前海健康

QIANHAI HEALTH

Qianhai Health Holdings Limited

前海健康控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 911)

Annual Report 2021

Contents

Corporate Information

BOARD OF DIRECTORS

NON-EXECUTIVE DIRECTORS

Mr. Huang Guanchao *(Chairman)*
Mr. Lim Tzea
Mr. Chen Kaiben (appointed on 3 September 2021)
Mr. Chen Qi (appointed on 3 September 2021)

EXECUTIVE DIRECTORS

Mr. Xu Keli
Mr. Lam Hin Chi (until 30 April 2022)
Mr. Chen Li Kuang (appointed on 1 April 2022)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Wei
Mr. Yuen Chee Lap Carl
Mr. Leung Chun Tung (appointed on 1 March 2022)
Mr. Wu Wai Leung Danny (resigned on 31 December 2021)

AUDIT COMMITTEE

Mr. Yuen Chee Lap Carl *(Chairman)*
Mr. Li Wei
Mr. Leung Chun Tung (appointed on 1 March 2022)
Mr. Wu Wai Leung Danny (resigned on 31 December 2021)

REMUNERATION COMMITTEE

Mr. Li Wei *(Chairman)*
Mr. Xu Keli
Mr. Yuen Chee Lap Carl (appointed on 31 December 2021)
Mr. Wu Wai Leung Danny (resigned on 31 December 2021)

NOMINATION COMMITTEE

Mr. Li Wei *(Chairman)*
Mr. Xu Keli
Mr. Yuen Chee Lap Carl (appointed on 31 December 2021)
Mr. Wu Wai Leung Danny (resigned on 31 December 2021)

AUTHORISED REPRESENTATIVES

Mr. Huang Guanchao (start on 30 April 2022)
Mr. Lam Hin Chi (until 30 April 2022)
Ms. Yip Tak Yung Teresa

COMPANY SECRETARY

Ms. Yip Tak Yung Teresa

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 301-3, 3/F, Wing Tuck Commercial Centre
177-183 Wing Lok Street, Sheung Wan, Hong Kong

PRINCIPAL SHARE REGISTRAR

CONYERS TRUST COMPANY (CAYMAN) LIMITED

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

HONG KONG BRANCH SHARE REGISTRAR

TRICOR INVESTOR SERVICES LIMITED

Level 54, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

INDEPENDENT AUDITOR

Baker Tilly Hong Kong Limited

LEGAL ADVISOR

Chiu & Partners

PRINCIPAL BANKS

China Construction Bank (Asia) Corporation Ltd.
Standard Chartered Bank (Hong Kong) Limited
United Overseas Bank Limited

INVESTORS RELATIONS

ir@qhhl.com.hk

STOCK CODE

0911

WEBSITE

www.qianhaihealth.com.hk

Financial Highlights

	2021 HK$'000	2020 HK$'000
Operating Results		
Revenue	**283,398**	760,721
Gross profit	**16,038**	45,128
Operation (loss)/profit	**(888)**	835
Financial Performance		
Loss attributable to owners of the Company	**(888)**	(804)
Profit margin	**5.7%**	5.9%
Loss per share (HK cents)		
– Basic and dilute	**(0.05)**	(0.05)

	2021 HK$'000	2020 HK$'000
Financial Position at Year End		
Net current assets	**622,447**	493,187
Total assets	**738,626**	735,471
Total bank borrowings	**7,165**	22,705
Total liabilities	**68,093**	62,285
Net assets	**670,533**	673,186
Net asset value per share (HK$)	**0.40**	0.40
Capital expenditure	**9**	10

Management Discussion and Analysis

BUSINESS REVIEW

The Group is principally engaged in sale of health-care products (the "**Health-care Business**") and electronic component products (the "**Electronic Component Business**").

During the year ended 31 December 2021 (the "**Year**"), the global outbreak of COVID-19 pandemic imposed adverse impact on the consumer demand for both the health-care products and electronic component products globally.

In the Year, with the general slowdown in the growth of the global economy, the revenue of the Group decreased by 62.7% when compared to that of the the year ended 31 December 2020 (the "**Prior Year**"). The sale of health-care products contributed the revenue of approximately HK$98.1 million, while the sale of the electronic component products contributed revenue of approximately HK$185.3 million in the Year.

With the higher gross profit margin generated from the Electronic Component Business of approximately 7.7% (comparing with the gross profit margin of the Health-care Business of approximately 1.8%), the Group has shifted its focus on Electronic Component Business in the Year, in order to maximise the Company's shareholders' profits. Around 65.4% of the Group's revenue was generated from the Electronic Component Business in the Year.

In view of (i) unstable property investment market in the People's of Republic of China (the "**PRC**"); and (ii) avoiding further capital investment into a non-core business, the Group disposed of its interests in a joint controlled entity (through disposal of a subsidiary), which engaged in joint development of a land parcel in Lin An city, Hangzhou Province in China, in the Year, with the gain on disposal of the subsidiary of approximately HK$14.3 million. For further details, please refer to the announcement of the Company dated 18 August 2021 and the circular of the Company dated 1 November 2021.

The Group will continue to monitor the market situation and will continue to diversify its product range and customer base and explore business opportunities to leverage on our established experience and to sustain its strong competitive advantages in the market.

FINANCIAL REVIEW

	Revenue for the year 31 December				Gross profit margin for the year 31 December	
	2021		2020		**2021**	2020
	HK$'000	**%**	HK$'000	%	**%**	%
Health-care Business	**98,129**	**34.6**	443,810	58.3	**1.8**	6.3
Electronic Component Business	**185,269**	**65.4**	316,911	41.7	**7.7**	5.4
TOTAL	**283,398**	**100**	760,721	100	**5.7**	5.9

HEALTH-CARE BUSINESS

During the Year, the revenue generated from sale of health-care products, which includes American ginseng and skin-care products, of approximately HK$98.1 million, representing a decrease of approximately 77.9%, as compared to that of the Prior Year. Segment profit of approximately HK$1.7 million, representing a decrease of approximately 93.8%, as compared to that of the Prior Year. The deteriorating performance of the Health-care Business was mainly due to a sluggish market.

ELECTRONIC COMPONENT BUSINESS

The electronic component products mainly include central processing units and semi-conductors. During the Year, the segment revenue and profit generated from the Electronic Component Business amounted to approximately HK$185.3 million and HK$14.3 million respectively, representing a decrease of approximately 41.5% and 15.8% respectively.

GROSS PROFIT

Gross profit decreased by approximately 64.5% from approximately HK$45.1 million in the Prior Year to approximately HK$16.0 million in the Year, while the gross profit margin decreased slightly from approximately 5.9% in the Prior Year to approximately 5.7% in the Year.

OTHER GAINS/(LOSSES), NET

The Group recorded other net gains of approximately HK$4.1 million in the Year. The gain was mainly due to net of (i) gain on disposal of subsidiary of approximately HK14.3 million (2020:Nil); and (ii) provision for inventory write-down of approximately HK$11.4 million being recognised during the Year (2020: HK$3.5 million).

LOSS FOR THE YEAR

Overall, the Group recorded a loss attributable to owners of the Company of approximately HK$0.9 million for the year ended 31 December 2021, as compared to the loss attributable to owners of the Company of approximately HK$0.8 million of the year ended 31 December 2020.

FUTURE PROSPECTS

The COVID-19 pandemic has not yet been under control and there are still uncertainties in the worldwide economy, the Group foresees that 2022 will continue to be a very challenging year. The Group has been actively exploring opportunities to expand its product mix from time to time so to broaden the Group's income sources, which is expected to have a positive future impact on the Group's financial performance. The Group will continue to conduct its review on the business activities and assets of the Group for the purpose of formulating business plan and strategies for the future business development of the Group. The strategies of the Group are to achieve the best use of its resources, achieve portfolio diversification and improve its overall performance.

The Group has been actively looking to diversify its revenue sources in order to bring valuable returns to the shareholders of the Company through making investments and/or acquiring business or projects that have promising outlooks and prospects.

WORKING CAPITAL AND INVENTORY MANAGEMENT

As at 31 December 2021, the non-current assets decreased by approximately 73.4% to approximately HK$48.1 million, as compared with approximately HK$180.7 million as at 31 December 2020. The decrease in non-current assets was mainly due to the disposal of a joint venture through disposal of a subsidiary during the Year.

As at 31 December 2021, the Group recorded total current assets of approximately HK$690.5 million (2020: approximately HK$554.8 million) and total current liabilities of approximately HK$68.1 million (2020: approximately HK$61.6 million). The current ratio of the Group, calculated by dividing the total current assets by the total current liabilities, was approximately 10.1 times as at 31 December 2021 (2020: approximately 9.0 times).

The increase in inventories by approximately 39.4% to approximately HK$455.1 million as at 31 December 2021, as compared to that of approximately HK$326.4 million as at 31 December 2020.

The trade receivables, net of loss allowances decreased by approximately 45.7% to approximately HK$104.9 million as at 31 December 2021, as compared with approximately HK$193.4 million as at 31 December 2020. Outstanding balances in over 180 days to 1 year category increased to approximately HK$65.3 million and over 1 year category increase to approximately HK$39.6 million was mainly due to a slowdown in payments from certain major customers. As at the date of this report, approximately HK$103.7 million of the outstanding balances as at 31 December 2021 were subsequently received. The management of the Group regularly evaluates the Group's customers, assesses their known financial position and the credit risks.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, cash and cash equivalents of the Group amounted to approximately HK$2.5 million (2020: approximately HK$16.4 million).

As at 31 December 2021, the Group's borrowings amounted to approximately HK$7.2 million (2020: approximately HK$22.7 million). The net debt to total asset ratio, calculated as borrowings less cash and cash equivalents divided by total assets, was approximately 0.01 for the Year (2020: 0.01).

FOREIGN CURRENCY EXPOSURE

The Group faces foreign exchange risk as certain cash and cash equivalents are denominated in foreign currencies. The reporting currency is Hong Kong dollars ("**HKD**") and the purchases of health-care products and electronic component products are mainly made in United States dollars ("**USD**") and Canadian dollars ("**CAD**"). As a result, the Group incurred transactional and translational foreign currency gains or losses from its operations. For the Year, the Group incurred a gain of foreign exchange differences amounted to approximately HK$1.3 million (2020: approximately HK$0.7 million). The Board will continuously monitor the foreign exchange exposure and will consider hedging of foreign currency risk should the need arise.

CONTINGENT LIABILITIES AND CHARGE OF ASSETS

As at 31 December 2021, the Group continued to provide corporate guarantees on banking facilities granted to the Group's subsidiaries. The amount of bank borrowings utilised by the subsidiaries as at 31 December 2021 amounted to approximately HK$7.2 million (2020: HK$22.7 million).

As at 31 December 2021, certain land and buildings (2020: certain land and buildings and investment property) of the Group, with a total carrying value of approximately HK$27.5 million (2020: HK$28.6 million) were pledged to banks as securities for bank loans of approximately HK$7.2 million (2020: HK$22.7 million) granted to the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, we had a total of 22 (2020: 22) employees. The Company determines employee salaries based on each employee's qualifications, position and seniority. Our Group has established an annual review system to assess the performance of our employees, which forms the basis of our decisions with respect to salary raises, bonuses and promotions.

The emoluments of the Directors are decided by the Board after recommendation from the remuneration committee of the Company, having considered the factors such as the Group's financial performance, the achievement of special targets and the individual performance of the Directors, etc..

Apart from mandatory provident fund and medical insurance, the Company has adopted a share option scheme under which share options may also be awarded to the Directors and eligible employees as an incentive with reference to the assessment of individual performance. The Board believes that the Group maintains an admirable relationship with the employees.

DISPOSAL OF A SUBSIDIARY

On 6 January 2021, a direct wholly-owned subsidiary of the Company, namely QHH Limited ("**QHH**"), entered into a sale and purchase agreement (the "**Agreement**") with a company (the "**Purchaser**"), that was established in the PRC with limited liability and an independent third party, to dispose (the "**Disposal**") of one of its subsidiaries, namely Top Nova Limited ("**Top Nova**"), which indirectly owned 51% equity interests in a joint venture. Upon completion of the Disposal, which took place on 6 January 2021, Top Nova was no longer a subsidiary of the Company. For further details, please refer to the announcement of the Company dated 18 August 2021 and circular of the Company dated 1 November 2021.

MANAGEMENT VIEW AND POSITION ON THE AUDIT QUALIFICATIONS

The Auditors expressed a qualified opinion on the Company's financial statements for the Year in relations to the Disposal (the "**Audit Qualifications**"). The Directors noted that the Audit Qualifications is because of the Auditors are of the view that they were unable to obtain all the necessary corroborative evidence to ascertain the business rationale and commercial substance, and the financial effects of the Disposal on the consolidated financial statements. In this regard, in preparation of the financial statements for the Year in relation to the Disposal, the Company took into consideration the following factors:

1. CHRONOLOGY OF EVENTS

With reference to the chronology of events as disclosed in the circular of the Company dated 1 November 2021:

(i) QHH, being the vendor, entered into the Agreement with the Purchaser on 6 January 2021;

(ii) Mr. Huang, on behalf of QHH, signed an undated instrument of transfer relating to the transfer of the entire issued share capital of Top Nova and passed the signed undated instrument of transfer to the Purchaser on 6 January 2021;

(iii) due to Mr. Huang's inadvertent failure to timely notify the Company of the entering into of the Agreement at the relevant time, the Company was not notified of the entering of the Agreement in January 2021;

(iv) the Company has only become aware of the Disposal upon receipt of partial payment of the consideration for the Disposal in August 2021;

The Company was only aware of the entering into of the Agreement in August 2021, and it was found to be a non-compliance with the Listing Rules ("**Non-Compliance**"). Upon the Company's acknowledge of the Non-Compliance, the relevant announcements and circular (collectively, the "**Published Documents**") were subsequently published on 19 August 2021, 25 August 2021 and 29 October 2021, respectively, for rectification of the Non-Compliance.

2. LEGAL ADVICE

In light of the Agreement being governed by Hong Kong laws, the Company consulted a Hong Kong lawyer and obtained a Hong Kong legal opinion (the "**HK Legal Opinion**") which opines that completion of the Disposal was not subject to any condition precedent and was unconditional, the beneficial ownership of the entire issued share capital of Top Nova was transferred and completion of the Disposal took place on 6 January 2021.

Based on the HK Legal Opinion, the Company considered that Top Nova and its subsidiaries (collectively as the "**Disposal Group**") ceased to be subsidiaries of the Company upon completion of the Disposal (i.e. 6 January 2021), and the Group no longer held any equity interests in Zhongan Huijun, being the joint venture that the Disposal Group held 51% equity interests in. Thus, the financial statements of the Disposal Group have also ceased to be consolidated into the Group's financial statements and the Group's financial statements have no longer reflected the share of results of Zhongan Huijun since then.

3. REASON FOR THE DISPOSAL

In response to the business rationale and commercial substance of the Disposal, the Company would like to re-emphasise the reasons for the Disposal, which had been previously disclosed in the Published Documents. The Disposal Group was mainly engaged in the development of hot spring hotel resort and hotel facilities. The outbreak of COVID-19 pandemic starting imposed adverse impact on the economy and real estate development market in the PRC. At the same time, further capital investment from the development project was required from the Group. To (i) avoid having to make any further investment into a non-core business; (ii) concentrate the resources on its core businesses in the most efficient way; and (iii) further enhance the return of assets brought by the core businesses, the Company had been seeking for suitable opportunities to reduce its investments in the businesses of the Disposal Group, at an appropriate consideration. The Disposal represents a divestment of a non-core business of the Group and will allow the Group to focus on its core businesses. In the poor real estate market, the Group took long process to find the Purchaser. The consideration of the Disposal at RMB110,000,000 was fair and reasonable and in the interest of the Company and its Shareholders as a whole. The Group recorded a net gain on the Disposal of HK$14,296,000 during the Year.

Due to the poor economy, according to the Agreement, it was agreed between the parties to the Agreement that the payment terms for the consideration of RMB110,000,000, of which RMB30,000,000 would be paid on or before 31 August 2021 and the remaining amount of RMB80,000,000 would be paid on or before 31 December 2021. As at 31 December 2021, consideration receivables in relation to the Disposal of RMB75,000,000 (equivalent approximately HK$90,000,000) was still outstanding. Subsequent to year end and up to the date of this report, all the consideration was fully received.

4. EVENTS AFTER THE DISPOSAL

The Company considered that the Disposal was completed on 6 January 2021 (the "**Completion Date**"), any events happened after the Disposal (including the events, but not limited to the private commercial arrangement of Mr. Huang and the Purchaser (an independent third party) after the Completion Date, mentioned in the auditor's qualified opinion) within the Disposal Group were totally unrelated to the Group.

During the course of audit, the Company has provided all materials and documents requested from the Auditors regarding the Disposal, and promptly notified the Auditors with the Disposal and related events once the Company became aware of.

AUDIT COMMITTEE'S VIEW ON THE AUDIT QUALIFICATIONS

The Audit Committee (i) discussed with the Auditors and (ii) enquired the Company of their basis of assessment on the Audit Qualifications, in which the Audit Committee agreed with business rationale and commercial substance of the Disposal and the financial effects of the Disposal on the consolidated financial statements of the Group for the Year, while understanding the reasoning for the opinion issued by the Auditors. After considering the circumstances surrounding the Audit Qualifications and the evidence and documents regarding the Disposal provided by the Company to the Audit Committee, the Audit Committee concurred with the business rationale and commercial substance of the Disposal and the financial effects of the Disposal on the consolidated financial statements of the Group for the Year. A discussion was also held between the Auditors and the Audit Committee where the Auditors explained the reasons for the Audit Qualifications, which the Audit Committee acknowledged and understood.

PLANS TO ADDRESS THE AUDIT QUALIFICATIONS

The Directors understand that the Audit Qualifications only relate to the Disposal which took place during the Year. Therefore, the Audit Qualifications will not have any carried forward impact to the Company's financial statements for the year ending 31 December 2022, and will be fully removed in the Company's financial statements for the year ending 31 December 2022 if no other issues arise. The Company has conveyed and discussed the aforesaid view with the Auditors, and the Auditors are of the view that the Auditors may consider to agree with the Company that the Audit Qualifications will not have any carried forward impact to the Company's financial statements for the year ending 31 December 2022, and will be fully removed in the Company's financial statements for the year ending 31 December 2022 if no other issues arise.

Biographical Details of Directors and Senior Management

DIRECTORS

NON-EXECUTIVE DIRECTORS

MR. HUANG GUANCHAO

Non-executive Director, aged 47

Mr. Huang was appointed as an executive Director on 12 April 2019 and was re-designated as a non-executive Director on 17 July 2019. Mr. Huang is also a director of certain subsidiaries of the Company. Mr. Huang has over 20 years of management experience in international trading and distribution of electronic components. From 1999 to 2003, Mr. Huang, on his own, operated an electronic components trading company. Subsequently in 2003, Mr. Huang, together with other business partners, founded a Hong Kong-based global electronic components trading and distribution group (the "**Trading and Distribution Group**"), which supplies electronic components to customers including sizeable manufacturing groups and technology companies. Since the establishment of the Trading and Distribution Group, Mr. Huang has been its chief executive officer, managing its business with presence in Hong Kong, the People's Republic of China (the "**PRC**") and the Southeast Asia. In 2005, Mr. Huang, together with other business partners, established another manufacturing and trading group, which is principally engaged in the manufacturing of semi-conductor products of a well-known brand that are sold to different markets including Hong Kong, the PRC, Taiwan and other Asian countries. Mr. Huang has been the standing director of Shenzhen Chao Shan Chamber of Commerce since December 2011.

MR. LIM TZEA

Non-executive Director, aged 54

Mr. Lim was appointed as an executive Director on 12 April 2019 and was re-designated as a non-executive Director on 17 July 2019. Mr. Lim is also a director of certain subsidiaries of the Company. Mr. Lim has over 22 years of management experience in international trading and distribution of electronic components. From 1997 to 2002, Mr. Lim was the general manager of an electronic components trading company based in Singapore, mainly responsible for such company's trading business in various Southeast Asian countries. Mr. Lim was the general manager of another Singapore based electronic components trading company from 2003 to 2008, mainly responsible for managing and supervising such company's operations in respect of its trading business in Hong Kong and the PRC. Since 2009, Mr. Lim has been one of the key management personnel and one of the shareholders of an international trading company based in Singapore, being responsible for the management of the company's trading business in Singapore, Hong Kong, the PRC and Vietnam.

MR. CHEN KAIBEN

Non-executive Director, aged 36

Mr. Chen was appointed as a non-executive Director on 3 September 2021. Mr. Chen graduated from Guangdong University of Foreign Studies with a bachelor's degree in business administration in logistics and supply chain management in 2007. He has extensive experience in the logistics, securities and financial industries. Mr. Chen served as an executive director of Solis Holdings Limited (stock code: 2227), a company that the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") for the period from October 2020 to August 2021. Mr. Chen was appointed as a non-executive director of Glory Sun Financial Group Limited (stock code: 1282) and Glory Sun Land Group Limited (stock code: 299) for the periods from November 2018 to August 2019 and from December 2018 to May 2019 respectively. The shares of Solis Holdings Limited, Glory Sun Financial Group Limited and Glory Sun Land Group Limited are listed on the Main Board of the Stock Exchange. From March 2016 to February 2018, he served as the deputy director of the operations management department of Shenzhen Bao Da Financial Services Co., Ltd. (深圳寶達金融服務有限公司) and in March 2018, he has been re-designated as the deputy director of the financial and securities department. From June 2012 to March 2016, he respectively served as the supervisor, manager assistant of the securities department and representative of securities affairs of Dasheng Times Cultural Investment Co., Ltd. (大晟時代文化投資股份有限公司) (formerly known as Baocheng Investment Co., Ltd. (寶誠投資股份有限公司)), the shares of which are listed on the Shanghai Stock Exchange under the stock code of 600892.

MR. CHEN QI

Non-executive Director, aged 31

Mr. Chen was appointed as a non-executive Director on 3 September 2021. Mr. Chen graduated from Yunnan University of Finance and Economics with a bachelor's degree in finance management in 2015. Between July 2015 and August 2017, he was an operation management specialist in the strategic development department of Yunnan Energy Finance Holdings Investments Company Limited (雲南能源金融控股投資有限公司). He subsequently became an operation management specialist in the operational management department of Yunnan Energy Investment (HK) Co. Limited (香港雲能國際投資有限公司) as well as an investment manager in Yunnan Energy International Investment (Singapore) Pte. Ltd. (雲能國際(新加坡)有限公司) between August 2017 and June 2020. Since June 2020, Mr. Chen Qi has worked as the vice general manager of operational management department of Yunnan Energy Investment (HK) Co. Limited.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

MR. XU KELI

Executive Director, aged 45

Mr. Xu has been a consultant of the Company since February 2019. Upon his appointment as an executive Director on 17 July 2019, he resigned as a consultant of the Company. Mr. Xu is also a director of certain subsidiaries of the Company. Mr. Xu has over 10 years of experience in investment business in medical and health-care sectors, trading and distribution of electronic components business, properties investment and general management in the PRC. Mr. Xu was the general manager of a PRC based manufacturing, trading and distribution company from April 2011 to July 2014, mainly responsible for managing and supervising such company's operations in respect of its audio products manufacturing, trading, distribution and supply chain management of electronic components in the PRC. Since 2014 and prior to joining the Company, Mr. Xu was the managing director of a PRC based investment company, mainly responsible for managing and supervising such company's operations, setting up and monitoring achievement of annual budget and investment plans in respect of its investments in property investment and medical and health care businesses in the PRC.

MR. LAM HIN CHI

Executive Director, aged 58

Mr. Lam, joined the Company in May 2019 and is appointed as an executive Director on 17 July 2019 and will resign on 30 April 2022. He is currently the group chief financial officer of the Group. He is responsible for the overall financial management of the Group. Mr. Lam is a fellow member of The Association of Chartered Certified Accountants, and The Institute of Chartered Accountants in England and Wales and associates member of The Chartered Institute of Management Accountants, and The Hong Kong Institute of Certified Public Accountants. Mr. Lam graduated from The Hong Kong Polytechnic University with a Professional Diploma in Management Accountancy and a bachelor of arts degree (Honours) in accountancy. Mr. Lam has over 30 years of experience in finance, auditing and accounting. Mr. Lam had worked for an international accounting firm and was a senior personnel of a number of companies listed on the Main Board of the Stock Exchange. Mr. Lam is currently an independent non-executive director of VSTECS Holdings Limited (stock code: 00856) and China Environmental Technology and Bioenergy Holdings Limited (stock code: 01237), the shares of which are listed on the Main Board of the Stock Exchange.

MR. CHEN LI KUANG

Executive Director, aged 46

Mr. Chen was appointed as an executive Director on 1 April 2022. Mr. Chen has over 20 years of management experience in sales and distribution of electronic components and products. Mr. Chen had worked for several international technology companies in Taiwan and was primarily responsible for products management, marketing development and procurements. Mr. Chen graduated from the Jinwen University of Science and Technology with the diploma in bank and insurance.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. LI WEI

Independent non-executive Director, aged 67

Mr. Li Wei was appointed as an independent non-executive Director on 17 May 2016. Mr. Li has over twenty five years of experience in establishing and operating businesses in Asia, and particularly in Hong Kong and China. He was educated in China, Germany and Australia. He has been an independent non-executive director of VST Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 856) since 2007.

MR. YUEN CHEE LAP CARL

Independent non-executive Director, aged 48

Mr. Yuen Chee Lap Carl was appointed as an independent non-executive Director on 29 February 2016. Mr. Yuen graduated from the University of Houston, U.S. He attained a bachelor's degree and a master's degree in business administration in 1997 and 1998 respectively. Mr. Yuen is currently the chief executive officer and the financial controller of Courage Investment Group Limited (stock code: 1145), a company listed on the Main Board of the Stock Exchange and the Singapore Exchange Securities Trading Limited. He has rich experience in finance and accounting in Hong Kong and the United States. Mr. Yuen commenced his career in the United States and served as chief accountant and managerial position in several companies between 1998 and 2003. Mr. Yuen joined Courage Investment Group Limited in 2004 and has been appointed as financial controller since May 2006. Mr. Yuen has taken up the additional role as chief executive officer in September 2019. He is responsible for the company's overall operations, and is in charge of the company's finance and accounting control as well as the company's reporting, SGX-ST and Stock Exchange compliance. Mr. Yuen is currently a member of the Hong Kong Institute of Directors and the Association of Hong Kong Accountants. Mr. Yuen was an independent non-executive director of Fullsun International Holdings Group Co., Limited (stock code: 627) from 1 December 2017 to 22 January 2021, a company listed on the Main Board of the Stock Exchange.

MR. LEUNG CHUN TUNG

Independent Non-Executive Director, aged 67

Mr. Leung was appointed as an independent non-executive Director on 1 March 2022. Mr. Leung had previously worked for Bank of China (Hong Kong) Limited, a company listed on the Stock Exchange (Stock code: 2388), for 39 years. Mr. Leung's last position in Bank of China (Hong Kong) Limited was senior corporate loan manager, and was mainly responsible for the development and maintenance of industrial and commercial customers, credit risk assessment, credit management and administrative management. He possesses an executive master degree in business administrations jointly from Sun Yat-sen Business School and International East-West University.

SENIOR MANAGEMENT

MR. YEUNG WING KONG

General manager, aged 51

Mr. Yeung Wing Kong joined the Group in 1989. Mr. Yeung has over 30 years of experience in the American Ginseng industry and is primarily responsible for operation, management and procurement of the health products – American ginseng business in the Group. Mr. Yeung has been a member of Po Sau Tong Ginseng & Antler Association Hong Kong Limited (香港參茸藥材寶壽堂商會有限公司) since December 1990.

MS. YIP TAK YUNG TERESA

Chief financial officer and company secretary, aged 40

Ms. Yip Tak Yung, Teresa joined the Group in 2013, and is responsible for finance management, compliance assurance and company secretarial matters of the Group. Ms. Yip has rich experience in areas of auditing, accounting, taxation, capital markets, business advisory and corporate finance in Hong Kong and the PRC. She worked at Deloitte Touche Tohmatsu and graduated from City University of Hong Kong with a bachelor's degree of business administration (Honours) in accountancy. Ms. Yip is a member of the Hong Kong Institute of Certified Public Accountants.

Corporate Governance and Other Information

CORPORATE GOVERNANCE

The Board is committed to achieving high standards of corporate governance to safeguard the interest of the Company's shareholders and to enhance corporate value and accountability. For the Year, the Company has applied the principles and complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules.

The Group also has in place an internal control system to perform the checks and balance function. There are also three independent non-executive Directors on the Board offering strong, independent and differing perspectives. The Board is therefore of the view that there are adequate balance-of-power and safeguards in place to enable the Company to make and implement decisions promptly and effectively.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the code of conduct rules (the "**Model Code**") regarding securities transactions by the Directors on terms no less exactly than the required standard set out in the Model Code for Securities Transactions by the Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, and that having made specific enquiry to all Directors, the Company confirms that all Directors have complied with the Model Code.

THE BOARD OF DIRECTORS

The Board takes responsibility for overseeing all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, monitoring senior management's performance and determining the policy for corporate governance.

The Directors make decisions objectively in the interests of the Company. The Board currently comprises a total of ten Directors, with four non-executive Directors, three executive Directors and three independent non-executive Directors.

NON-EXECUTIVE DIRECTORS

Mr. Huang Guanchao *(Chairman)*
Mr. Lim Tzea
Mr. Chen Kaiben (appointed on 3 September 2021)
Mr. Chen Qi (appointed on 3 September 2021)

EXECUTIVE DIRECTORS

Mr. Xu Keli
Mr. Lam Hin Chi (until 30 April 2022)
Mr. Chen Li Kuang (appointed on 1 April 2022)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Wei
Mr. Yuen Chee Lap Carl
Mr. Leung Chun Tung (appointed on 1 March 2022)
Mr. Wu Wai Leung Danny (resigned on 31 December 2021)

The biography details of the Directors are set out under the section headed "Biography Details of Directors and Senior Management" in this annual report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman is responsible for leading the Board and is also responsible for overseeing effective functioning of the Board and application of good corporate governance practices and procedures.

Whereas the role of chief executive officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. Since 18 July 2019, the position of chief executive officer has been vacant and the Company is still identifying a suitable candidate for the position of the chief executive officer.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2021, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing one-third of the Board. These independent non-executive Directors are individuals from diversified backgrounds and industries and one member has appropriate accounting and related financial management expertise.

The independent non-executive Directors serve the relevant function of bringing independent judgment and advice on the overall management of the Company. They take the lead where potential conflicts of interests arise. The Company has received an annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all of the independent non-executive Directors meet the guidelines for assessing independence as set out in the Listing Rules and considers them to be independent.

BOARD COMMITTEES

The Board has established the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") (collectively, the "**Board Committees**") for overseeing particular aspects of the Company's affairs under its defined scope of duties and terms of reference. The terms of reference of each of the Board Committees are posted on the websites of the Company and the Stock Exchange. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

CG Code provision C.5.1 prescribes that at least four regular Board meetings should be held each year at approximately quarterly intervals with active participation of a majority of the Directors, either in person or through other electronic means of communication.

Details of Directors' attendance records during the Year are set out in the table below:

	Meetings attended/held			
Directors	Board	Audit Committee	Nomination Committee	Remuneration Committee
Non-executive Directors				
Mr. Huang Guanchao	5/5	N/A	N/A	N/A
Mr. Lim Tzea	5/5	N/A	N/A	N/A
Mr. Chen Kaiben (appointed on 3 September 2021)	1/1	N/A	N/A	N/A
Mr. Chen Qi (appointed on 3 September 2021)	1/1	N/A	N/A	N/A
Executive Directors				
Mr. Xu Keli	5/5	N/A	2/2	1/1
Mr. Lam Hin Chi (until 30 April 2022)	5/5	N/A	N/A	N/A
Mr. Chen Li Kuang (appointed on 1 April 2022)	N/A	N/A	N/A	N/A
Independent non-executive Directors				
Mr. Li Wei	5/5	2/2	2/2	1/1
Mr. Wu Wai Leung Danny (resigned on 31 December 2021)	5/5	2/2	2/2	1/1
Mr. Yuen Chee Lap Carl	5/5	2/2	N/A	N/A
Mr. Leung Chun Tung (appointed on 1 March 2022)	N/A	N/A	N/A	N/A

Apart from regular Board meetings of the year, the Board will meet on other occasions when a Board level decision on a particular matter is required. The Directors receive agenda of each meeting in advance.

Notice of at least 14 days is given of a regular Board meeting. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are despatched to all Directors at least three days before each regular Board meeting to ensure that the Directors have sufficient time to review the related documents and be adequately prepared for the meeting.

All minutes of the Board meetings are kept by the company secretary of the Company and are available to all Directors for inspection.

The Board has reserved for its decision or consideration matters covering corporate strategy, annual and interim results, Directors' appointment, succession planning, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual and interim accounts for the Board's approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements, rules and regulations.

TRAINING AND SUPPORT FOR DIRECTORS

In accordance with C.1.4 of the CG Code with regards to continuous professional development, all Directors have participated in continuous professional development to develop and refresh their knowledge and skills.

To further ensure all Directors are adequately informed about the Company's business and operations as well as his responsibilities under relevant laws, rules and regulations, the company secretary of the Company provides all Directors with regular updates regarding the Company's performance as well as updates on latest amendments and developments to the Listing Rules and other relevant legal and regulatory requirements from time to time.

The Directors received the following training for the year ended 31 December 2021 according to the records provided by the Directors:

Directors	**Training on corporate governance, regulatory development and other relevant topics**
Non-executive Directors	
Mr. Huang Guanchao	✓
Mr. Lim Tzea	✓
Mr. Chen Kaiben (appointed on 3 September 2021)	✓
Mr. Chen Qi (appointed on 3 September 2021)	✓
Executive Directors	
Mr. Xu Keli	✓
Mr. Lam Hin Chi (until 30 April 2022)	✓
Mr. Chen Li Kuang (appointed on 1 April 2022)	N/A
Independent non-executive Directors	
Mr. Li Wei	✓
Mr. Yuen Chee Lap Carl	✓
Mr. Leung Chun Tung (appointed on 1 March 2022)	N/A
Mr. Wu Wai Leung Danny (resigned 31 December 2021)	✓

DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged for appropriate liability insurance for the Directors to cover their liabilities arising out of corporate activities.

AUDIT COMMITTEE

The Audit Committee's current members include:

Mr. Yuen Chee Lap Carl *(Chairman)*
Mr. Li Wei
Mr. Leung Chun Tung (appointed on 1 March 2022)
Mr. Wu Wai Leung Danny (resigned on 31 December 2021)

All of the committee members are independent non-executive Directors with the chairman of which possesses the appropriate professional qualifications and accounting experience. The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board, to develop and review policies and practices of the Group on corporate governance, compliance with legal and regulatory requirements and requirements under the Listing Rules, and to develop, review and monitor the code of conduct applicable to the employees of the Group.

The terms of reference of the Audit Committee are in line with the provisions of the CG Code, a copy of which is posted on the website of the Company and the Stock Exchange.

During the year ended 31 December 2021, the Audit Committee held 2 meetings. The attendance records are set out under the section headed “Number of meetings and Directors’ attendance” in this annual report. The Audit Committee performed the following work during the year ended 31 December 2021:

(a) reviewed the interim financial statements and annual reports, including the accounting principles and accounting standards adopted, and made recommendations to the Board for approval;

(b) reviewed the changes in accounting standards and assessed their potential impacts on the Group’s financial statements;

(c) reviewed the Group’s internal control system and related matters; and

(d) considered and made recommendations on the re-appointment of the independent auditor of the Group and the terms of engagement

The Audit Committee has reviewed the Group’s audited annual consolidated financial statement for the year ended 31 December 2020 and audited results for the year ended 31 December 2020 and unaudited interim condensed financial statement for the six months ended 30 June 2021 and had discussed the financial information with the management and the external auditors of the Company during the year ended 31 December 2021 before submission to the Board for its approval.

REMUNERATION COMMITTEE

The Remuneration Committee’s current members include:

Mr. Li Wei *(Chairman)*
Mr. Xu Keli
Mr. Yuen Chee Lap Carl (appointed on 31 December 2021)
Mr. Wu Wai Leung Danny (resigned on 31 December 2021)

The majority of the members are independent non-executive Directors. The Remuneration Committee makes recommendations to the Board on the policy and structure for all remuneration of Directors and senior management, reviews and approves the management’s remuneration proposals with reference to the Board’s corporate goals and objectives, and makes recommendations to the Board on the remuneration packages of Directors and senior management. Staff remuneration is determined by the Group’s management by reference to the individual staff’s qualifications, work experience, performance and prevailing market conditions.

The terms of reference of the Remuneration Committee are in line with the provisions of the CG Code, a copy of which is posted on the website of the Company and the Stock Exchange.

The Remuneration Committee held 1 meeting during the Year. During the meeting, the Remuneration Committee reviewed the remuneration packages of the existing and newly appointed Directors and senior management.

Particulars regarding the Directors' remuneration and five highest paid employees are set out in notes 31 and 9 to the consolidated financial statement respectively.

NOMINATION COMMITTEE

The Nomination Committee's current members include:

Mr. Li Wei *(Chairman)*
Mr. Xu Keli
Mr. Wu Wai Leung Danny (resigned on 31 December 2021)
Mr. Yuen Chee Lap Carl (appointed on 31 December 2021)

The majority of the members are independent non-executive Directors. The principal duties of the Nomination Committee are to determine the policy of nomination of Directors and identify and nominate suitable candidates for appointment as Directors and make recommendations to the Board.

The terms of reference of the Nomination Committee are in line with the provisions of the CG Code, a copy of which is posted on the website of the Company and the Stock Exchange.

The Nominate Committee has a policy concerning diversity of Board members which aims to maintain a diversified Board in terms of skills, experience, knowledge, expertise, culture, independence, age and gender, with a view to enhance the quality of performance of the Board.

The Nomination Committee held 2 meetings during the Year. During the meetings, the Nomination Committee reviewed the structure and composition (including the skills, knowledge and experience) of the Board.

CONFLICT OF INTEREST

If a Director has a conflict of interest in relation to a transaction or proposal to be considered by the Board, such Director is required to declare such interest and to abstain from voting. The matter is considered at a Board meeting attended by Directors who have no material interest in the transaction. The Group also adopted certain internal control policies to manage potential conflicts of interest.

COMPANY SECRETARY

Ms. Yip Tak Yung Teresa, the company secretary of the Company, is a full time employee of the Group and has day-to-day knowledge of the Company's affairs. The company secretary has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. The biographical details of the company secretary is set out in the section headed "Biographical Details of Directors and Senior Management" in the annual report.

CORPORATE GOVERNANCE FUNCTIONS

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

The Board has reviewed the Company's corporate governance policies and practices, training and continuous professional and development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance with the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

FINANCIAL REPORTING

The Board, supported by the chief financial officer and the finance and accounts department of the Company are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group. In preparing the financial statements for the Year, the Directors have reviewed and applied suitable accounting policies, adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, made adjustments and estimates that are prudent and reasonable, and have prepared the accounts on a going concern basis. The Directors are also responsible for keeping proper accounting records which reflect the financial information of the Group with reasonable accuracy.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the section headed "Independent Auditor's Report" in this annual report.

EXTERNAL AUDITORS

External auditors' responsibility is to form an independent opinion, based on their audit, on those financial statements and to report their opinion solely to the Company, as a body, and for no other purpose. They do not assume responsibility towards or accept liability to any other person for the contents of the auditors' report.

Baker Tilly Hong Kong Limited has been appointed as the Company's external auditor. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor. The remuneration paid to the Company's external auditor, Baker Tilly Hong Kong Limited, in respect of audit services and non-audit services, for the Year is set out below:

Nature of services	**Fee paid/payable** HK$'000
Audit services	1,340
Non-audit services	160
Total	1,500

INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective internal control system and for reviewing its effectiveness, particularly in respect of controls on financial, operational, compliance and risk management, to safeguard shareholders' investment and the Group's assets.

The internal control system is designed to provide reasonable, but not absolute, assurance. The system aims to eliminate, or otherwise manage, risks of failure in achieving the Company's objectives.

The Board, through the Audit Committee, conducted a review of the effectiveness of the internal control system of the Group, including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function. The Audit Committee oversees the internal control system of the Group and communicates any material issues to the Board.

DIVIDEND POLICY

The Board adopted a dividend policy (the "**Dividend Policy**") on 1 January 2021. It is the policy of the Board, in considering the payment of dividends, to allow shareholders of the Company to participate in the Company's profits whilst retaining adequate reserves for the Group's future growth.

The Board shall consider the following factors before declaring or recommending dividends:

(i) the Company's actual and expected financial performance;

(ii) retained earnings and distributable reserves of the Company and each of the members of the Group;

(iii) the Group's working capital requirements, capital expenditure requirements and future expansion plans;

(iv) the Group's liquidity position;

(v) general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and

(vi) other factors that the Board may consider relevant.

The declaration and payment of dividends shall remain to be determined at the sole discretion of the Board and subject to all applicable requirements under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the articles of association of the Company.

The Board will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time. The Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way oblige the Company to declare a dividend at any time or from time to time.

REGULATORY COMPLIANCE

As disclosed under the paragraph headed "Training and support for Directors" of the section headed "Corporate Governance and Other Information" in this annual report, the Directors have sufficient up-to-date knowledge of relevant laws and regulations.

The Company had engaged external professional advisers, including legal advisers, to render professional advice as to compliance with the statutory requirements applicable to the Group from time to time.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognises the importance of transparency and timely disclosure of corporate information, which enables shareholders and investors to make appropriate investment decisions.

The members of the Board and Board Committees and the external auditor will be present to answer shareholders' questions in the annual general meetings of the Company. Circulars will be distributed to all shareholders before the annual general meeting and any special general meetings in accordance with the timeline requirement as laid down in the Listing Rules and the articles of association of the Company. All the resolutions proposed to be approved at the general meetings will be taken by poll and poll voting results will be published on the websites of the Stock Exchange and the Company after the relevant general meetings.

As a channel to promote effective communication, the Group maintains a website where information on the Company's announcements, financial information and other information are posted. Shareholders and investors may write directly to the Company at its principal place of business in Hong Kong with any enquires.

SHAREHOLDERS' RIGHTS

CONVENING OF SPECIAL GENERAL MEETINGS AND REQUISITION BY SHAREHOLDERS

Pursuant to article 64 of the articles of association of the Company, shareholders holding in aggregate not less than one-tenth (10%) of the paid up capital of the Company shall have the right to request the Board to convene a special general meeting ("**SGM**"). Such requisition shall be made by a written request to the Board, stating the business to be transacted and signed by the requisitionist(s). Shareholders shall follow the requirements and procedures set out in the articles of association of the Company.

Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

PUTTING FORWARD ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company.

CONTACT DETAILS

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Room 301-3, 3/F, Wing Tuck Commercial Centre
177-183 Wing Lok Street, Sheung Wan, Hong Kong
(For the attention of the Company Secretary)
Fax: 2545 7999
E-mail: ir@qhhl.com.hk

As regards to proposing a person other than the retiring Director for election as a Director in a general meeting, please refer to the procedures available on the website of the Company. Shareholders may write directly to the Company at its principal place of business in Hong Kong with any inquiries.

CONSTITUTIONAL DOCUMENTS

There was no change in the Company's articles of association during the year ended 31 December 2021. A copy of the Company's articles of association is also available on the Company's website and the Stock Exchange's website.

Directors' Report

The Directors are pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the Group are principally engaged in sale of health-care products and electronic component products.

BUSINESS REVIEW

Details of business review and an analysis using financial key performance indicators are set out in the section of “Management Discussion and Analysis” on pages 4 to 9 of this annual report.

SEGMENTAL INFORMATION

Details of the segmental information are set out in note 5 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss on page 57 of this annual report.

For details regarding a fair review of the Company’s business, please refer to the paragraph headed “Business Review” of the section headed “Management Discussion and Analysis” in this annual report.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the Group’s operating results, assets and liabilities for the past five financial years is set out on page 132 of this annual report. This summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

In the Year, sales to the largest and five largest customers accounted for approximately 23% and 77% respectively of the total sales for the Year. Purchases from the largest and five largest suppliers accounted for approximately 25% and 85% respectively of the total purchases for the Year.

None of the directors, their associates or any shareholders of the Company (which to the knowledge of the directors of the Company own more than 5% of the Company's issued share capital) had any interest in the five largest suppliers or customers.

DIVIDENDS

The Directors do not recommend any dividend in respect of the Year (2020: Nil).

SHARE CAPITAL

There were no movement in the authorised share capital of the Company during the Year. Details of the movement in issued share capital of the Company are set out in note 23A to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Group during the Year are set out in the consolidated statement of changes in equity on page 62 of the annual report.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands and the Company's articles of association, the funds in the share premium and retained profit of the Company is distributable to the Shareholders 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. As at 31 December 2021, the Company's aggregate amount of reserves available for distribution of shareholders of the Company was approximately HK$546,407,000 (2020: HK$550,976,000).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 14 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the laws in Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year.

DIRECTORS

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

NON-EXECUTIVE DIRECTORS

Mr. Huang Guanchao *(Chairman)*
Mr. Lim Tzea
Mr. Chen Kaiben (appointed on 3 September 2021)
Mr. Chen Qi (appointed on 3 September 2021)

EXECUTIVE DIRECTORS

Mr. Xu Keli
Mr. Lam Hin Chi (until 30 April 2022)
Mr. Chen Li Kuang (appointed on 1 April 2022)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Wei
Mr. Yuen Chee Lap Carl
Mr. Leung Chun Tung (appointed on 1 March 2022)
Mr. Wu Wai Leung Danny (resigned on 31 December 2021)

Biographical details of Directors of the Company are set out on pages 10 to 14 under the section headed "Biographical Details of Directors and Senior Management" in this annual report.

At each annual general meeting, one third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

Each of Mr. Chen Kaiben, Mr. Chen Qi, Mr. Xu Keli, Mr. Chen Li Kuang, Mr. Li Wei, Mr. Yuen Chee Lap Carl, and Mr. Leung Chun Tung shall hold office until the annual general meeting of the Company (the "**AGM**"), and being eligible, to offer himself for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Director has entered into a service agreement with the Company for an initial term of three years commencing from the date of appointment.

Each of the non-executive Director has signed a letter of appointment with the Company with no specific term.

Each of the independent non-executive Director has signed a letter of appointment with the Company with a term of two years and is renewable automatically for successive term of one year from the next day after the expiry of the first appointment (the "**3-year appointment**").

No contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

No Director who are proposed for election or re-election at the upcoming annual general meeting has a service contract with the Company which is not determinable by the employees within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTEREST IN CONTRACTS, ARRANGEMENTS OR TRANSACTIONS OF SIGNIFICANCE

No contracts, arrangement or transactions of significance to which the Company or its subsidiaries were a party subsisted at the end of 2021 or at any time during the Year in which any Director or any entity connected with the Director had a material interest, either directly or indirectly.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the Year.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than those transactions disclosed in note 28 to the Financial Statements, there was no other contract of significance between the Group and the Company's controlling shareholder or any of its subsidiaries subsisted at the end of the Year or at any time during the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Huang Guanchao is the owner and director a Hong Kong-based global electronic components trading and distribution group, which supplies electronic components to customers including sizeable manufacturing groups and technology companies in the PRC and the Southeast Asia.

Mr. Lim Tzea has been one of the key management personnel and one of the shareholders of an international trading company based in Singapore, being responsible for the management of the company's trading business (which include trading of electronic components products) in Singapore, Hong Kong, the PRC and Vietnam.

The above-mentioned Directors declare their interests in competing business and both Mr. Huang Guanchao and Mr. Lim Tzea are non-executive Directors, where they are not involved in the daily operations of the Group. To the best of the knowledge of the Directors, the Group is capable of carrying on its businesses independently.

Save as disclosed above, each of the other Directors has confirmed that so far as they are aware of none of the Directors nor any proposed Director or his/her respective close associates had any interest in any business, apart from the Group's business,which compete or is likely to compete, either directly or indirectly, with the Group's business.

PERMITTED INDEMNITY PROVISIONS

During the year ended 31 December 2021 and as at 31 December 2021, the Company has purchased liabilities insurance for the Directors and supervisors, which provides appropriate insurance for the Group's directors and supervisors. At no time during the year ended 31 December 2021 and up to the date of this Directors' Report, there was or is, any permitted indemnity provision being in force for the benefit of any of Directors or an associated company.

TAX RELIEF

The Company is not aware of any tax relief and exemption available to the shareholders by reason of their holding of the Company's securities.

REMUNERATION POLICY

The remuneration policy of the employees of the Group is set up by the Remuneration Committee and is based on merit, qualifications and competence of employees.

The remuneration policy of the Directors are decided by the Remuneration Committee having regard to the Group's operating results, individual performance and comparable market statistics.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES

As at 31 December 2021, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which have been 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 were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required pursuant to the Model Code ("**Model Code**") for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules and the Stock Exchange were as follows:

(I) LONG POSITIONS IN THE SHARES OF THE COMPANY

Name of Director	Capacity/Nature of interest	Number of shares	Position *(Note 1)*	Percentage of shareholding
Mr. Huang Guanchao	Interest in a controlled corporation, parties acting in concert *(Note 2)*	892,485,771	L S	52.67%
	Beneficial owner *(Note 4)*	1,690,000	L	0.1%
Mr. Lim Tzea	Interest in a controlled corporation, parties acting in concert *(Note 2)*	892,485,771	L S	52.67%
	Beneficial owner *(Note 3)*	1,690,000	L	0.1%
Mr. Xu Keli	Beneficial owner	9,500,000	L	0.56%
	Beneficial owner *(Note 3)*	16,925,000	L	1%
Mr. Lam Hin Chi	Beneficial owner *(Note 3)*	16,925,000	L	1%

Notes:

1. The letter "L" denotes long position in the Shares. The letter "S" denotes short position in the Shares.

2. These 892,485,771 shares of the Company ("**Shares**") were beneficially owned by Explorer Rosy Limited ("**Explorer Rosy**") as at 31 December 2021. As at 31 December 2021, Explorer Rosy was owned by Great Prosperous Limited ("**Great Prosperous**"), Thousands Beauties Limited ("**Thousands Beauties**") and Noble Stand Limited ("**Noble Stand**") as to 80%, 10% and 10%, respectively. As at 31 December 2021, Great Prosperous, through Sparkling Rock Limited ("**Sparkling Rock**") was wholly owned by Mr. Huang Guanchao, while Thousands Beauties and Noble Stand were wholly and beneficially owned by Mr. Lim Tzea. Mr. Huang Guanchao and Mr. Lim Tzea are deemed to be parties acting in concert pursuant to the SFO. By virtue of the SFO, each of Mr. Huang Guanchao and Mr. Lim Tzea is deemed to be interested in all the Shares held by Explorer Rosy.

   As at 31 December 2021, these 892,485,771 Shares were pledged in favour of Yunnan International Supply Chain Limited.

3. These Shares were the Shares which would be alloted and issued upon exercise in full of the options granted to such Director under the share option scheme of the Company.

4. These Shares were the shares which were alloted and issued upon exercise of the options under the share option scheme of the Company.

(II) LONG POSITIONS IN THE SHARES OF ASSOCIATED CORPORATIONS OF THE COMPANY – EXPLORER ROSY

Name of Director	Capacity	Number of shares	Percentage of shareholding
Mr. Huang Guanchao	Beneficial owner	8,000 shares of US$1 each	80%
Mr. Lim Tzea	Beneficial owner	2,000 shares of US$1 each	20%

Save as disclosed above, as at 31 December 2021, no Directors or chief executive of the Company had any interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have 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 were taken or deemed to be have under such provisions) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required in the Listing Rules pursuant to the Model Code to be notified to the Company and the Stock Exchange.

CONTROLLING SHAREHOLDERS

As at 31 December 2021, according to the register of interests maintained by the Company pursuant to section 336 of the SFO and so far as was known to, or could be ascertained after reasonable enquiry by the Directors or chief executive of the Company, the following persons, other than the Directors and the chief executive of the Company, who had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, deemed 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 any other member of the Group and the amount of each of such person's interests in such securities, together with particulars of any options in respect of such capital were as follows:

LONG POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of Shareholder	Capacity/Nature of interest	Number of shares	Position *(Note 1)*	Percentage of shareholding
Explorer Rosy	Beneficial owner	892,485,771	L S	52.67%
Great Prosperous	Interest in a controlled corporation, parties acting in concert *(Note 2)*	892,485,771	L S	52.67%
Thousands Beauties	Interest in a controlled corporation, parties acting in concert *(Note 3)*	892,485,771	L S	52.67%
Noble Stand	Interest in a controlled corporation, parties acting in concert *(Note 3)*	892,485,771	L S	52.67%
Sparkling Rock	Interest in a controlled corporation, parties acting in concert *(Note 2)*	892,485,771	L S	52.67%
Ms. Chong Siew Hoong (張曉紅)	Interest of spouse *(Note 4)*	892,485,771	L S	52.67%
	Interest of spouse *(Note 4)*	1,690,000	L	0.1%
Yunnan Provincial Energy Investment Group Co., Ltd.	Having a security interest in shares *(Note 5)*	892,485,771	L	52.67%
Yunnan Energy Investment (HK) Co. Limited	Having a security interest in shares *(Note 5)*	892,485,771	L	52.67%
Yunnan International Supply Chain Limited	Having a security interest in shares *(Note 5)*	892,485,771	L	52.67%
Yunnan International Holding Group Limited	Having a security interest in shares *(Note 5)*	892,485,771	L	52.67%
Mr. Alan C W Tang	Joint and several receiver *(Note 6)*	892,485,771	L	52.67%
Ms. Hou Chung Man	Joint and several receiver *(Note 6)*	892,485,771	L	52.67%
SHINEWING SAS (Nominee Services) No. 3 Limited	Receivers *(Note 6)*	892,485,771	L	52.67%

Notes:

1. The letter "L" denotes long position in the Shares. The letter "S" denotes short position in the Shares.

2. Explorer Rosy was owned by Great Prosperous, Thousands Beauties and Noble Stand as to 80%, 10% and 10%, respectively. Great Prosperous was wholly owned by Sparkling Rock. By virtue of the SFO, Great Prosperous and Sparkling Rock are deemed to be interested in all the Shares held by Explorer Rosy.

3. Great Prosperous, through Sparkling Rock, was wholly and beneficially owned by Mr. Huang Guanchao, while each of Thousands Beauties and Noble Stand was wholly and beneficially owned by Mr. Lim Tzea. As Mr. Huang Guanchao and Mr. Lim Tzea are deemed to be parties acting in concert pursuant to the SFO, by virtue of the SFO, each of Thousand Beauties and Noble Stand is deemed to be interested in all the Shares held by Explorer Rosy.

4. Ms. Chong Siew Hoong (張曉紅) is the spouse of Mr. Lim Tzea, and is deemed to be interested in the Shares which are interested by Mr. Lim Tzea under the SFO.

5. As at 31 December 2021, 892,485,771 Shares were pledged in favour of Yunnan International Supply Chain Limited. According to the information available to the Company, Yunnan International Supply Chain Limited was wholly owned by Yunnan International Holding Group Limited, which in turn was owned as to approximately 40% by Yunnan Energy Investment (HK) Co. Limited. Yunnan Energy Investment (HK) Co. Limited is wholly owned by Yunnan Provincial Energy Investment Group Co., Ltd.

6. As at 31 December 2021, Ms. Hou Chung Man and Mr. Alan C W Tang were appointed as the joint and several receivers over 892,485,771 Shares, while SHINEWING SAS (Nominee Services) No. 3 Limited was jointly controlled by Ms. Hou Chung Man and Mr. Alan C W Tang in their capacity as receivers.

Save as disclosed above, as at 31 December 2021, none of the Directors and chief executive of the Company and/or any of their respective associates had any interest and short position in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein; or were required, pursuant to Part XV of the SFO or the Model Code, to be notified to the Company and the Stock Exchange.

Save as disclosed above, as at 31 December 2021, the Company was not notified by any persons (other than Directors or chief executive of the Company as discussed above) who had interests or short positions in the Share or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

CONNECTED TRANSACTIONS

Details of the related party transactions undertaken in the usual course of business are set out in note 29 to the financial statements. As these related party transactions constitute fully exempted continuing connected transactions of the Company under Chapter 14A of the Listing Rules, none of them constitutes discloseable connected transactions as defined under the Listing Rules.

SHARE OPTION SCHEME

On 9 June 2014, the shareholders of the Company approved the adoption of a share option scheme (the "**Scheme**").

Details of the Scheme are as follows:

(1) *PURPOSE*

To provide incentives or rewards to selected eligible participants for their contribution to the Group.

(2) *ELIGIBLE PERSONS*

Any person who is an employee or a Director, or any eligible supplier, customer, advisor or consultant of the Company and its subsidiaries at the discretion of the Board.

(3) *MAXIMUM NUMBER OF SHARES*

The scheme mandate limit of the Scheme was refreshed by a shareholders' resolution passed in the annual general meeting of the Company held on 13 June 2017. Accordingly, the maximum number of shares available for issue under the Scheme is 170,040,500 (adjusted for the number of shares with the share consolidation on 12 September 2018), representing 10% of the issued ordinary share capital of the Company as at the date of the annual general meeting of the Company held on 13 June 2017.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders.

(4) *MAXIMUM ENTITLEMENT OF EACH ELIGIBLE PERSON*

Unless approved by shareholders, the total number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time.

Options granted to substantial shareholders, independent non-executive Directors, or any of their respective associates (including a discretionary trust whose discretionary objects include a substantial shareholders, independent non-executive Directors, or any of their respective associates) in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be also approved by the Company's shareholders.

(5) *ACCEPTANCE OF OFFERS*

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 by the grantee.

(6) *TIME OF EXERCISE OF OPTION*

The exercise period for the share options granted is determined by the Board, which period may commence from the date of acceptance of the offer for the grant of share options but shall end in any event not later than 10 years from the date of the grant of the option subject to the provisions for early termination under the Scheme.

(7) BASIS OF DETERMINING THE OPTION EXERCISE PRICE

The exercise price of the share options is determinable by the Directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Shares on the date of the offer of the share options which must be a business day; (ii) the average Stock Exchange closing price of the Shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Shares.

(8) THE REMAINING LIFE OF THE SCHEME

The Scheme will remain in force until 8 June 2024, being the date which falls ten years after the date of adoption of the Scheme.

Details of the share options movement and outstanding as at 31 December 2021 have been disclosed in Note 24 to the financial statements.

On 3 November 2021, share options of 1,690,000 were exercised by the Director. The following table lists the details of the movement in the options granted and outstanding under the Scheme during the Year:

				Number of options (thousands)		
Type of participant	Date of grant	Exercisable period	Exercise price	Outstanding as at 1 January 2021 ('000)	Exercised during the period ('000)	Outstanding as at 31 December 2021 ('000)
A supplier	20 May 2019	20 May 2019 to 19 May 2022	HK$0.25	16,925	–	16,925
Directors:						
Mr. Huang Guanchao	12 June 2020	1 July 2020 to 30 June 2025	HK$0.121	845	(845)	–
	12 June 2020	1 July 2021 to 30 June 2025	HK$0.121	845	(845)	–
Mr. Lim Tzea	12 June 2020	1 July 2020 to 30 June 2025	HK$0.121	845	–	845
	12 June 2020	1 July 2021 to 30 June 2025	HK$0.121	845	–	845
Mr. Xu Keli	12 June 2020	1 July 2020 to 30 June 2025	HK$0.121	8,463	–	8,463
	12 June 2020	1 July 2021 to 30 June 2025	HK$0.121	8,462	–	8,462
Mr. Lam Hin Chi	12 June 2020	1 July 2020 to 30 June 2025	HK$0.121	8,463	–	8,463
	12 June 2020	1 July 2021 to 30 June 2025	HK$0.121	8,462	–	8,462
A Shareholder of a customer	3 July 2020	3 July 2020 to 2 July 2025	HK$0.127	8,463	–	8,463
	3 July 2020	3 July 2021 to 2 July 2025	HK$0.127	8,462	–	8,462
				71,080	(1,690)	69,390

The weighted average closing price per Share immediately before the date on which the options were exercised was HK$0.121.

The total number of Shares available for issue under the Scheme is 69,390,000, representing approximately 4.1% of the Company's issued share capital as at the date of this annual report.

Saved as disclosed above, no share options granted under the Scheme were exercised, lapsed or cancelled during the year ended 31 December 2021.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report and based on publicly available information and the best knowledge of the Directors, the Company had sufficient public float as required under Rule 8.08 of the Listing Rules.

CORPORATE GOVERNANCE AND BUSINESS OPERATION

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

So far as the Directors are 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.

The Group recognises its responsibility to protect the environment from its business activities. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities in order to minimise these impacts, if possible. The Group aims to maximise energy conversation in its offices by promoting efficient use of resources and adopting green technologies. For instance, the Group seeks to upgrade equipment such as lighting and air-conditioning systems in order to increase overall operating efficiency. To identify energy efficiency opportunities, the Group measures and records the energy consumption intensity from time to time.

SOCIAL RESPONSIBILITIES AND SERVICES AND ENVIRONMENTAL POLICY

The Group is committed to long-term sustainability of its businesses and the communities with which it engages. As the Group's businesses do not involve production lines, major wastes comprise papers and solid wastes generated in the Group's office and warehouses during its operation. To strengthen the support for waste recycling, the Group sets up a collection area to collect recyclables, including paper, plastics and metals. The recyclables collected will be sent to Community Green Stations collection points. The Group will provide guidance to the employees to develop a recycling habits not just only at work, but also in their daily life and influence their surroundings by their actions. The Group upholds this business approach by managing our business prudently and executing management decisions with due care and attention.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group seeks uphold high standard of integrity in all aspects of business and is committed to ensure that its affairs are conducted in accordance with the applicable laws and regulatory requirements. The following law has significant impact on the Group's business during the Year:

SALES OF GOODS ORDINANCE (CHAPTER 26 OF THE LAWS OF HONG KONG ("SOGO"))

KEY SCOPE

SOGO regulates the sales of goods by the Group in Hong Kong. SOGO provides that, in a contract for the sale of goods by description, there is an implied condition that the goods shall correspond with the description. It also provides that where a seller sells goods in the course of a business, there is an implied condition that the goods supplied under the contract are of merchantable quality, except where an exception condition is met.

COMPLIANCE MEASURES

The Group has adopted appropriate internal control, quality control measures and implemented standardised product return policies to ensure compliance with SOGO in relation to the supply of goods in Hong Kong.

During the Year, there has been no violation or breach of relevant laws and regulations that had a significant impact on the Group.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Remuneration packages are generally structured with reference to prevailing market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

Apart from salary payments, there are other staff benefits including mandatory provident fund, medical insurance and performance related discretionary bonus. Share options may also be granted to eligible employees of the Group as incentives or rewards.

Relationship is the fundamental of business. The Group fully understands this principle and thus maintains close relationship with customers to fulfil their immediate and long-term needs. The Group also maintains good relationship with suppliers as they are essential to the Group's business performance and growth since they can have direct influence over the quality of products and customer satisfaction. We are committed to establishing a close and long-term cooperation relationship with business partners.

PRINCIPAL RISKS AND UNCERTAINTIES OF THE GROUP

The Directors consider that the principal risks and uncertainties faced by the Group during the year ended 31 December 2021 included credit risk, currency risk and liquidity risk. For further details, please refer to note 3 to the consolidated financial statements.

AUDIT COMMITTEE

The Audit Committee has reviewed the consolidated financial statements of the Group for the Year.

AUDITOR

There was no change in auditor of the Company during the past three years.

Baker Tilly Hong Kong Limited will retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Mr. Huang Guanchao
Chairman
Qianhai Health Holdings Limited
Hong Kong, 27 April 2022

Environmental, Social and Governance Report

Qianhai Health Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") hereby presents this Environmental, Social and Governance ("**ESG**") report ("**ESG report**") for the year ended 31 December 2021 (the "**Year**"), in order to comply with the requirements set forth in Appendix 27 to the Listing Rules. This report provides an overview of the Company's policies implementation and performance with respect to sustainable development and social responsibilities areas.

The Board is responsible for evaluating and determining the Group's ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. Management of the Group has provided a confirmation to the Board on the effectiveness of the related systems.

The reporting scope of the ESG Report includes the Company and its subsidiaries, covers the operations of the Group's registered office and warehouse in Hong Kong, accountable for 100% of the Group's revenue, while excluding the operations in the People's Republic of China (the "**PRC**"), due to the operations of the PRC subsidiaries are not material. The Group is primarily engaged in the sale of health-care products and electronic component products.

STAKEHOLDERS' ENGAGEMENT

The Group understand stakeholder engagement is a critical element to the success of the Group. The Group has conducted materiality assessment in identifying and understanding the main concerns and material interests of stakeholders.

The following table illustrates the issues of concern of our major stakeholders and the ways we communicate with stakeholders:

Stakeholder	Expectation	Engagement channel	Measure
Shareholders and Investors	• Robust operational compliance • Good returns on investment • Disclosure of information in a fair, transparent and timely manner	• Annual general meeting and other shareholders' meetings • Interim reports, annual report, announcements • Company's website • Meeting with investors	Issued notices of general meeting and proposed resolutions according to regulations, disclosed company's information by publishing announcements, circulars, interim report and annual report in the Year. Carried out different forms of investor activities with an aim to improve investors' recognition. Disclosed Company's contact details on its website and in reports and ensured all communication channels being available and effective.

Stakeholder	Expectation	Engagement channel	Measure
Government, public and communities	• To comply with the laws • Ensure safety, environmental protection and social responsibility	• On-site inspections and checks • Discussion through work reports preparation and submission for approval	Operated, managed according to laws and regulations, strengthened safety management; accepted the government's supervision, inspection and evaluation, and actively undertook social responsibilities.
Employees	• Safeguard the rights and interests of employees • Salary and welfare • Working environment • Career development opportunities • Health and safety • Training and briefing sessions	• Policies and procedures • Channels for employees to express their opinions • Performance assessment • Team activities	Provided a healthy and safe working environment; established policies and procedures according to local labour law; developed communication channel with management; developed a fair mechanism for promotion; cared for employees by helping those in need and organizing employee activities.
Customers	• Assurance on quality and quantity of product • Stable relationship • Group's reputation and brand image • Market demand	• Site visit • Email and customer service • Regular meetings	Organised marketing activities and site visit.

Stakeholder	Expectation	Engagement channel	Measure
Suppliers/Partners	• Long-term partnership • Honest cooperation • Fair and open • Information resources sharing • Timely payment	• Strategic co-operation • Regular meetings and visits • Tendering process	Invited tenders to select best suppliers and contractors, undertake obligations according to agreements, enhanced daily communication, and established long-term cooperation with quality suppliers and contractors.
Peer/Industry associations	• Experience sharing • Corporations • Fair competition	• Industry conference • Site visit • Website	Stuck to fair play, cooperated with peers to realize win-win, shared experiences and attended seminars and meetings of the industry so as to promote sustainable development of the industry.

The Group welcomes stakeholders' feedback on its ESG approach and performance. For any suggestion or opinion, please send to the Group via its email at ir@qhhl.com.hk.

MATERIALITY ASSESSMENT

Materiality assessment was conducted in accordance with the expectation and feedback from the key stakeholders. Based on the assessment, the management of the Group prioritises employees' rights and obligations and product responsibility as material aspects of the long-term sustainability. Effective internal control systems on these aspects are reinforced with the aim of enhancing efficiency of operations and generating the environmental and social benefits to our stakeholders.

ENVIRONMENT

The Group mainly engaged in sale of health products and electronic component products to wholesalers and retailers in Hong Kong, while it does not constitute any significant impact to the environment and does not generate any material level of greenhouse gas or any material hazardous and non-hazardous waste. Although there was no specific policy adopted in relation to air and greenhouse gas emissions, wastes discharges and generation of hazardous and non-hazardous waste, the Group has developed a guidance memorandum regarding environmental protection practices, which will be reviewed annually and delivered to staff. The Group mainly consumed petrol, electricity, water and paper during the Year.

The Group strives to comply with all relevant environmental laws and regulations that are applicable to its business operation. Its business does not involve in the production-related air, water, or land pollutions which are regulated under the laws and regulations of Hong Kong.

EMISSIONS

I. AIR EMISSIONS

Petrol was used in private cars for business meetings and travels, which is not deemed as a material aspect to the Group's business, as no air emission figures was recorded in the Year. The Group will consider accounting for this emission next year or when regulatory changes and demands for its disclosure in a nearer future.

II. CARBON EMISSIONS

During the Year, the energy consumption of the Group is mainly from the electricity purchased, which was indirect emissions resulting from daily operation of our Hong Kong offices and warehouse and the travelling by the employees. The direct and indirect emission of carbon dioxide for the Year are 13.49 tonnes (2020: 7.57 tonnes) and 24.41 tonnes (2020: 34.5 tonnes) respectively.

In the coming years, the Group will continue to encourage the use of teleconference and minimize business travel to reduce carbon emissions.

III. WASTE MANAGEMENT

The Group's operations do not produce any hazardous waste. The non-hazardous wastes generated by the Group were mainly papers and solid wastes generated in our office and warehouses during our operation. To strengthen the support for waste recycling, the Group sets up a collection area to collect recyclables, including paper, plastic and metals. The recyclables collected will be sent to Community Green Stations collection points. The Group will provide guidance to the employees to develop a recycling habits not just only at work, but also in their daily life and influence their surroundings by their actions.

Since the Group engaged in trading business, the non-hazardous waste and hazardous waste are not deemed to be material to the Group's business. No related statistics of both non-hazardous waste and hazardous waste produced were recorded. We shall closely follow regulatory changes and update our disclosure accordingly in the future.

USE OF RESOURCES

As per the materiality assessment results, the major environmental impact of the Group lies in the use of electricity and non-hazardous waste generated.

I. ENERGY CONSUMPTION

The world is facing up to historic global warming challenges and the Group strives to save energy and resources through implementation of internal policies and use of advanced technologies persistently as to create a low-carbon and operate in all our business sectors in a sustainable way. For example, at the Group's office and warehouses, the indoor temperature and the running time of air-conditioning system are controlled, and the Group has installed LED lighting system to reduce electricity consumption and carbon emissions.

The Group has established "Reduce, Reuse and Recycle" environmental strategies focusing on the water, electricity and pare usage for its operations. The Group has always devoted in reducing energy consumption. Apart from utilising LED lighting system and natural light, the Group also educates its employees to be more involved in executing our environmental guidelines in order to raise their awareness on energy conservation and environmental protection.

		Direct consumption	
Energy consumption sources	**Use of energy**	**2021**	2020
Petrol	For vehicles	**5,102 Litres**	2,863 Litres
Electricity	For daily operation	**36,808 Kilowatt per hours**	54,203 Kilowatt per hours

In the coming years, the Group will continue to commit using energy efficiently by implementing the aforementioned strategies.

II. WATER CONSUMPTION

Water consumption included only consumption from headquarter office and the warehouses. Since normal daily water consumption is not a material aspect to our business, there were no issues in sourcing water and no water consumption figures were recorded during the Year. The Group will consider accounting for this emission next year or when regulatory changes and demands for its disclosure in a nearer future.

The Group regularly reminds its staff to conserve water resources through publishing notices and reminders. To reduce water consumption, staff are reminded to control tap flow and report any dripping taps or water leakage to relevant department promptly. The Group did not have any issue in sourcing water that is fit for the purpose.

III. USE OF PACKING MATERIALS AND PAPER

The Group prioritises to consume environmental-friendly and sustainable products for its office supplies and encourage recycling in its operations. The Group's existing businesses are not expected to pose a significant use of packaging materials. However, the Group still encourages the employees to reduce usage of paper. The Group recommends the employee to handle the informal documents electronically and to use double-sided printing for any documents other than formal and confidential documents. Re-using single-sided paper and recycling doubled-sided used paper are also required. During the Year, the Group used 93.6 kg (2020: 95.2 KG) of printing paper.

ENVIRONMENT AND NATURAL RESOURCES

The Group is committed in building an environmental-friendly corporation that pays close attention to conserve natural resources. Since the Group engaged in trading business, its operations during the Year did not have any significant impacts of activities on the environment and natural resources. To incorporate environmental sustainability into the Group's operations, the Group strives to minimise its environmental impact and move forward to a low-carbon future.

REGULATORY COMPLIANCE

For the year ended 31 December 2021, the Group did not have any material non-compliance issues in respect of any applicable laws and regulations on environmental protection relating to air, greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous waste. The Group's management continuously oversees the implementation of relevant policies and measurements. In addition, the Group's management will adjust and reform the policies from time to time to ensure the achievement of better results.

SOCIAL

EMPLOYMENT AND LABOUR PRACTICES

EMPLOYMENT

The Group treasures talent as it is one of the most valuable assets and keys for driving success and maintaining sustainable development. The Group strives to provide its staff with a safe and competitive platform for career development and advancement.

For the employees in Hong Kong, the Group's human resources policies strictly adhere to the applicable employment laws and regulations in Hong Kong and the PRC. The Group's human resources department reviews and updates relevant company policies in accordance with the latest laws and regulations regularly.

The Group contributes to mandatory provident fund, employees' compensation insurance, social insurances and housing fund for all the staff in a timely manner. The Group determines working hours and rest period for employees in line with employment laws and employment contracts with employees. In addition to statutory holidays such as the basic paid annual leave, employees are also entitled to maternity leave, marriage leave, paternity leave and birthday leave.

During the Year, the Group is not aware of any non-compliance with the laws or regulations relating to employment and labour practices that have a significant impact on the Group.

To attract high-calibre workforce, the Group offers competitive and fair remuneration and benefits based on individuals' performance, professional qualifications and experiences. In order to motivate and reward existing management and employees, the Group conducts regular salary review to ensure that its staff are recognised by the Group with regard to their working efforts and contributions. Meanwhile, any termination of employment contract should be based on reasonable and lawful grounds. The Group strictly prohibits any kinds of unfair or unreasonable dismissals.

As an equal opportunity employer, the management of the Company is committed in creating a fair, respectful and diviersifies working environment by promoting anti-discrimination and equal opportunity in all human resources and employment decisions. For instance, training and promotion opportunities, dismissals and retirement policies are determined irrespective of their gender, race, age, disability, family status, marital status, pregnancy status, sexual orientation, religion beliefs, nationality, social and ethnic origin or any other non-job related factors in all business units. The Group's equal opportunities policy enforces zero tolerance to any workplace discrimination, harassment or victimisation. If there is any discrimination incidents, employees can report to human resources department of the Group. Disciplinary actions would be taken against any employee if there is any non-compliance or breach of legislation related to the equal opportunities policies.

As at 31 December 2021, the Group employed 22 full-time employees (2020: 22 employees) in total, of which 15 employees (2020: 15 employees) were male, while 7 (2020: 7) were female. 41% (2020: 41%) of the employees aged from 31 to 40; while 32% (2020: 32%) of them aged from 41 to 50; and the remaining of them aged over 51. All of them are under Hong Kong employment. The turnover rate of the Year by gender and age group were both 0% (2020: 0%).

HEALTH AND SAFETY

The Group places strong importance in securing the health and safety of employees and in maintaining workplace safety and comfort for its staff. The Group regularly reviews and monitors potential occupational health and safety risks within the office and warehouses to ensure a safer workplace environment for to the employees.

To provide and maintain a good working conditions and a safe and healthy working environment, the Group's safety and health policies are in line with Occupational Safety and Health Ordinance in Hong Kong and other applicable laws and regulation.

During the Year, the Group is not aware of any non-compliance with the relevant laws and regulation on occupational health and safety that have a significant impact on the Group. The Group has no work-related fatalities and no work-related injuries case during the Year.

DEVELOPMENT AND TRAINING

The Group endeavours to enhance the skills of each employee in various aspects by providing staff trainings. In order to assist employees in reaching the "keep moving" spirit, the Group supports individual learning and self-improvement for our employees at all levels by providing tailor-made training sessions and education subsidies. The trainings are beneficial for our employees in adopting professional knowledge and improving efficiency in the Group's business operations which also ultimately increase their job satisfaction and morale. The Group has constantly provided on-job education and trainings for its employees to improve their knowledge and expertise.

In the Year, the Group organised training courses which covered the major changes of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and regulations. Directors and senior management of the Group participated in the training to maintain their continuous professional training development and to fulfil their obligations under Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Trainings also provided for the Group's frontline and supporting staff regarding the system usages and products knowledge.

During the Year, the Group provided trainings to 8 employees, which included 7 employees from senior management and 1 employee from middle management, the percentage of employees trained by gender are 46.7% of male and 14.3% of female. The average training hours completed per staff is 2.0 hours.

LABOUR STANDARDS

The Group strictly abides by the Employment Ordinance and other laws and regulations to prohibits any child and forced labour. To combat against illegal employment, the human resources department of the Group is responsible for recruitment which requires the job applicants to provide valid identity documents prior to the confirmation of employment to ensure that the applicants are lawfully employable. The Group prohibits any force of work under threat or duress. The Group encourages the employees to report any suspected case of child or forced labour to the management. If any case is reported, investigation will be carried out and appropriate actions will be taken to prevent future occurrence.

The human resources department of the Group is responsible to monitor and ensure compliance of latest and relevant laws and regulations in relation to the prevention of child labour and forced labour. During the Year, no violation of relevant laws and regulations in relation to the prevention of child labour and forced labour was noted.

OPERATING PRACTICES

SUPPLY CHAIN MANAGEMENT

Supply chain management aims to optimise the operation of supply chains at the lowest cost, which enables the efficient operation from procurement to all procedures that satisfy end customers.

Supplier management is essential to the Group regarding its management of partners, whereby a good partner ensures the successful launch of products. Hence, the Group emphasises on the selection of suppliers. We expect suppliers to maintain high standards of business ethics, communicate with suppliers and encourage them to use more environmentally friendly products and services. The Group assesses every supplier's background, qualification, relevant licences, financial status, past performance and their operation in our supplier selection process to ensure the supplier is operating in good integrity and social responsibility. The selection and evaluation process enables us to identify environmental and social risks in the supply chain. The Group constantly communicates with the suppliers to enable the suppliers to understand the Group's standards and policies on environmental and social aspects. The Group reviews suppliers' performance and organises site visits on a regularly basis to ensure suppliers fulfill with the Group's standards.

During the Year, the number of suppliers by geographical region is as follows:

Geographical region	Number of suppliers 2021	2020
Hong Kong:	**8**	9
Canada:	**4**	3
United States:	**–**	1
Other:	**–**	1

PRODUCT RESPONSIBILITY

The Group endeavours to provide high quality and safe products to the customers. The Group has strict quality control in each operation step: procurement, production and warehousing. The Group tests quality of product samples by paying on-site visits to suppliers in order to select high quality product-suppliers and to ensure the quality of products. In respect of warehouse management, the Group has room temperature warehouse and cold storage warehouse to meet the storage requirement of different products to keep the products in good condition and good quality.

The Group strictly complies with all applicable laws and regulations and obtains all the licenses relating to product responsibility. During the Year, the Group was not aware of any non-compliance with the laws or regulations relating to product responsibility issues. The Group follows the guidelines under Hong Kong Department of Health and the Group's policies for any recall of products for safety and health reasons. During the Year, no sold-products were recalled for safety and health reasons.

The Group attaches great importance to maintain customer relationships and values customers' opinions. The Group maintains close communication with the customers in order to obtain better understanding of the customers' expectations and feedbacks. Should any complaint arise, the Group will carefully consider and investigation will be carried out to identify the issues. During the Year, the Group did not receive any complaints or requests for sales return.

DATA PRIVACY

Protecting the security and privacy of stakeholders' personal data is important to the Group. The Group ensures compliance with the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong) and other statutory requirements to meet a high standard of security and confidentiality of personal data privacy protection. The following data protection principles are adopted in preserving proper security and use of data:

- we only collect personal data that are relevant and required for our businesses;
- we will not share personal data to any entity that is not a member of the Group without consent unless it is required by law or it was previously notified; and
- we maintain appropriate data collection, storage, and processing practices and security measures to protect against unauthorised access to personal information.

During the Year, no complaints regarding breaches of customer data and privacy were received, and no reported incident of non-compliance with laws and regulations relating to product responsibility.

INTELLECTUAL PROPERTY

The Group respects intellectual property rights, including but not limited to trademarks, patents, copyrights and designs in the preparation of marketing and communication materials. The Group requires its staff to comply with regulatory requirements in collecting, holding, processing, disclosing and using personal information, as well as protecting confidential information received in the course of business. Consents are required prior to usage of any trademarks.

ANTI CORRUPTION

To maintain a fair, ethical and efficient business and working environment, the Group strictly adheres to the laws and regulations relating to anti-corruption, such as the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong) and the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615 of the Laws of Hong Kong), and bribery irrespective of the area or country where the Group is conducting business. The Group has formulated and strictly enforced anti-corruption policies pursuant to which the Group will not tolerate any form of corruption. All employees are expected to discharge their duties with integrity and self-discipline. They should abstain from engaging in any activities related to bribery, extortion, fraud and money laundering which may exploit their positions against the Group's interests in the course of business.

The Group has issued relevant whistle-blowing procedures in setting up a private communication channel on reporting suspicious fraudulent actions to the Group's management directly. In addition, when the Group cooperates with external parties, the Group implements proper internal control process and tendering process to prevent any potential threats on corruption.

In the Year, management of the Group attended an anti-money laundering webinar and attended e-training of anti-corruption. Management regularly assesses the effectiveness of the Group's anti-corruption policy. There is no legal case regarding corrupt practices brought against the Group or its employees during the Year. The Group will continue to review and improve the internal control and corporate governance to maintain high standard of ethics and integrity in all business operations.

COMMUNITY INVESTMENT

The Group emphasises the importance of social responsibility awareness to its staff and encourages them to participate in social activities and charitable activities.

The Group believes in people-oriented management principle, carries out a variety of activities in fulfilling our social responsibilities, actively pursues social contribution initiatives and strives to create a sustainable and harmonious society.

The Group encourages its employees to dedicate their time and skills to supporting the local communities and encourages its business partners to implement and improve corporate social responsibility policies. The Group strives to develop long-term relationship with our stakeholders and brings a positive impact on community development.

During the Year, the Group mainly allocated its resources on business expansion, which resulted a less contribution to community investment. In the coming years, the Group shall review policies in relation to community investment and explore the feasibility of increasing community investment activities.

Independent Auditor's Report

bakertilly
天職國際

Independent auditor's report to the shareholders of
Qianhai Health Holdings Limited
前海健康控股有限公司
(incorporated in the Cayman Islands with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Qianhai Health Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 57 to 131, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the "Basis for Qualified Opinion" section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

As detailed in the Company's announcement ("**Major Transaction Announcement**") dated 18 August 2021, a direct wholly-owned subsidiary of the Company, QHH Limited ("**QHH**") entered into an agreement with a company (the "**Purchaser**") established in The People's Republic China with limited liability on 6 January 2021 to dispose of the Group's 100% equity interest in Top Nova Limited ("**Top Nova**") for a cash consideration of RMB110,000,000 (the "**Disposal**"), of which RMB30,000,000 would be paid on or before 31 August 2021 and the remaining amount would be paid on or before 31 December 2021. This Disposal constituted a major transaction under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Major Transaction Announcement also stated that the Purchaser and the ultimate beneficial owners of the Purchaser are considered by the Company to independent third parties and as at the date of the announcement, i.e., 18 August 2021, the shareholding in Top Nova had not yet transferred to the Purchaser.

Top Nova through its indirect wholly-owned subsidiary, 浙江匯尊投資管理有限公司 (Zhejiang Huijun Investment Management Limited ("**Zhejiang Huijun**")), holds a 51% equity interest in 杭州湍口眾安匯尊溫泉度假村有限公司 (Hangzhou Tuankou Zhongan Huijun Hotspring Resort Limited ("**Zhongan Huijun**")) which is principally engaged in property development and investment.

BASIS FOR QUALIFIED OPINION *(CONTINUED)*

The Company was not notified of the entering into the abovementioned agreement until 17 August 2021 when it was informed by Mr. Huang Guanchao ("**Mr. Huang**"), the Chairman of the Board of Directors and non-executive Director of the Company.

As detailed in the Company's announcement dated 25 August 2021, the Company was informed by Mr. Huang on 24 August 2021 that QHH first signed the instrument of transfer regarding the transfer of shareholding in Top Nova and passed it on to the Purchaser, which subsequently signed and dated the same. The duly executed instrument of transfer dated 6 January 2021 was only located by Mr. Huang and passed to the Company subsequent to the date of Major Transaction Announcement of 18 August 2021. As a result, the Company clarified that the transfer of the equity interest in Top Nova had become effective on 6 January 2021.

The Company considered that Top Nova had ceased to be a subsidiary and Zhongan Huijun had ceased to be a joint venture of the Group from 6 January 2021. Accordingly, the investment in Top Nova has been consolidated into and the investment in Zhongan Huijun has been equity accounted for in the Group's consolidated financial statements until 6 January 2021. The Group recorded a net gain on disposal of Top Nova of HK$14,296,000 during the year ended 31 December 2021, details of which are set out in note 26 to the consolidated financial statements.

It is noted that, on 18 January 2021, Zhejiang Huijun entered into an agreement with a creditor of Mr. Huang to guarantee the repayment of Mr. Huang's debt to the creditor and, on 10 June 2021, Zhejiang Huijun's 51% equity interest in Zhongan Huijun was seized by a court in Hangzhou, The People's Republic of China for property preservation.

Given the delay in notifying the Company of the entering into the agreement to dispose of the 100% equity interest in Top Nova, that the Company was not aware of existence of duly executed instrument of transfer regarding the transfer of shareholding in Top Nova when the Major Transaction Announcement was issued by the Company on 18 August 2021 and that Zhejiang Huijun entered into a guarantee agreement in favour of Mr. Huang on 18 January 2021 (being 12 days after the date of agreement to dispose of 100% equity interest in Top Nova, which holds 100% interest in Zhejiang Huijun), it was unclear to us whether the information and documents in relation to the Disposal presented to us for the purpose of our audit are complete and accurate in all material respects. We were unable to obtain all the necessary corroborative evidence to ascertain the business rationale and commercial substance of the arrangement among QHH, the Purchaser and Mr. Huang. Because of this scope limitation, there were no alternative audit procedures that we could perform to satisfy ourselves as whether the financial effects of the Disposal have been properly accounted for and disclosed in the consolidated financial statements.

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 qualified 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. In addition to the matters described in the "Basis for Qualified Opinion" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

The Key Audit Matter	How the matter was addressed in our audit
Net realisable value of inventories	
Refer to Notes 4(a) and 16 to the consolidated financial statements. At 31 December 2021, the Group held inventories of HK\$455,082,000, net of inventory provision of HK\$14,919,000 (2020: HK\$326,381,000, net of inventory provision of HK\$3,500,000). Inventories are carried at the lower of cost and net realisable value ("**NRV**") in the consolidated financial statements. Management estimated the NRV of inventories at 31 December 2021 based on the estimated selling price less cost to sell, which required significant judgements and assumptions to be made to determine the estimated selling price. The determination of estimated selling price of individual products is based on historical experience of sale of different products, expectation of future sales based on current market conditions and latest selling price subsequent to the year end date. The estimations may change as a result of future changes of market demand and management's sales and pricing strategy. We focused on this area due to significant management estimates and judgements were involved in determining the NRV for inventories, which was material to the consolidated financial statements.	Our procedures in this area included: • Understanding, evaluating and validating the key controls management adopted to determine the estimated selling price for different products; • Evaluating the estimated selling price for different products based on discussion with management about the latest sales pattern and their sales and pricing strategy with reference to our knowledge on market demand and market trend of different products and comparing the estimated selling price with information of historical sales data and orders received subsequent to the year end; • Checking, on a sampling basis, the NRV calculation prepared by management based on the estimated selling price, the inventory aging report and the inventory quantity as at the year end; and • Evaluating the reasonableness of the Group's inventory provision balance by comparing, on a sample basis, the carrying value of inventories with expected selling prices or net realisable value. Based on the procedures performed, we found management's judgements and assumptions made on the determination of NRV to be supported by the available evidence.

The Key Audit Matter	How the matter was addressed in our audit
Impairment of trade receivables	
Refer to Notes 3.1(d), 4(b) and 17 to the consolidated financial statements. As at 31 December 2021, the Group had gross trade receivables of HK$122,047,000 (2020: HK$210,515,000) and provision for loss allowance of HK$17,099,000 (2020: HK$17,099,000). Management performed the impairment assessment of trade receivables as at 31 December 2021 by using a provision matrix which requires significant estimation in determining the expected credit loss and this is based on information including but not limited to, credit loss experience, aging of trade receivables, past repayment record, and financial capability of the customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment. We focused on this area due to the magnitude of the trade receivable balances and the significant management judgements and estimates in determining the expected loss allowance of the trade receivables.	Our procedures in this area included: • Understanding management's process in assessing and determining the expected credit loss allowances of trade receivables; • Understanding the status of each of the receivables that was past due through discussions with management and the sales team; • Checking, on a sample basis, the accuracy of the trade receivables aging analysis used by management to estimate the appropriate provision for loss allowance; • Checking, on a sample basis, the subsequent settlement of trade receivables by customers after the year end date; • Evaluating management's impairment assessment and explanations on each of the significant trade receivables that were past due as at 31 December 2021 with reference to supporting evidence such as payment history of the customers, correspondences with customers and search of the customers' public profiles; and • Assessing the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses. Based on the procedures performed, we found that management's judgements and estimates of impairment of trade receivables are supported by available evidence.

The Key Audit Matter	How the matter was addressed in our audit

Disposal of equity interest in Top Nova and its subsidiaries and interests in a joint venture

Refer to Notes 15 and 26 to the consolidated financial statements.

On 6 January 2021, the Group disposed of its entire equity interest in Top Nova and its subsidiaries and interests in a joint venture at a consideration of RMB110,000,000 (equivalent to HK$130,570,000) (the "**Disposal**"). Consequently, the Group recognised a gain on disposal of HK$14,296,000; and reclassification adjustment on exchange differences released upon disposal of subsidiaries of HK$3,078,000 during the year ended 31 December 2021.

We considered the Disposal to be a key audit matter because the carrying values of the disposed assets and liabilities were material. The Disposal will also significantly impact the strategic and operational activities of the remaining operations of the Group, and the account balances and related disclosures in the Group's consolidated financial statements.

Our procedures in this area included:

- Examining the sale and purchase agreement and other relevant documents related to the Disposal;
- Understanding and evaluating the business rationale and commercial substance of the Disposal with reference to all the documents and evidence made available to us;
- Testing the settlement of the Disposal consideration and other terms of the sale and purchase agreement to assess the appropriateness of the date of loss of control of Top Nova;
- Testing the mathematical accuracy of the calculation of the gain on Disposal; and
- Assessing the appropriateness and completeness of disclosures in relation to the Disposal.

Based on the procedures performed, we found the presentation and disclosure of the Disposal to be consistent with the available evidence. However, as mentioned in the "Basis for Qualified Opinion" section of our report, we were able to determine whether the information and documents in relation to the Disposal presented to us for the purpose of our audit are complete and accurate in all material respects.

OTHER INFORMATION

The directors of the Company ("**Directors**") are responsible for the other information. The other information comprises all the information included in the annual report other than the consolidated financial statements and our auditor's report thereon (the "**other information**").

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. As described in the "Basis for Qualified Opinion" section above, we were unable to obtain sufficient appropriate evidence about the business rationale and commercial substance, and the financial effects of the Disposal. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

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

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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

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

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

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

We communicate with 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 complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

The engagement director on the audit resulting in this independent auditor's report is Tong Wai Hang.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 27 April 2022
Tong Wai Hang
Practising certificate number P06231

Consolidated Statement of Profit or Loss

For the year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Revenue	*5*	**283,398**	760,721
Cost of sales	*6*	**(267,360)**	(715,593)
Gross profit		**16,038**	45,128
Other income	*7*	**119**	947
Other gains/(losses), net	*8*	**4,137**	(18,153)
Selling and distribution expenses	*6*	**(158)**	(1,438)
Administrative expenses	*6*	**(20,516)**	(23,875)
Finance costs	*10*	**(508)**	(1,774)
Operation (loss)/profit		**(888)**	835
Share of loss of a joint venture accounted for using the equity method	*15*	**–**	(1,639)
Loss before income tax		**(888)**	(804)
Income tax	*11*	**–**	–
Loss for the year attributable to owners of the Company		**(888)**	(804)
		HK cents	HK cents
Loss per share			
Basic and diluted	*13*	**(0.05)**	(0.05)

The notes on pages 65 to 131 are on integral part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Loss for the year		**(888)**	(804)
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Reclassification adjustment on exchange differences released upon disposal of subsidiaries, net of nil tax	*26*	**(3,078)**	–
Exchange differences arising from translation of foreign operations, net of nil tax		**(2)**	8,697
Other comprehensive (loss)/income for the year		**(3,080)**	8,697
Total comprehensive (loss)/income for the year attributable to owners of the Company		**(3,968)**	7,893

The notes on pages 65 to 131 are on integral part of the consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*14*	**30,086**	32,513
Interests in a joint venture	*15*	**–**	118,477
Loan receivable	*17*	**18,000**	29,675
Total non-current assets		**48,086**	180,665
Current assets			
Inventories	*16*	**455,082**	326,381
Trade and other receivables	*17*	**232,988**	212,060
Cash and cash equivalents	*18*	**2,470**	16,365
Total current assets		**690,540**	554,806
Total assets		**738,626**	735,471
EQUITY			
Equity attributable to owners of the Company			
Share capital	*23(a)*	**67,778**	67,710
Reserves	*23(b)*	**602,755**	605,476
Total equity		**670,533**	673,186

Consolidated Statement of Financial Position

As at 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	*21*	**–**	666
Total non-current liabilities		**–**	666
Current liabilities			
Trade and other payables	*19*	**54,262**	38,220
Contract liabilities	*20*	**6,000**	–
Lease liabilities	*21*	**666**	694
Bank borrowings	*22*	**7,165**	22,705
Total current liabilities		**68,093**	61,619
Total liabilities		**68,093**	62,285
Total equity and liabilities		**738,626**	735,471

The consolidated financial statements on pages 57 to 131 were approved by the Board of Directors on 27 April 2022 and were signed on its behalf by:

Huang Guanchao
Director

Xu Keli
Director

The notes on pages 65 to 131 are on integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total equity HK$'000
At 1 January 2020	67,710	8,249	(5,622)	1,064	591,012	662,413
Comprehensive income						
Loss for the year	–	–	–	–	(804)	(804)
Other comprehensive income						
Exchange differences arising from translation of foreign operations, net of nil tax	–	–	8,697	–	–	8,697
Other comprehensive income for the year	–	–	8,697	–	–	8,697
Total comprehensive income for the year	–	–	8,697	–	(804)	7,893
Equity-settled share-based payments	–	–	–	2,880	–	2,880
At 31 December 2020	67,710	8,249	3,075	3,944	590,208	673,186

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total equity HK$'000
At I January 2021	67,710	–	8,249	3,075	3,944	590,208	673,186
Comprehensive income							
Loss for the year	–	–	–	–	–	(888)	(888)
Other comprehensive income							
Reclassification adjustment on exchange differences released upon disposal of subsidiaries, net of nil tax	–	–	–	(3,078)	–	–	(3,078)
Exchange differences arising from translation of foreign operations, net of nil tax	–	–	–	(2)	–	–	(2)
Other comprehensive loss for the year	–	–	–	(3,080)	–	–	(3,080)
Total comprehensive loss for the year	–	–	–	(3,080)	–	(888)	(3,968)
Share issued under share option scheme							
– gross proceeds	68	137	–	–	–	–	205
– transfer from share option reserve	–	109	–	–	(109)	–	–
Equity-settled share-based payments	–	–	–	–	1,110	–	1,110
	68	246	–	–	1,001	–	1,315
At 31 December 2021	67,778	246	8,249	(5)	4,945	589,320	670,533

The notes on 65 to 131 are on integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
Cash flows from operating activities		
Loss before income tax	**(888)**	(804)
Adjustments for:		
Depreciation of property, plant and equipment	**2,436**	3,024
Interest expense	**508**	1,774
Gain on disposal of subsidiaries	**(14,296)**	–
Loss on disposal of property, plant and equipment	**–**	349
Loss on disposal of an investment property	**–**	1,044
Interest income	**(119)**	(141)
Equity-settled share-based payment expenses	**1,110**	2,880
Loss allowance for expected credit losses on trade receivables, net	**–**	14,000
Share of loss of a joint venture accounted for using the equity method	**–**	1,639
Gain on derecognition of right-of-use assets and liabilities arising from early termination of lease	**–**	(19)
Provision for inventory write-down	**11,419**	3,500
Operating cash inflow before changes in working capital	**170**	27,246
Decrease in trade and other receivables	**73,310**	43,988
Increase in inventories	**(140,120)**	(133,640)
Increase in trade and other payables	**16,463**	22,766
Increase/(decrease) in contract liabilities	**6,000**	(31,246)
Net cash used in operating activities	**(44,177)**	(70,886)

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
Cash flows from investing activities		
Interest received from banks	**–**	28
Interest received from a joint venture	**–**	113
Interest received from loan receivables	**119**	4,327
Purchases of property, plant and equipment	**(9)**	(10)
Repayments of loans by third parties	**6,000**	24,219
Proceeds from disposal of an investment property, net of direct costs	**–**	93,756
Net cash inflow on disposal of subsidiaries	**40,731**	–
Net cash generated from investing activities	**46,841**	122,433
Cash flows from financing activities		
Interest paid on bank borrowings	**(480)**	(2,251)
Proceeds from bank borrowings	**40,440**	146,371
Repayments of bank borrowings	**(55,980)**	(198,304)
Principal element of lease payments paid	**(694)**	(950)
Interest element of lease payments paid	**(50)**	(60)
Proceeds from issue of shares under share option scheme	**205**	–
Net cash used in financing activities	**(16,559)**	(55,194)
Net decrease in cash and cash equivalents	**(13,895)**	(3,647)
Cash and cash equivalents at beginning of the year	**16,365**	19,999
Effect of change of foreign exchange rate	**–**	13
Cash and cash equivalents at end of the year	**2,470**	16,365

The notes on pages 65 to 131 are on integral part of the consolidated financial statements.

1 GENERAL INFORMATION

Qianhai Health Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") are principally engaged in sale of health-care products and sale of electronic components products.

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 18 August 2011 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of Cayman Islands. The Company's immediate and ultimate holding company is Explorer Rosy Limited ("**Explorer Rosy**"), a company incorporated in the British Virgin Islands (the "**BVI**"). The ultimate beneficial owners of Explorer Rosy are Mr. Huang Guanchao and Mr. Lim Tzea. The address of the Company's registered office is P.O. Box 2681, Cricket Square, Hutchins Drive, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is Room 301-3, 3/F., Wing Tuck Commercial Centre, 177-183 Wing Lok Street, Hong Kong. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), unless otherwise stated. The consolidated financial statements have been approved for issue by the board of directors of the Company on 27 April 2022.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 BASIS OF PREPARATION

(A) COMPLIANCE WITH HKFRSs, HKCO AND LISTING RULES HKFRSs

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622 ("**HKCO**"). These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the listing of securities (the "Listing Rules") on the Stock Exchange.

(B) HISTORICAL COST CONVENTION

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 *BASIS OF PREPARATION (CONTINUED)*

(C) NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The Group has applied the following standards, amendments to standards for the first time for their annual reporting period commencing 1 January 2021:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS16	Interest Rate Benchmark Reform – Phase 2

Except as described below, the amendments listed above did not have any significant impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 Financial Instruments: Disclosures ("**HKFRS** 7").

As at 1 January 2021, the Group had several borrowings, the interest of which are indexed to benchmark rates that are subjected to interest rate benchmark reform. The following table shows the total amounts of these outstanding contracts. The amounts of financial liabilities are shown at their carrying amounts.

	US$ London Interbank Offered Rate ("**LIBOR**") HK$'000
Financial liabilities	
Bank borrowings	22,705

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for borrowings measured at amortised cost. Additional disclosures as required by HKFRS 7 are set out in Note 3.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 BASIS OF PREPARATION (CONTINUED)

(D) NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards and amendments to standards and interpretations that are relevant to the Group but not yet effective for the financial year beginning on 1 January 2021 and have not been early adopted by the Group are as follows:

		Effective for annual periods beginning on or after
Amendment to HKFRS 16	Covid-19 Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
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 January 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 BASIS OF PREPARATION (CONTINUED)

(D) NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS NOT YET ADOPTED *(CONTINUED)*

The Group has already commenced an assessment of the impact of the new or revised standards that have been issued but either not yet effective for the financial period beginning on 1 January 2021 or not been early adopted by the Group which are relevant to the Group's operations. The Group believes that the application of amendments to HKFRSs, amendments to HKASs and the new interpretations is unlikely to have a material impact on the Group's statement of financial position and performance as well as disclosure in the future.

2.2 PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING

(A) SUBSIDIARIES

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the statement of profit or loss, the statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING (CONTINUED)

(A) SUBSIDIARIES *(CONTINUED)*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

(B) JOINT VENTURE

Joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Investment in a joint venture is accounted for using the equity method of accounting (see (c) below), after initially being recognised at cost.

(C) EQUITY ACCOUNTING

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in the statement of profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint venture are recognised as a reduction in the carrying amount of the investment.

When the Group's share of net profit in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.7.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING (CONTINUED)

(C) EQUITY ACCOUNTING *(CONTINUED)*

When the Group ceases to equity account for an investment because of a loss of joint control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the statement of profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the statement of profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to the statement of profit or loss where appropriate.

2.3 SEPARATE FINANCIAL STATEMENTS

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

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

2.4 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The Company has appointed the executive directors as the chief operating decision makers to review the operating results of the Group on a consolidated basis, and makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.5 FOREIGN CURRENCY TRANSLATION

(A) FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the functional currency of the Company and presentation currency of the Group.

(B) TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are generally recognised in the statement of profit or loss. All foreign exchange gains and losses are presented in the statement of profit or loss within "other gains/(losses), net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined. Translation differences on assets and liabilities carried at fair values are reported as part of the fair value gain or loss. For example, translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the statement of profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(C) GROUP COMPANIES

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of profit or loss and comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.5 *FOREIGN CURRENCY TRANSLATION (CONTINUED)*

(C) GROUP COMPANIES *(CONTINUED)*

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to the statement of profit or loss, as part of the gain or loss on sale.

(D) DISPOSAL OF FOREIGN OPERATION AND PARTIAL DISPOSAL

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 disposal involving loss of joint control over a joint venture that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in joint ventures that do not result in the Group losing joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.6 *PROPERTY, PLANT AND EQUIPMENT*

Property, plant and equipment, are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the statement of profit or loss during the reporting period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation is calculated using the straight-line method to allocate their costs, net of their residual values, over their estimated useful lives, as follows:

Leasehold land and buildings	2% or over the unexpired lease term, whichever is shorter
Properties leased for own use	The unexpired lease term
Leasehold improvements	20%
Motor vehicles	20%
Fixtures and office equipment	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the statement of profit or loss.

2.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.8 INVESTMENTS AND OTHER FINANCIAL ASSETS

(A) CLASSIFICATION

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.8 *INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)*

(A) CLASSIFICATION *(CONTINUED)*

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

See Note 3.4 for details of each type of financial assets.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(B) RECOGNITION AND DERECOGNITION

Regular way purchases and sale of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(C) MEASUREMENT

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are recorded in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

DEBT INSTRUMENTS

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains or losses together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss. Interest income from these financial assets is included in finance income or other income using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.8 INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

(C) MEASUREMENT *(CONTINUED)*

DEBT INSTRUMENTS *(CONTINUED)*

- Fair value through other comprehensive income ("**FVOCI**"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains or losses – net. Interest income from these financial assets is included in finance income or other income using the effective interest method. Foreign exchange gains and losses are presented in other gains or losses and impairment expenses are presented as separate line item in profit or loss.

- Fair value through profit or loss ("**FVPL**"): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and presented net in profit or loss within other losses or gains, net in the period in which it arises.

EQUITY INSTRUMENTS

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gains or losses, net in the profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(D) IMPAIRMENT

The Group recognises a loss allowance for expected credit losses ("**ECLs**") on the financial assets measured at amortised cost (including loan receivable from a third party and a joint venture, consideration receivable, trade and other receivables and cash and cash equivalents).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.8 INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

(D) IMPAIRMENT *(CONTINUED)*

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 Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rate where the effect of discounting is material:

– fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group 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.

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 Group'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 all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.8 *INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)*

(D) IMPAIRMENT *(CONTINUED)*

SIGNIFICANT INCREASES IN CREDIT RISK

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs 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 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast 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 Group.

Depending on the nature of the financial instruments, 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.8 INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

(D) IMPAIRMENT *(CONTINUED)*

BASIS OF CALCULATION OF INTEREST INCOME

Interest income recognised in accordance with Note 2.21 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;
- 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 Group 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.9 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.10 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.11 TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contains significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 2.8 for further information about the Group's accounting for trade receivables and Note 2.8(d) and 3.1(d) for a description of the Group's impairment policies.

2.12 CASH AND CASH EQUIVALENTS

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.13 SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.14 TRADE AND OTHER PAYABLES, AND CONTRACT LIABILITIES

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (Note 2.20). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (Note 2.11).

2.15 BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in the statement of profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.15 BORROWINGS (CONTINUED)

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.16 CURRENT AND DEFERRED INCOME TAX

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(A) CURRENT INCOME TAX

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(B) DEFERRED INCOME TAX

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.16 CURRENT AND DEFERRED INCOME TAX (CONTINUED)

(B) DEFERRED INCOME TAX *(CONTINUED)*

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.17 EMPLOYEE BENEFITS

(A) SHORT-TERM OBLIGATIONS

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

(B) OTHER LONG-TERM EMPLOYEE BENEFIT OBLIGATIONS

The liabilities for annual leaves are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.17 EMPLOYEE BENEFITS (CONTINUED)

(B) OTHER LONG-TERM EMPLOYEE BENEFIT OBLIGATIONS *(CONTINUED)*

The obligations are presented as current liabilities in the consolidated statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(C) POST-EMPLOYMENT OBLIGATIONS

The Group operates a mandatory provident fund scheme ("**MPF Scheme**") in Hong Kong, the assets of which are held in separate trustee-administered funds.

DEFINED CONTRIBUTION PLAN

Defined contribution plan is a pension plan under which the Group pays fixed contributions, on a mandatory, contractual or voluntary basis, into a separate entity. The Group has no further payment obligations once the contributions have been paid. It has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

MPF Scheme in Hong Kong is a defined contribution plan for certain employees. The assets of the MPF Scheme are held in separate trustee-administered funds. Both the entity and the employees are required to contribute 5% of the employees' relevant income up to a maximum of HK$1,500 per employee per month. The entity's contributions to the MPF Scheme are expensed as incurred.

(D) PROFIT-SHARING AND BONUS PLANS

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(E) TERMINATION BENEFITS

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.18 SHARE-BASED PAYMENT

Share-based compensation benefits are provided to directors, eligible employees, suppliers, consultants and customers under a share option scheme.

SHARE OPTIONS

The fair value of options granted under the share option scheme is recognised as an expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

(a) including any market performance conditions (e.g. the entity's share price);

(b) excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining a grantee of the entity over a specified time period); and

(c) including the impact of any non-vesting conditions (e.g. the requirement for grantees to save or hold shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in the statement of profit or loss, with a corresponding adjustment to equity.

2.19 PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.20 REVENUE RECOGNITION

The Group recognises revenue when a performance obligation is satisfied, i.e. when control over a product underlying the particular performance obligation is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled.

SALE OF GOODS

Sale of goods is recognised when the Group has delivered goods to the customer, and the customer has accepted the goods and collectability of the related receivables is reasonably assured.

The Group sells a range of health-care products and electronic components in the market. Sale of goods are recognised when the Group has delivered products to the customers, the customers have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. The Group normally does not accept any returns from customers. Delivery occurs when the products have been collected at the specified location and the control of promised goods have been transferred to the customers, given that the customers are satisfied with conditions of goods and has ability to direct the use of products.

2.21 INTEREST INCOME

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2.22 GOVERNMENT GRANTS

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.23 LEASES

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

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

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.23 LEASES *(CONTINUED)*

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and
- makes adjustments specific to the lease, eg term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis (Note 2.6). If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.24 RELATED PARTIES

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

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

(ii) has significant influence over the Group; or

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

(b) An entity is related to the group if any of the following conditions applies:

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

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

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

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

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

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

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

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

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

3 FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

The Group's activities are exposed to a variety of financial risks: foreign exchange risk, interest rate risk, credit risk and liquidity risk. The management identifies, evaluates and mitigates financial risks in close co-operation with the Group's operating units. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(A) FOREIGN EXCHANGE RISK

The Group primarily operates in Hong Kong. It is also exposed to foreign exchange risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in foreign currencies other than the functional currency of the entities within the Group. The currencies giving rise to this risk are primarily RMB, CAD, and USD.

Management manages its foreign exchange risks by performing regular review and monitoring its foreign exchange exposure.

As Hong Kong dollar is pegged to United States dollar, the Group considers the risk of movements in exchange rate between Hong Kong dollar and United States dollar to be insignificant.

As at 31 December 2021, if RMB had strengthened/weakened by 5% (2020: 5%) against HK$, with all other variables held constant, post-tax loss for the year would have been approximately HK$5,011,000 (2020: HK$1,488,000) lower/higher as a result of foreign exchange gains/losses on translation of RMB denominated assets.

As at 31 December 2021, if CAD had strengthened/weakened by 5% (2020: 5%) against HK$, with all other variables held constant, post-tax loss for the year would have been approximately HK$763,000 lower/higher (2020: HK$67,000 higher/lower) as a result of foreign exchange gains/losses (2020: losses/gains) on translation of CAD denominated assets and liabilities.

(B) INTEREST RATE RISK

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises mainly from cash at banks and bank borrowings with floating rate, and loan to a joint venture and loan receivables with fixed rate. In view of the current market interest rate, the management considered that the effect of interest rate change on the balances with banks carrying interest at prevailing market rate does not have significant impact to the Group.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates. Details of the impacts on the Group's risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out in Note 3.1(c).

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 *FINANCIAL RISK FACTORS (CONTINUED)*

(B) INTEREST RATE RISK *(CONTINUED)*

As at 31 December 2021, if interest rates on net exposures of variable-rate interest-bearing bank borrowings had been 30 basis points (2020: 30 basis points) higher/lower with all other variables held constant, post-tax loss for the year of the Group would have been approximately HK$18,000 (2020: HK$57,000) higher/lower due to net interest expense paid on market interest rate.

As at 31 December 2021 and 2020, the Group's loan receivables were all issued at fixed rates which expose the Group to fair value interest rate risk. Management considers the fair value exposure of the fixed rate loan receivables is insignificant to the Group.

(C) INTEREST RATE BENCHMARK REFORM

As listed in Note 22, certain of the Group's LIBOR borrowings will be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

LIBOR

The Financial Conduct Authority has confirmed all LIBOR settings will either cease to be provided by any administrator or no longer be representative:

- immediately after 31 December 2021, in the case of all sterling, euro, Swiss franc and Japanese yen settings, and the 1-week and 2-month United States dollar settings; and

- immediately after 30 June 2023, in the case of the remaining United States dollar settings.

INTEREST RATE RELATED RISKS

For contracts which have not been transitioned to the relevant alternative benchmark rates and without detailed fallback clauses, if the bilateral negotiations with the Group's counterparties are not successfully concluded before the cessation of LIBORs, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

There are fundamental differences between IBORs and the various alternative benchmark rates. IBORs are forward looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments.

LIQUIDITY RISK

The additional uncertainty on various alternative rates which are typically published on overnight basis will require additional liquidity management. The Group's liquidity risk management policy has been updated to ensure sufficient liquid resources to accommodate unexpected increases in overnight rates.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 *FINANCIAL RISK FACTORS (CONTINUED)*

(D) CREDIT RISK

Credit risk is managed on a group basis. The Group's credit risk primarily arises from trade and other receivables, loan receivable and consideration receivable in relation to disposal of subsidiaries and cash deposited at banks. The Group's maximum exposure to credit risk which will cause a financial loss to the Group in the event of the counterparties failure to perform their obligations as at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of these assets which are stated as follows:

	2021 **HK$'000**	2020 HK$'000
Trade receivables	**104,948**	193,416
Consideration receivable in relation to disposal of subsidiaries	**90,000**	–
Loan receivable	**30,000**	35,610
Cash deposited at banks	**2,470**	16,365
	227,418	245,391

TRADE RECEIVABLES

In order to minimise the credit risk, management is responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue trade receivables. Normally, the Group does not hold any collateral over trade receivables. In addition, the management reviews the recoverable amount of each individual debt regularly. The Group considered the associated credit risk of trade receivables and debtors are manageable in general. Trade receivables are generally due within 60 to 120 days (2020: 60 to 120 days) from the date of billing.

The Group has a concentration of credit risk from trade receivables from certain customers. For the year ended 31 December 2021, the top customer accounted for approximately 23% (2020: 33%) of the Group's revenue. As at 31 December 2021, 46% (2020: 19%) and 87% (2020: 53%) of the total trade debtors was due from the largest customer and the three largest customers respectively.

The Group applies the HKFRS 9 simplified approach to measure ECLs which uses a lifetime expected loss allowance for all trade receivables, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases. The Group categorises its trade receivables based on past due status as well as the factors stated in Note 4(b) to measure the ECLs.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 FINANCIAL RISK FACTORS *(CONTINUED)*

(D) CREDIT RISK *(CONTINUED)*

TRADE RECEIVABLES *(CONTINUED)*

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2021 and 2020:

	Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount
	%	HK$'000	HK$'000	HK$'000
As at 31 December 2021				
Current (not past due)	**0.14%**	**25,898**	**37**	**25,861**
Within 30 days past due	**1.58%**	**3,035**	**48**	**2,987**
31 to 90 days past due	**3.28%**	**25,877**	**848**	**25,029**
91 to 180 days past due	**6.32%**	**35,548**	**2,248**	**33,300**
181 to 270 days past due	**31.10%**	**21,744**	**6,758**	**14,986**
271 to 365 days past due	**72%**	**9,945**	**7,160**	**2,785**
		122,047	**17,099**	**104,948**
As at 31 December 2020				
Current (not past due)	0.01%	137,005	14	136,991
Within 30 days past due	0.59%	26,208	155	26,053
31 to 90 days past due	0.05%	14,945	7	14,938
Over 90 days past due	52.30%	32,357	16,923	15,434
		210,515	17,099	193,416

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 *FINANCIAL RISK FACTORS (CONTINUED)*

(D) CREDIT RISK *(CONTINUED)*

TRADE RECEIVABLES *(CONTINUED)*

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2021	2020
	HK$'000	HK$'000
Opening loss allowance at 1 January	**17,099**	3,099
Loss allowance recognised during the year, net	**–**	14,000
Closing loss allowance at 31 December	**17,099**	17,099

CONSIDERATION RECEIVABLE

The credit quality of consideration receivable has been assessed with reference to repayment record of consideration in accordance with the terms of sale and purchase agreement and the assessment of the credit report of the relevant purchaser and its senior management. This balance is assessed by the management of the Group as low risk of default because no indicator to trigger a significant increase in credit risk nor deterioration of credit quality was identified, The management of the Group has not identified any significant unfavourable issues from reviewing the credit report of the relevant purchaser and its senior management and acknowledge that the relevant counterparty has settled the partial consideration in accordance with payment terms of the sale and purchase agreement. Accordingly, the management has assessed the risk of default as insignificant and no expected credit losses have been made on the balance of consideration receivable.

CASH DEPOSITED AT BANKS AND LOAN RECEIVABLE

As at 31 December 2021 and 2020, all cash and cash equivalents were deposited in state-owned banks and reputable financial institutions and were hence without significant credit risk. Management does not expect any losses by these counterparties.

For loan receivable, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. Those balances are assessed by the management of the Group as low risk of default with no any indicator to trigger a significant increase in credit risk nor deterioration of credit quality, since the relevant counterparties have strong capacity to meet the contractual cash flow.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 *FINANCIAL RISK FACTORS (CONTINUED)*

(E) LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet the cash outflows of its financial liabilities.

The Group's primary cash requirements have been the payment for operating expenses. The Group mainly finances its working capital requirements through internal resources. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and working capital to meet its liquidity requirements in the short and long term.

The table below analyses the Group's financial liabilities at amortised cost into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flow.

	Within 1 year	Over 1 year	Total undiscounted cash flows
	HK$'000	HK$'000	HK$'000
As at 31 December 2021			
Trade and other payables	**54,262**	**–**	**54,262**
Lease liabilities	**682**	**–**	**682**
Bank borrowings	**7,347**	**–**	**7,347**
	62,291	**–**	**62,291**
As at 31 December 2020			
Trade and other payables	38,220	–	38,220
Lease liabilities	744	682	1,426
Bank borrowings	23,904	–	23,904
	62,868	682	63,550

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.2 *CAPITAL MANAGEMENT*

The Group manages its capital to ensure that the Group's entities 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 Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of borrowings and lease liabilities, less cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, other reserves and retained profits as disclosed in the consolidated statement of changes in equity.

Management reviews the capital structure regularly. The management considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new share issues as well as the raising of bank loans.

The Group monitors capital on the basis of the gearing ratio as at 31 December 2021 and 2020. This ratio is calculated as net debts divided by total equity. Net debts is calculated as bank borrowings and lease liabilities, less cash and cash equivalents, as shown in the consolidated statement of financial position. Total equity represents the balance as "Total equity" shown in the consolidated statement of financial position.

	2021 **HK$'000**	2020 HK$'000
Lease liabilities *(Note 21)*	**666**	1,360
Bank borrowings *(Note 22)*	**7,165**	22,705
Less: cash and cash equivalents	**(2,470)**	(16,365)
Net debts	**5,361**	7,700
Total equity	**670,533**	673,186
Gearing ratio	**0.80%**	1.14%

3.3 *FAIR VALUES*

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2021 and 2020.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.4 FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets at amortised cost HK$'000
Assets as per consolidated statement of financial position	
At 31 December 2021	
Trade and other receivables (excluding prepayments)	**225,122**
Cash and cash equivalents	**2,470**
Total	**227,592**
At 31 December 2020	
Trade and other receivables (excluding prepayments)	229,273
Cash and cash equivalents	16,365
Total	245,638

	Financial liabilities at amortised cost HK$'000
Liabilities as per consolidated statement of financial position	
At 31 December 2021	
Trade and other payables	**54,262**
Lease liabilities	**666**
Bank borrowings	**7,165**
Total	**62,093**
At 31 December 2020	
Trade and other payables	38,220
Lease liabilities	1,360
Bank borrowings	22,705
Total	62,285

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The critical accounting judgements in applying the Group's accounting policies are described below.

(A) NET REALISABLE VALUE OF INVENTORIES

Determining whether a write-down is necessary in the carrying amount of inventories is based on a comparison of whether the historical value of the inventories is greater than their estimated selling price less all the related costs related to the selling process. In addition, a detailed physical examination and quality tests are also carried out in order to obtain an indication of realisable values. Once the carrying amount of the inventories is higher than their net realisable values, a write-down will be made so that the carrying amount of inventories would not be higher than their net realisable values. As at 31 December 2021, the carrying amount of inventories, net of write-down provision, was HK$455,082,000 (2020: HK$326,381,000).

(B) IMPAIRMENT OF TRADE RECEIVABLES

The Group considers the ECLs of trade receivables are based on management's estimate of the lifetime expected credit losses which is taking into account the credit loss experience, ageing of overdue trade receivables, customers' repayment history, customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement.

The provision of ECLs is sensitive to changes in circumstances and of forecast general economic conditions. The information about the ECLs and the Group's trade receivables are disclosed in notes 3.1(d) and 17 respectively. If the financial condition of the customers or the forecast economic conditions were to deteriorate, actual loss allowance would be higher than estimated.

As at 31 December 2021, the carrying amount of trade receivables, net of loss allowance, was HK$104,948,000 (2020: HK$193,416,000).

5 REVENUE AND SEGMENT INFORMATION

(A) REVENUE

Revenue represents the sale value of health-care products and electronic components supplied to customers, which is recognised at point in time.

5 REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

(B) SEGMENT INFORMATION

The Group determines its operating segments based on internal reports reviewed by the chief operating decision makers, which are the executive directors of the Company, for the purpose of allocating resources to the segments and to assess their performance which focus on the sale of different types of products from different business lines.

Specifically, the Group's reportable and operating segments have been identified as follows:

(i) Health-care products: sale of health-care products (including Chinese herbal medicines, skin-care and other health-care products); and

(ii) Electronic component products: sale of information technology components products (including central processing unit and semi-conductors).

The following is an analysis of the Group's revenue from contracts with customers, net of rebates and discounts and results by segment:

	Health-care products HK$'000	**Electronic components products HK$'000**	**Total HK$'000**
Year ended 31 December 2021			
Segment revenue	**98,129**	**185,269**	**283,398**
Cost of sales	**(96,392)**	**(170,968)**	**(267,360)**
Segment result	**1,737**	**14,301**	**16,038**

	Health-care products HK$'000	Electronic components products HK$'000	Total HK$'000
Year ended 31 December 2020			
Segment revenue	443,810	316,911	760,721
Cost of sales	(415,660)	(299,933)	(715,593)
Segment result	28,150	16,978	45,128

5 REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

(B) SEGMENT INFORMATION (CONTINUED)

	2021 HK$'000	2020 HK$'000
Segment results	**16,038**	45,128
Unallocated		
Other income	**119**	947
Other gains/(losses), net	**4,137**	(18,153)
Selling and distribution expenses	**(158)**	(1,438)
Administrative expenses	**(20,516)**	(23,875)
Finance costs	**(508)**	(1,774)
Share of loss of a joint venture accounted for using the equity method	**–**	(1,639)
Loss before income tax	**(888)**	(804)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the year ended 31 December 2020 and 2021.

Segment result during the year represents the gross profit of each segment without allocation of other income. other gains/(losses), net, selling and distribution expenses, administrative expenses, finance costs and share of results of a joint venture accounted for using the equity method. This is the measure reported to the Group's chief operating decision makers. for the purposes of resource allocation and performance assessment.

SEGMENT ASSETS AND LIABILITIES

No segment assets and segment liabilities and other segment information are presented as such amounts are not reviewed by the Group's chief operating decision makers for the purpose of resource allocation and performance assessment or otherwise regularly provided to the Group's chief operating decision makers.

5 REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

GEOGRAPHICAL INFORMATION

No geographical segment information is presented as the Group's revenue is all derived from Hong Kong based on the location of goods delivered.

The Group's non-current assets other than financial instruments by geographical locations, which are determined by the geographical locations in which the asset is located in the case of property, plant and equipment, and the operation is located in the case of interests in a joint venture, is as follows:

	2021 **HK$'000**	2020 HK$'000
Non-current assets		
The People's Republic of China (the "**PRC**")	**–**	118,477
Hong Kong	**30,086**	32,513
	30,086	150,990

INFORMATION ABOUT MAJOR CUSTOMERS

Revenue from major customers, each of whom amounted to 10% or more of total revenue of the Group, is set out below:

	2021 **HK$'000**	2020 HK$'000
Sale of health-care products		
Customer A	**60,948**	249,682
Customer B	**27,315**	108,684
Sale of electronic components products		
Customer C	**63,793**	106,866
Customer D	**42,538**	80,683

6 EXPENSES BY NATURE

	2021 HK$'000	2020 HK$'000
Auditor's remuneration	**1,340**	880
Cost of inventories sold *(Note 16)*	**267,360**	715,593
Employee benefit expense *(Note 9)*	**12,558**	13,714
Depreciation of property, plant and equipment *(Note 14)*	**2,436**	3,024
Expenses relating to short-term leases *(Note 14)*	**–**	375
Building management fee, rent and rates	**218**	349
Transportation expenses	**129**	130
Legal and professional fee	**1,180**	1,438
Insurance expense	**631**	576
Office expense	**422**	667
Consultancy fee	**815**	600
Others	**945**	3,560
Total cost of sales, selling and distribution expenses and administrative expenses	**288,034**	740,906

7 OTHER INCOME

	2021 HK$'000	2020 HK$'000
Government grants *(Note)*	**–**	806
Interest income from bank deposits	**–**	28
Interest income from loan receivables	**119**	–
Interest income from a joint venture	**–**	113
	119	947

Note: In 2020, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the HKSAR Government. The purpose of the funding is to provide financial support to enterprise to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

8 OTHER GAINS/(LOSSES), NET

	2021 HK$'000	2020 HK$'000
Loss on disposal of property, plant and equipment	–	(349)
Loss on disposal of investment property	–	(1,044)
Provision for Inventory write-down *(Note 16)*	(11,419)	(3,500)
Gain on derecognition of right-of-use assets and lease liabilities arising from early termination of lease *(Note 14)*	–	19
Gain on disposal of subsidiaries *(Note 26)*	14,296	–
Exchange gain, net	1,260	721
Loss allowance for expected credit losses on trade receivables, net *(Note 3.1(d))*	–	(14,000)
	4,137	(18,153)

9 EMPLOYEE BENEFIT EXPENSE

	2021 HK$'000	2020 HK$'000
Wages and salaries	11,541	11,507
Pension costs – defined contribution plans	258	245
Equity-settled share-based payments *(Note 24)*	759	1,962
Total employee benefit expense	12,558	13,714

Note:

Contributions to defined contribution plans vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contributions.

Total employee benefit expense includes directors' emoluments as disclosed in Note 31(a).

9 EMPLOYEE BENEFIT EXPENSE *(CONTINUED)*

FIVE HIGHEST PAID INDIVIDUALS

Among the five individuals with the highest emoluments in the Group, two (2020: two) were the directors of the Company for the year ended 31 December 2021 whose emoluments are included in the disclosures in Note 31(a).

The aggregate of the emoluments in respect of the other three individuals (2020: three individuals) are as follows:

	2021 **HK$'000**	2020 HK$'000
Wages and salaries	**3,291**	3,190
Pension costs – defined contribution plans	**54**	54
	3,345	3,244

The emoluments of remaining three individuals (2020: three individuals) fell within the following bands:

	2021 **HK$'000**	2020 HK$'000
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**2**	2

10 FINANCE COSTS

	2021 **HK$'000**	2020 HK$'000
Interest expense on:		
– Bank loans	**458**	1,714
– Lease liabilities	**50**	60
	508	1,774

11 INCOME TAX

(I) HONG KONG PROFITS TAX

Hong Kong Profits Tax is calculated at 16.5% (2020: 16.5%) on the estimated assessable profit. No provision for Hong Kong Profits Tax has been made for the Company and the subsidiaries incorporated in Hong Kong as they have no assessable profits or sufficient tax losses brought forward to set off against the estimated assessable profits for the current and prior year.

(II) PRC ENTERPRISE INCOME TAX

The subsidiaries established in the PRC are subject to PRC Enterprise Income Tax ("**EIT**") rate of 25% (2020: 25%) during the year.

No provision for PRC EIT has been made as the subsidiaries established in the PRC have estimated tax losses for both current and prior year.

(III) INCOME TAX FROM OTHER TAX JURISDICTIONS

Pursuant to the income tax rules and regulations, the Group is not subject to income tax in the jurisdictions of the Cayman Islands and the BVI.

The taxation for the year is reconciled to loss per the consolidated statement of profit or loss as follows:

	2021 **HK$'000**	2020 HK$'000
Loss before income tax	**(888)**	(804)
Tax credit at the applicable income tax rate of 16.5% (2020: 16.5%)	**146**	133
Tax effect of different income tax rates in other jurisdictions	**1**	315
Tax effect of expenses not deductible for tax purposes	**(2,121)**	(4,058)
Tax effect of income not taxable for tax purpose	**2,928**	493
Tax effect of temporary difference not recognised	**(87)**	(83)
Tax effect of tax loss not recognised	**(1,996)**	(2,761)
Tax effect of tax loss utilised	**1,129**	5,961
Income tax for the year	**–**	–

Note:

(a) The Group did not recognise deferred income tax assets of approximately HK$115,062,000 (2020: HK$116,100,000) in respect of unutilised tax losses amounting to approximately HK$697,344,000 (2020: HK$695,376,000) that can be carried forward against future taxable income without expiry dates due to the unpredictability of future profit streams. Other temporary differences are not material.

12 DIVIDEND

The board of directors of the Company does not recommend the payment of any dividend in respect of the years ended 31 December 2021 and 2020.

13 LOSS PER SHARE

(A) BASIC

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year.

	2021	2020
	HK$'000	HK$'000
Loss for the year attributable to owners of the Company	**(888)**	(804)
Weighted average number of ordinary shares for the purpose of basic loss per share (in thousands)	**1,693,010**	1,692,760

(B) DILUTED

Diluted loss per share is the same amount as the basic loss per share for both years ended 31 December 2021 and 2020 because the exercise of the outstanding share options would be anti-dilutive.

14 PROPERTY, PLANT AND EQUIPMENT

	Properties leased for own use *(Note (a))* HK$'000	Leasehold land and buildings *(Note (c))* HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Fixtures and office equipment HK$'000	Total HK$'000
Cost						
At 1 January 2020	1,833	29,929	3,183	1,588	1,041	37,574
Exchange differences	–	–	–	3	2	5
Additions arising from entering into new lease contracts	1,422	–	–	–	–	1,422
Derecognition arising from early termination of lease contract	(1,833)	–	–	–	–	(1,833)
Additions	–	–	–	–	10	10
Disposals	–	–	–	(1,591)	(1,013)	(2,604)
At 31 December 2020 and 1 January 2021	1,422	29,929	3,183	–	40	34,574
Additions	–	–	–	–	9	9
At 31 December 2021	1,422	29,929	3,183	–	49	34,583
Accumulated depreciation and impairment loss						
At 1 January 2020	76	270	–	1,251	609	2,206
Exchange differences	–	–	–	2	1	3
Charge for the year	900	1,078	636	239	171	3,024
Derecognition arising from early termination of lease contract	(917)	–	–	–	–	(917)
Disposals	–	–	–	(1,492)	(763)	(2,255)
At 31 December 2020 and 1 January 2021	59	1,348	636	–	18	2,061
Charge for the year	711	1,079	637	–	9	2,436
At 31 December 2021	770	2,427	1,273	–	27	4,497
Net carrying amount						
At 31 December 2021	652	27,502	1,910	–	22	30,086
At 31 December 2020	1,363	28,581	2,547	–	22	32,513

14 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

The analysis of the net carrying amount of right-of-use assets by class of underlying asset is as follows:

	2021 **HK$'000**	2020 HK$'000
Net carrying amount of right-of-use assets		
Properties leased for own use	**652**	1,363

The analysis of the expense items in relation to leases recognised in profit or loss as follows:

	2021 **HK$'000**	2020 HK$'000
Depreciation charges of right-of-use assets		
Properties leased for own use	**711**	900

	2021 **HK$'000**	2020 HK$'000
Other items of (expenses)/income		
Expenses relating to short-term leases	**–**	(375)
Interest expense on lease liabilities	**(50)**	(60)
Gain on derecognition of right-of-use assets and lease liabilities arising from early termination of lease *(Note (b))*	**–**	19

Note:

(a) The Group has obtained the right to use properties as office through tenancy agreements. Except for the early terminated leases as mentioned in Note (b) below, the leases typically run for an initial period of 2 years.

(b) During the year ended 31 December 2020, one of leases for the office occupied by the Group in Hong Kong for which the expiry was originally in 1 December 2021 was agreed to be early terminated by both the Group and relevant landlord. Accordingly, the recognised right-of-use assets and lease liabilities with the net carrying amount at the termination date of HK$916,000 and HK$935,000 respectively were derecognised, and the net amount of HK$19,000 was recognised in profit or loss during that year.

(c) At 31 December 2021, the land and buildings, which are used for warehouses, with net carrying amount of HK$27,502,000 (2020: HK$28,581,000), have been pledged to secure the banking facilities as set out in Note 22.

(d) Details of maturity analysis of lease liabilities and total cash outflow for leases are set out in Notes 21 and 25 respectively.

15 INTERESTS IN A JOINT VENTURE

Set out below is the joint venture of the Group as at 31 December 2021 and 2020 which, in the opinion of the directors, is material to the Group.

Name of entity	Place of business/ country of establishment	Proportion of ownership interest held by the Company		Principal activities	Measurement method	Carrying amount	
		2021	2020			**2021**	2020
		%	%			**HK$'000**	HK$'000
杭州湍口眾安匯尊溫泉度假村有限公司 Hangzhou Tuankou Zhongan Huijun Hotspring Resort Limited* ("**Zhongan Huijun**")	The PRC	**–**	51	Property development and investment	Equity method	**–**	118,477

Note: Zhongan Huijun, the only joint venture in which the Group participated, was an unlisted corporate entity whose quoted market price is not available.

* English name is for identification purpose only.

Movement on the investment accounted for using the equity method is as follows:

	2021	2020
	HK$'000	HK$'000
At 1 January	**118,477**	113,423
Disposal *(Note)*	**(118,477)**	–
Share of loss of a joint venture	**–**	(1,639)
Exchange difference	**–**	6,693
At 31 December	**–**	118,477

Note: Previously, the joint venture was indirectly held by one of the subsidiaries within the Group, Top Nova Limited ("**Top Nova**"). During the year, following the disposal of Top Nova (Note 26), Zhongan Huijun ceased to be a joint venture of the Group and relevant interests in the joint venture were derecognised from the consolidated statement of financial position.

15 INTERESTS IN A JOINT VENTURE *(CONTINUED)*

SUMMARISED FINANCIAL INFORMATION OF THE JOINT VENTURE

The tables below provide summarised financial information for the joint venture that is material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant joint venture and not Group's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method.

	At 31 December 2020 HK$'000
Summarised statement of financial position	
Non-current assets	461,938
Current assets	123,406
Non-current liabilities	(29,675)
Current liabilities	(324,570)
Net assets	231,099
Cash and cash equivalents included in current assets	24,026
Financial liabilities (excluding trade and other payables and provisions)	
– Non-current portion	(29,675)
– Current portion	(5,935)

SUMMARISED PROFIT OR LOSS

	Period from 1 January 2021 to 6 January 2021 (date of disposal) HK$'000	Period from 1 January 2020 to 31 December 2020 HK$'000
Revenue	–	–
Interest income	–	45
Depreciation of property, plant and equipment	–	–
Loss and total comprehensive loss	–	3,214

15 INTERESTS IN A JOINT VENTURE *(CONTINUED)*

SUMMARISED FINANCIAL INFORMATION OF THE JOINT VENTURE (CONTINUED)

RECONCILIATION TO CARRYING AMOUNT

	At 31 December 2020 HK$'000
Gross amount of net assets of the joint venture	231,099
Group's share in %	51%
Group's share of net assets of the joint venture	117,861
Increase in fair value arising from deemed disposal in previous year	616
Carrying amount	118,477

16 INVENTORIES

	2021 HK$'000	2020 HK$'000
Finished goods	**455,082**	309,299
Goods in transits	**–**	17,082
	455,082	326,381

The cost of inventories recognised as expense and included in "cost of sales" amounted to HK$267,360,000 (2020: HK$715,593,000). During the year ended 31 December 2021, the Group recognised provision for inventory write-down amounting to HK$11,419,000 (2020: HK$3,500,000), which were included in "other gains/(losses)".

Analysis of the provision for inventory write-down is as below:

	2021 HK$'000	2020 HK$'000
At 1 January	**3,500**	–
Provision for the year	**11,419**	3,500
At 31 December	**14,919**	3,500

17 TRADE AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables, net of loss allowance *(Note A)*	**104,948**	193,416
Loan receivables *(Note B)*		
– a joint venture	**–**	35,610
– a third party	**30,000**	–
Consideration receivable in relation to disposal of subsidiaries *(Note 26)*	**90,000**	–
Prepayment for inventory purchase	**25,431**	12,000
Other prepayments	**435**	462
Deposits	**174**	247
	146,040	48,319
Total trade and other receivables	**250,988**	241,735
Less: Non-current loan	**(18,000)**	(29,675)
Current portion	**232,988**	212,060

17 TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Note:

(A) TRADE RECEIVABLE

The Group generally grants credit periods ranging from 60 days to 120 days (2020: 60 to 120 days) to its customers. Before accepting any new customer upon receipt of partial prepayment in advance, the Group internally assesses the potential customer's credit quality and define an appropriate credit limit. Management closely monitors the credit quality and follow-up action is taken if overdue debts are noted. Further details on the Group's credit policy on trade and other receivables are set out in Note 3.1(d).

The following is an aging analysis of trade receivables based on the invoice date and net of loss allowance at the end of each reporting period:

	2021	2020
	HK$'000	HK$'000
Within 30 days	**–**	88,259
31 to 90 days	**–**	52,319
91 to 180 days	**–**	39,941
181 to 365 days	**65,341**	12,897
Over 1 year	**39,607**	–
	104,948	193,416

(B) LOAN RECEIVABLE

As at 31 December 2020, loan receivable of RMB30,000,000 (equivalent to HK$35,610,000) represented the loan lent to the joint venture which the terms were stated in Note 28(b). Previously, this loan was financed by one of the Group's subsidiaries through intra-group loan arrangement with the same terms of the loan to the joint venture. Following the disposal of Top Nova, as disclosed in Note 26, the relevant loan to a joint venture was derecognised from the consolidated statement of financial position and the intra-group loan, previously regarded as shareholder loan, continued to be indebted to Top Nova, as a third party and a wholly-owned subsidiary of the independent third-party purchaser (the "**Purchaser**"), as mentioned in Note 26, after the disposal. The loan receivable from a third party (Top Nova) is secured by the corporate guarantee executed by the Purchaser, interest-bearing at a fixed rate of 0.33% per annum and repayable by instalments in September 2022 and September 2023 which the balance of RMB10,000,000 (equivalent to HK$12,000,000) and RMB15,000,000 (equivalent to HK$18,000,000) were included in the current and non-current portion of other receivables respectively.

As at 31 December 2021, included in trade and other receivables is the significant balance of HK$120,000,000 (2020: HK$Nil), HK$74,321,000 (2020: HK$152,779,000) and HK$39,763,000 (2020: HK$16,978,000) denominated in RMB, USD and CAD respectively which is a foreign currency, other than functional currencies of entities within the Group.

18 CASH AND CASH EQUIVALENTS

The carrying amount of cash and cash equivalents comprises cash at banks. As at 31 December 2021, included in cash and cash equivalents is the significant balance of HK$174,000 (2020: HK$10,770,000) denominated in United States dollars which is a foreign currency, other than functional currencies of entities within the Group.

19 TRADE AND OTHER PAYABLES

	2021 **HK$'000**	2020 HK$'000
Trade payables	**50,439**	34,865
Other payables		
– Accrued expenses	**3,609**	3,144
– Others	**214**	211
	3,823	3,355
Total trade and other payables	**54,262**	38,220

The Group normally receives credit terms of 90 to 150 days from its suppliers.

The following is an aging analysis of trade payables based on the invoice date at the end of each reporting period:

	2021 **HK$'000**	2020 HK$'000
Within 30 days	**5,652**	18,560
31 to 90 days	**–**	16,305
91 to 180 days	**23,200**	–
181 to 365 days	**21,587**	–
	50,439	34,865

As at 31 December 2021, included in trade and other payables is the balance of HK$28,863,000 (2020: HK$15,616,000) and HK$22,065,000 (2020: HK$19,290,000) denominated in USD and CAD respectively which is a foreign currency, other than functional currencies of entities within the Group.

20 CONTRACT LIABILITIES

	2021 HK$'000	2020 HK$'000
Receipts in advance regarding:		
– Sale of electronic components products	**6,000**	–

Note:

(a) Typical payment practice

When the Group receives a deposit from customers before supply and delivery of promised goods of electronic components products, which depends on the specific terms of sales and concern of new customer, this will give rise to contract liabilities at the start of contract. Payments are usually based on billing schedule.

(b) Movements in contract liabilities

	Electronic components products	
	2021 HK$'000	2020 HK$'000
At 1 January	**–**	31,246
Decrease in contract liabilities as a result of recognising revenue during the year that was included in contract liabilities at 1 January	**–**	(31,246)
Increase in contract liabilities as a result of receiving deposits from customers during the year in respect of supply of products in progress	**6,000**	–
At 31 December	**6,000**	–

All contracts in respect of sale of electronic components products are for periods of one year or less. As the Group has applied the practical expedient under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

21 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the reporting period.

	2021		2020	
	Present value of the lease payments HK$'000	Total lease payments HK$'000	Present value of the lease payments HK$'000	Total lease payments HK$'000
Within 1 year	666	682	694	744
After 1 year but within 2 years	–	–	666	682
	666	682	1,360	1,426
Less: total future interest expenses		(16)		(66)
		666		1,360

22 BANK BORROWINGS

	2021 HK$'000	2020 HK$'000
Secured bank borrowings		
– Trade loans	7,165	22,705

All the bank borrowings are secured by the banking facilities as mentioned below and bear variable interest rate at LIBOR plus a margin ranging from 2% to 2.4% (2020: 2% to 2.4%) per annum. As at 31 December 2021, all the Group's bank borrowings were repayable within 3 months (2020: 3 months).

22 BANK BORROWINGS *(CONTINUED)*

For the year ended 31 December 2021, the effective interest expenses in respect of above loans were ranging from 2.20% to 2.72% (2020: 2.20% to 5.10%) per annum.

As at 31 December 2021, the banking facilities of approximately HK$27,700,000 (2020: HK$27,700,000) were secured by the leasehold land and buildings held by the Group, with the carrying amount of HK$27,502,000 (2020: HK$28,581,000) (see note 14), and the cross corporate guarantee executed by the Company and certain subsidiaries of the Group.

As at 31 December 2021, included in the bank borrowings is the balance of HK$7,165,000 (2020: HK$22,705,000) denominated in USD which is a foreign currency other than functional currencies of entities within the Group.

23 SHARE CAPITAL AND RESERVES

(A) SHARE CAPITAL

	Number of shares (thousands)	**Nominal value** HK$'000
Ordinary shares		
Authorised:		
As at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	5,000,000	200,000

	Number of shares (thousands)	**Share capital** HK$'000
Issued and fully paid:		
As at 1 January 2020, 31 December 2020 and 1 January 2021	1,692,760	67,710
Share issued under share option scheme *(Note 23(c))*	1,690	68
As at 31 December 2021	1,694,450	67,778

23 SHARE CAPITAL AND RESERVES *(CONTINUED)*

(B) NATURE AND PURPOSE OF RESERVES

(I) SHARE PREMIUM

The application of the share premium account is governed by the Company's Articles of Association and the Companies Law of the Cayman Islands, which provides that the share premium account may be applied in making distributions or paying dividends to shareholders, provided that immediately following the date on which distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(II) CAPITAL RESERVE

Capital reserve represents (i) an amount of HK$5,002,000 arising from the difference between the nominal amount of the shares issued by the Company and the aggregate amount of the paid-in capital of subsidiaries acquired pursuant to the Group's restructuring in preparation for the listing of the Company's shares; (ii) deemed capital contribution from a shareholder amounting to HK$3,551,000 and (iii) the difference between the amount by which the non-controlling interests are adjusted and the fair value paid to acquire additional equity interest in subsidiaries originally held by non-controlling shareholders.

(III) EXCHANGE RESERVE

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in Note 2.5(c) and (d).

(IV) SHARE OPTION RESERVE

The share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to the eligible participants under the share option scheme of the Company recognised in accordance with the accounting policy set out in Note 2.18.

(C) SHARES ISSUED UNDER SHARE OPTION SCHEME

During the year ended 31 December 2021, options were exercised to subscribe for 1,690,000 ordinary shares of the Company at a total cash consideration of HK$205,000.

24 SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "**Scheme**"), was adopted pursuant to a resolution passed on 9 June 2014 for the primary purpose of providing incentives to directors, eligible employees, suppliers, customers and consultants. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. In addition, the Company may, from time to time, grant share options to third parties for settlement in respect of goods or services provided to the Group.

As at 31 December 2021, the number of shares in respect of which options had been granted and remained outstanding under the scheme was 69,390,000 (2020: 71,080,000), representing 4.1% (2020: 4.2%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

The options may be exercised at any time from the date of grant of the share options or from the specific date of the start of the exercisable period as stated below up to the 10th anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

(a) The following table discloses movements of the Company's outstanding share options held by directors, suppliers and customers during the years ended 31 December 2021 and 2020:

2021

				Number of Share Options (thousands)		
Type of participates	Date of grant	Exercise period	Exercise price HK$	Outstanding at 1 January 2021	Exercised during the year	Outstanding at 31 December 2021
A supplier	20 May 2019	20 May 2019 to 19 May 2022	0.25	16,925	–	16,925
Executive directors	12 June 2020	1 July 2020 to 30 June 2025	0.121	16,925	–	16,925
	12 June 2020	1 July 2021 to 30 June 2025	0.121	16,925	–	16,925
Non-executive directors	12 June 2020	1 July 2020 to 30 June 2025	0.121	1,690	(845)	845
	12 June 2020	1 July 2021 to 30 June 2025	0.121	1,690	(845)	845
A shareholder of one customer	3 July 2020	3 July 2020 to 2 July 2025	0.127	8,463	–	8,463
	3 July 2020	3 July 2021 to 2 July 2025	0.127	8,462	–	8,462
				71,080	(1,690)	69,390

24 SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

(a) The following table discloses movements of the Company's outstanding share options held by directors, suppliers and customers during the years ended 31 December 2021 and 2020: *(Continued)*

2020

				Number of Share Options (thousands)		
Type of participates	Date of grant	Exercise period	Exercise price HK$	Outstanding at 1 January 2020	Granted during the year	Outstanding at 31 December 2020
A supplier	20 May 2019	20 May 2019 to 19 May 2022	0.25	16,925	–	16,925
Executive directors	12 June 2020	1 July 2020 to 30 June 2025	0.121	–	16,925	16,925
	12 June 2020	1 July 2021 to 30 June 2025	0.121	–	16,925	16,925
Non-executive directors	12 June 2020	1 July 2020 to 30 June 2025	0.121	–	1,690	1,690
	12 June 2020	1 July 2021 to 30 June 2025	0.121	–	1,690	1,690
A shareholder of one customer	3 July 2020	3 July 2020 to 2 July 2025	0.127	–	8,463	8,463
	3 July 2020	3 July 2021 to 2 July 2025	0.127	–	8,462	8,462
				16,925	54,155	71,080

(b) Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2021		2020	
	Average exercise price in HK$ per share option	**Number of share options (thousands)**	Average exercise price in HK$ per share option	Number of share options (thousands)
At 1 January	**0.153**	**71,080**	0.250	16,925
Granted	**–**	**–**	0.123	54,155
Exercised	**0.121**	**(1,690)**	–	–
At 31 December	**0.154**	**69,390**	0.153	71,080
Exercisable at the end of the period	**0.154**	**69,390**	0.172	44,003

In respect of the share options exercised during the year, the weight average share price of the Company at the date of exercise was HK$0.086.

24 SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

(c) Share options at the end of the year have the following expiry date and exercise price:

	Exercise price in HK$ per share option	Number of share options (thousands)		Weighted average remaining contractual life (years)	
		2021	2020	**2021**	2020
20 May 2019	0.250	**16,925**	16,925	**0.39**	1.39
12 June 2020	0.121	**35,540**	37,230	**3.48**	4.48
3 July 2020	0.127	**16,925**	16,925	**3.48**	4.48

(d) The terms and conditions of the grants are as follows:

	Number of options (thousands)	Vesting conditions	Contractual life of options
Options granted to a supplier:			
– on 20 May 2019	16,925	Exercisable at the date of grant	3 years
Options granted to executive directors:			
– on 12 June 2020	16,925	Specific period from the date of grant to the start of exercisable period as stated in Note 24(a) above	5 years
– on 12 June 2020	16,925	Specific period from the date of grant to the start of exercisable period as stated in Note 24(a) above	4 years
Options granted to non-executive directors:			
– on 12 June 2020	1,690	Specific period from the date of grant to the start of exercisable period as stated in Note 24(a) above	5 years
– on 12 June 2020	1,690	Specific period from the date of grant to the start of exercisable period as stated in Note 24(a) above	4 years
Options granted to a shareholder of one customer:			
– on 3 July 2020	8,463	Exercisable at the date of grant	5 years
– on 3 July 2020	8,462	One year from the date of grant	4 years
	71,080		

24 SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

(e) The fair values for the share options granted were calculated using the Binomial model. The inputs into the model were as follows:

Grant date	3 July 2020	12 June 2020	20 May 2019
Fair value per option on grant date	HK$0.0671/ HK$0.083	HK$0.0646/ HK$0.0816	HK$0.0629
Share price on grant date	HK$0.123	HK$0.121	HK$0.250
Exercise price	HK$0.127	HK$0.121	HK$0.250
Expected volatility	136.554%	135.911%	67.681%
Expected life	5 years	5.0521 years	3 years
Risk-free rate	0.3420%	0.4103%	1.6780%
Expected dividend yield	0%	0%	1.2195%
Early exercise multiple			
– Directors	N/A	2.8X	N/A
– A supplier	N/A	N/A	1.35X
– A shareholder of one customer	2.2X	N/A	N/A

Expected volatility was determined by using the historical volatility of the Company's share prices over the previous year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

During the year ended 31 December 2021, in accordance with the vesting period, the share-based payment expenses of approximately HK$1,110,000 (2020: HK$2,880,000) in relation to share options granted by the Company in 2020, of which amount of HK$759,000 (2020: HK$1,962,000) and HK$351,000 (2020: HK$918,000) was attributable to directors of the Company and a shareholder of one customer respectively, were recognised in profit or loss and included in "administrative expenses".

25 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

This section sets out an analysis of liabilities arising from financing activities and the movements in liabilities arising from financing activities for each of the years presented.

	2021 HK$'000	2020 HK$'000
Lease liabilities	666	1,360
Borrowings – repayable within one year and interest bearing at variable interest rates	7,165	22,705
	7,831	24,065

25 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES *(CONTINUED)*

	Lease liabilities HK$'000	Bank borrowings HK$'000	Total HK$'000
At 1 January 2020	1,823	74,638	76,461
Cash flows:			
Interest paid on bank borrowings	–	(2,251)	(2,251)
Proceeds from bank borrowings	–	146,371	146,371
Repayments of bank borrowings	–	(198,304)	(198,304)
Principal element of lease payments paid	(950)	–	(950)
Interest element of lease payments paid	(60)	–	(60)
	(1,010)	(54,184)	(55,194)
Other changes:			
Change of accrued interests	–	537	537
Interest expenses *(Note 10)*	60	1,714	1,774
Increase in lease liabilities from entering into new leases	1,422	–	1,422
Decrease in lease liabilities from early termination of leases	(935)	–	(935)
	547	2,251	2,798
At 31 December 2020 and 1 January 2021	1,360	22,705	24,065
Cash flows:			
Interest paid on bank borrowings	–	(480)	(480)
Proceeds from bank borrowings	–	40,440	40,440
Repayments of bank borrowings	–	(55,980)	(55,980)
Principal element of lease payments paid	(694)	–	(694)
Interest element of lease payments paid	(50)	–	(50)
	(744)	(16,020)	(16,764)
Other changes:			
Change of accrued interests	–	22	22
Interest expenses *(Note 10)*	50	458	508
	50	480	530
At 31 December 2021	666	7,165	7,831

26 DISPOSAL OF A SUBSIDIARY

On 6 January 2021, the Group disposed of its entire interests in Top Nova, a company incorporated in the BVI, and its subsidiaries and interests in a joint venture (collectively the "**Top Nova Group**") to an independent third party purchaser. The principal activity of Top Nova Group is investment holding in joint venture. The total consideration of the disposal was RMB110,000,000 (equivalent to HK$130,570,000) of which the amount of RMB35,000,000 (equivalent to HK$42,000,000) was received during the year, and the remaining consideration of RMB75,000,000 (equivalent to HK$90,000,000) was not yet settled as at 31 December 2021, and was recorded in other receivables (Note 17). Subsequent to year end and up to the date of approval of these consolidated financial statements, the consideration receivable of RMB75,000,000 (equivalent to HK$90,000,000) was fully settled.

	HK$'000
The assets and liabilities of Top Nova Group:	
Interests in a joint venture	118,477
Other receivables	7
Cash and cash equivalents	199
Other payables and accruals	(401)
Net assets disposed of	118,282
Gain on disposal of Top Nova Group:	
Cash consideration received and receivable	130,570
Net assets disposed of	(118,282)
Cumulative exchange differences in respect of net assets of disposed group reclassified from equity to profit or loss	3,078
Direct costs relating to the disposal	(1,070)
Gain on disposal	14,296
Total consideration satisfied by:	
Cash consideration received during the year	42,000
Cash consideration receivable	90,000
Exchange difference	(1,430)
	130,570
Net cash inflow arising from disposal of Top Nova Group:	
Cash consideration received during the year	42,000
Cash and cash equivalents disposed of	(199)
Direct costs relating to the disposal	(1,070)
	40,731

27 CAPITAL COMMITMENTS

As at 31 December 2020, all capital commitments were derived from operations of Zhongan Huijun. As at 31 December 2020, share of the capital commitments of the Group's joint venture, which were contracted for but not provided for regarding construction and acquisition of property, plant and equipment, amounted to approximately HK$137,688,000. As at 31 December 2021, all the relevant capital commitments are no longer borne by the Group upon derecognition of the relevant joint venture (Note 15).

28 RELATED PARTY TRANSACTIONS

(A) SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

During the year, apart from financial arrangements dealt with certain related parties within the Group which are disclosed in Note 22, the Group had the following significant transactions with its related parties which were carried out based on the terms agreed between the parties, as follows:

	2021 **HK$'000**	2020 HK$'000
Interest income from a joint venture *(Note (i))*	–	113

Note:

(i) Terms of loan is stated in Note 28(b)(i) below.

(B) YEAR-END BALANCES

	2021 **HK$'000**	2020 HK$'000
Loan receivable from a joint venture *(i)*		
– Within 1 year	–	5,935
– After 1 year but within 3 years	–	29,675
	–	35,610

Note:

(i) The loan was unsecured, interest-bearing at a fixed rate of 0.33% per annum and repayable by instalments from 2021 to 2023.

28 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(C) Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management for employee services during the year was shown below:

	2021 HK$'000	2020 HK$'000
Salaries and other short-term employee benefits	**6,781**	6,681
Share options granted to directors	**759**	1,962
Pension costs-defined contribution plans	**72**	72
	7,612	8,715

Total remuneration is included in "employee benefit expense" as disclosed in Note 9.

29 PARTICULARS OF PRINCIPAL SUBSIDIARIES

At 31 December 2021 and 2020, the details of the Group's principal subsidiaries are as follows:

Name of subsidiary	Place of incorporation and operation	Issued and fully paid share capital		Proportion of ownership interest held by the Company		Principal activities
		2021	2020	**2021**	2020	
Cheerwin Success Trading Limited	Hong Kong	**HK$10,000**	HK$10,000	**100%**	100%	Trading of health-care products and electronic components
Hang Fat Ginseng Global Importer Limited	Hong Kong	**HK$10,000**	HK$10,000	**100%**	100%	Trading of health-care products
Qianhai Health Finance Limited	Hong Kong	**HK$3,000,000**	HK$3,000,000	**100%**	100%	Money lending

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

30 FINANCIAL INFORMATION OF THE COMPANY

(A) STATEMENT OF FINANCIAL POSITION

	2021 HK$'000	2020 HK$'000
Non-current assets		
Interests in subsidiaries *(Note)*	**615,315**	619,092
Current assets		
Other receivables	**233**	224
Cash and cash equivalents	**1,255**	676
Total current assets	**1,488**	900
Total assets	**616,803**	619,992
Equity		
Equity attributable to owners of the Company		
Share capital	**67,778**	67,710
Reserves	**546,407**	550,976
Total equity	**614,185**	618,686
Current liabilities		
Other payables	**2,618**	1,306
Total liabilities	**2,618**	1,306
Total equity and liabilities	**616,803**	619,992

Note:

The interests in subsidiaries included investment cost in an unlisted subsidiary of HK$1,000 (2020: HK$1,000) and deemed contribution to subsidiaries with aggregate amount of HK$1,152,491,000 (2020: HK$1,104,637,000), net of provision of impairment loss on interests in subsidiaries of HK$537,177,000 (2020: HK$485,546,000).

30 FINANCIAL INFORMATION OF THE COMPANY *(CONTINUED)*

(B) MOVEMENT OF RESERVES:

	Share premium HK$'000	**Share options reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000
At 1 January 2020	–	1,064	560,642	561,706
Profit and total comprehensive income for the year	–	–	(13,610)	(13,610)
Equity-settled share-based payments	–	2,880	–	2,880
At 31 December 2020 and 1 January 2021	–	3,944	547,032	550,976
Loss and total comprehensive loss for the year	–	–	(5,816)	(5,816)
Shares issued under share option scheme				
– gross proceeds	137	–	–	137
– transfer from share option reserve	109	(109)	–	–
Equity-settled share-based payments	–	1,110	–	1,110
At 31 December 2021	246	4,945	541,216	546,407

31 BENEFITS AND INTEREST OF DIRECTORS

(A) *DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS*

The remuneration of every director and the chief executive for the year ended 31 December 2021 is set out below:

Name	Fees	Salary	Discretionary bonuses	Allowances and benefits in kinds	Employer's contribution to a retirement benefit scheme	Equity-settled share-based payments	Total
		(Note (iv))		*(Note (v))*			
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors							
Xu Keli	–	1,092	–	–	–	345	1,437
Lam Hin Chi *(Note (iii))*	–	1,228	–	436	18	346	2,028
Mr. Chen Kai Ben *(Note (i))*	–	–	–	–	–	–	–
Mr. Chen Qi *(Note (i))*	–	–	–	–	–	–	–
Non-executive directors							
Huang Guanchao	–	–	–	–	–	34	34
Lim Tzea	195	–	–	–	–	34	229
Independent non-executive directors							
Li Wei	180	–	–	–	–	–	180
Wu Wai Leung Danny *(Note (ii))*	180	–	–	–	–	–	180
Yuen Chee Lap Carl	180	–	–	–	–	–	180
Total	735	2,320	–	436	18	759	4,268

31 BENEFITS AND INTEREST OF DIRECTORS *(CONTINUED)*

(A) DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

The remuneration of every director and the chief executive for the year ended 31 December 2020 is set out below:

Name	Fees	Salary	Discretionary bonuses	Allowances and benefits in kinds	Employer's contribution to a retirement benefit scheme	Equity-settled share-based payments	Total
		(Note (iv))		*(Note (v))*			
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors							
Xu Keli	–	1,092	–	–	–	892	1,984
Lam Hin Chi	–	1,228	–	436	18	892	2,574
Non-executive directors							
Huang Guanchao	–	–	–	–	–	89	89
Lim Tzea	195	–	–	–	–	89	284
Independent non-executive directors							
Li Wei	180	–	–	–	–	–	180
Wu Wai Leung Danny	180	–	–	–	–	–	180
Yuen Chee Lap Carl	180	–	–	–	–	–	180
Total	735	2,320	–	436	18	1,962	5,471

Note:

(i) The directors were appointed on 3 September 2021.

(ii) The directors resigned on 31 December 2021.

(iii) The director resigned with effective from 30 April 2022.

(iv) Salary paid to a director is generally an emolument paid or receivable in respect of that person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings.

(v) These include housing allowances and estimated money value of other non-cash benefits: car, insurance premium and club membership.

(vi) During the years ended 31 December 2021 and 2020, no emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, except for Chen Kaiben and Chen Qi as disclosed above, none of the directors of the company has waived any remuneration for both year.

31 BENEFITS AND INTEREST OF DIRECTORS *(CONTINUED)*

(B) DIRECTORS' RETIREMENT BENEFITS AND TERMINATION BENEFITS

None of the directors received or will receive any retirement benefits or termination benefits during the year (2020: nil).

(C) CONSIDERATION PROVIDED TO THIRD PARTIES FOR MAKING AVAILABLE DIRECTORS' SERVICES

During the year ended 31 December 2021, the Company did not pay consideration to any third parties for making available directors' services (2020: nil).

(D) INFORMATION ABOUT LOANS, QUASI-LOANS AND OTHER DEALINGS IN FAVOUR OF DIRECTORS, CONTROLLED BODIES CORPORATE BY AND CONNECTED ENTITIES WITH SUCH DIRECTORS

As at 31 December 2021, there were no loans, quasi-loans and other dealings in favour of the directors, controlled bodies corporate by and connected entities with such directors (2020: Nil).

(E) DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

There were no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2020: Nil).

Five-year Financial Summary

	Note	Year ended 31 December 2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000 (Note)
Results						
Revenue	*1*	**283,398**	760,721	587,808	78,047	197,062
(Loss)/profit before income tax	*2*	**(888)**	(804)	26,715	(5,016)	35,920
Income tax credit/(expense)		**–**	–	–	10,049	(59)
(Loss)/profit for the year		**(888)**	(804)	26,715	5,033	35,861
Attributable to:						
– Owners of the Company		**(888)**	(804)	26,715	5,071	35,861
– Non-controlling interests		**–**	–	–	(38)	–
		(888)	(804)	26,715	5,033	35,861

	Note	As at 31 December 2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
Assets and liabilities						
Total assets	*2*	**738,626**	735,471	786,090	692,532	795,734
Total liabilities	*2*	**(68,093)**	(62,285)	(123,677)	(56,975)	(123,031)
Net assets		**670,533**	673,186	662,413	635,557	672,703
Equity attributable to owners of the Company		**670,533**	673,186	662,413	635,557	665,503
Non-controlling interests		**–**	–	–	–	7,200
		670,533	673,186	662,413	635,557	672,703

Note:

1. Revenue for the years ended 31 December 2017 represents the revenue, net of reversal/(provision) for rebates and discounts.

2. As a result of the adoption of HKFRS 16, Leases, with effect from 1 January 2019, the Group changed its accounting policies in respect of the lessee accounting model. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of opening balance adjustments to recognise right-of-use assets and lease liabilities as at 1 January 2019. After initial recognition of these assets and liabilities, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Figures in years earlier than 2019 are stated in accordance with the policies applicable in those years.