not to demand the repayment of the balance due from the ultimate controlling parties, Macrolink Group Limited and Mr. Fu Kwan as at 31 December 2023 for the coming twelve months and until the Company is in a financial position to do so.

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

All financial liabilities are required to be settled within one year or are repayable on demand. The total contractual undiscounted cash flow of these financial liabilities equals their carrying amounts at the end of the reporting period.

### (c) Cash flow and fair value interest rate risk

The Company's cash flow interest rate risk primarily relates to variable-rate bank balances. The Company's bank balances are short-term in nature and the exposure of the interest rate is minimal and thus no sensitivity analysis to interest rate risk is presented.

### (d) Currency risk

Certain amounts of financial assets of the Company are denominated in foreign currency which exposes the Company to currency risk. The Company did not have a foreign currency hedging policy as at the end of the reporting period. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2023 and 2022, the carrying amounts of the Company's foreign currency denominated monetary assets at the respective closing rates are as follows:

	2023 HKD	2022 HKD
USD	27,251,398	8,960,540
RMB	(11,300,592)	(16,939,198)



## 23. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### (d) Currency risk (Continued)

The following table details the Company's sensitivity analysis to a 5% (2022:5%) increase or decrease in HKD against the USD and RMB. 5% (2022: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2022: 5%) change in foreign currency rates. A positive number below indicates a decrease in loss before taxation where HKD weakening 5% (2022: 5%) against the USD and RMB. For a 5% (2022: 5%) strengthens of HKD against the USD and RMB, there would be an equal and opposite impact on the loss after taxation and accumulated losses, and the balances below would be negative.

#### Effect on profit after taxation:

	2023 HKD	2022 HKD
USD	1,362,570	448,027
RMB	(565,030)	(846,960)