無縫綠色中國(集團)有限公司
Seamless Green China (Holdings) Ltd.

(Incorporated in the Cayman Islands and re-domiciled and continued in Bermuda with limited liability)

Stock Code: 8150

ANNUAL REPORT
2020

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the "Directors") of Seamless Green China (Holdings) Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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CORPORATION INFORMATION

Registered Office	Clarendon House 2 Church Street Hamilton HM11 Bermuda
Head Office and Principal Place of Business	Room 1604, Seaview Commercial Building 21-24 Connaught Road West, Sheung Wan Hong Kong
Executive Directors	Mr. Wong Kin Hong *(Chairman)* Mr. Huang Yonghua Mr. Wong Tat Wa Ms. Leung Po Yee
Independent Non-executive Directors	Mr. Yan Guoniu Mr. Tang Rong Gang Mr. Ou Wei An Mr. Ng Yu Ho, Steve
Company Secretary	Mr. Fung Nam Shan *(HKICPA, CPA (Aust))*
Compliance Officer	Ms. Leung Po Yee
Authorised Representatives	Mr. Wong Tat Wa Mr. Fung Nam Shan
Audit Committee	Mr. Yan Guoniu *(Chairman)* Mr. Tang Rong Gang Mr. Ou Wei An Mr. Ng Yu Ho, Steve
Remuneration Committee	Mr. Yan Guoniu *(Chairman)* Mr. Tang Rong Gang Mr. Ou Wei An Mr. Ng Yu Ho, Steve

CORPORATION INFORMATION

Nomination Committee	Mr. Yan Guoniu *(Chairman)* Mr. Tang Rong Gang Mr. Ou Wei An Mr. Ng Yu Ho, Steve
Legal Advisers as to Hong Kong Law	Cheung & Choy Lawrence Chan & Co.
Principal Share Registrar and Transfer Office	Butterfield Fund Services (Bermuda) Ltd. Rosebank Centre 11 Bermuda
Hong Kong Branch Share Registrar and Transfer Office	Link Market Services (Hong Kong) Pty Ltd. Suite 1601, 16/F, Central Tower 28 Queen's Road Central, Hong Kong
Independent Auditor	Linksfield CPA Limited *(Certified Public Accountants)* *Registered Public Interest Entity Auditor*
Stock Code	8150

Dear Shareholders,

On behalf of the board of directors of the Company (the "Board"), I hereby present the annual report of the Company and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2020 (the "Year").

BUSINESS

The Company is an investment holding company. The Group's principal business activities are manufacturing and trading of LED and related products, manufacturing and sale of optoelectronic products and sapphire watch crystals, trading of liquor, and property investment.

RESULTS

In 2020, the unexpected outbreak of COVID-19 brought unprecedented impact to the world economy. The logistics of the supply chain for the Group's production lines in the PRC have been heavily disrupted during the first half of 2020. Although the production gradually resumed in the second quarter of 2020, this resulted in lower production output, and consequently the revenue, for 2020.

During the Year, the Group recorded revenue of approximately HK$142.0 million (2019: HK$146.6 million), representing a decrease of approximately 3.1% against the prior year. Loss attributable to the owners of the Company amounted to approximately HK$11.2 million (2019: HK$10.6 million), representing an increase of loss of approximately 5.7% as compared to 2019. Basic loss per share for the Year was HK0.71 cents (2019: HK0.67 cents).

LED and related products

The revenue of the LED and related products division for the year ended 31 December 2020 amounted to approximately HK$138.9 million, representing a decrease of approximately 4.7% as compared to HK$145.7 million in 2019. The decrease was mainly due to decrease in sales orders as a result of COVID-19 outbreak which lead to uncertain marcoeconomic environment and poor consumption appetite. The Group will continue to launch marketing and business development programmes, implement cost-control measures, and diversify its product range with the view to stimulating sales and strengthening the Group's resistance towards these downturn factors caused by the COVID-19 outbreak.

Optoelectronic products

The revenue of optoelectronic products division for the years ended 31 December 2020 amounted to approximately HK$2.7 million, representing an increase of approximately 1,250% as compared to HK$0.2 million in 2019. The increase was mainly due to new trading orders for new product launched during the Period.

Liquor products

The revenue of liquor products division for the year ended 31 December 2020 amounted to HK$0.4 million (2019: HK$0.7 million), representing a decrease of approximately 42.9% as compared to 2019.

Sapphire watch crystals

No revenue for this business segment was generated for the Year (2019: Nil).

PROSPECTS

The Group will closely monitor the situation and the Group's exposure to the risks and uncertainties in connection with COVID-19, and assess and react proactively to its impacts on the financial position and results of the Group. In view of the generally weak market conditions, the Group will continue to take a conservative approach in capacity planning, and adopt stringent cost and risk management measures to guard against heightened uncertainty in the operating landscape.

The Company has been continuously reviewing its business operations and financial position for the purpose of formulating business plans and strategies for its future business development, which would enable the Group not only to develop its existing business divisions but also to capture business opportunities, diversify its businesses and broaden its income sources. The Company will endeavour to allocate its resources in an efficient and effective manner and in the best interest of the Company and its Shareholders as a whole.

APPRECIATION

Lastly, on behalf of the Board and the team of management of the Company, I would like to express my sincere gratitude to thank every member of our staff for their diligence and dedication and to express our sincere appreciation to our shareholders, business partners, clients and suppliers for their continuous and valuable support.

Wong Kin Hong
Chairman
31 March 2021

BUSINESS AND FINANCIAL REVIEW

The Company is an investment holding company. The Group's principal activities were involved in the manufacturing and trading of LED and related products, manufacturing and sale of optoelectronic products and sapphire watch crystals, trading of liquor, and property investment.

During the year ended 31 December 2020 (the "Year"), the total revenue of the Group amounted to approximately HK$142.0 million, representing a 3.1% decrease as compared to approximately HK$146.6 million in 2019. Loss attributable to owners of the Company for the Year was approximately HK$11.2 million, as compared to approximately HK$10.6 million in 2019.

Revenue

LED and related products division

The Group's LED and related products division recorded a revenue of HK$138.9 million for the Year (2019: HK$145.7 million), representing a decrease of approximately 4.7%. The decrease was mainly due to decrease in sales orders as a result of COVID-19 outbreak which lead to uncertain marcoeconomic environment and poor consumption appetite. The Group will continue to launch marketing and business development programmes, implement cost-control measures, and diversify its product range with the view to stimulating sales and strengthening the Group's resistance towards these downturn factors caused by the COVID-19 outbreak.

Optoelectronics products division

The Group's optoelectronics products division recorded a revenue of HK$2.7 million during the Year (2019: HK$0.2 million), represented an increase of 1250% as compared to 2019. The increase was mainly due to new trading orders for new product launched during the Period. The Board will continue to monitor the market situation and will continue to explore business opportunities to leverage on the Group's established experience in watch industry.

Trading of liquor products division

The Group's liquor trading division recorded a revenue of HK$0.4 million (2019: HK$0.7 million), representing a decrease of 42.9% as compared to 2019. The Board will continue to adjust its strategy to explore business opportunities to leverage on the Group's established experience in liquor trading industry. The Company will also review the performance of its distribution channels and make necessary adjustments as and when necessary.

Sapphire watch crystals division

The Group's sapphire watch crystals division did not generate any revenue during the Year (2019: Nil), principally due to the sluggish market of traditional watches resulted from competition of smart watches.

Administrative and other operating expenses

Total administrative and other operating expenses were HK$13.2 million for the Year (2019: HK$14.5 million), representing a decrease of 9.0% which was mainly due to decrease in legal and professional fee.

Provision for impairment of trade receivable and other financial assets carried at amortised cost

Provision for impairment of trade receivables

The Group recognised loss allowances for trade receivables are based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions.

As at 31 December 2020, loss allowance of HK$7.9 million (2019: HK$4.6 million) was recognised with respect to the Group's trade receivables of which HK$3.3 million (2019: HK$3.1 million) were related to trade receivables due from customers with known financial difficulties or significant doubt on collection that are individually assessed to be fully impaired. The rest of the loss allowance was calculated using a provision matrix.

Provision for impairment of other financial assets carried at amortised cost

Provision for impairment of other financial assets carried at amortised cost remained stable at HK$7.5 million as at 31 December 2020 and 2019 respectively.

Other current assets

The Group's other assets mainly represented prepayments to suppliers for procurement for raw materials for production of LED products.

The increase in prepayments by HK$36.9 million from HK$21.1 million as at 31 December 2019 to HK$58.0 million as at 31 December 2020 was mainly due to the weak market condition and consumer sentiment caused by COVID-19, resulting in conservative procurement planning and strict credit terms granted by the suppliers.

Capital structure, financial resources and liquidity

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise the value of its shareholders (the "Shareholders").

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the Shareholders, issue new shares, obtain other borrowings, or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as promissory notes, lease liabilities and other borrowings, less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt.

The gearing ratios as at 31 December 2020 and 2019 were as follows:

	2020	2019
	HK$'000	HK$'000
Promissory notes	**15,000**	15,000
Lease liabilities	**3,503**	4,624
Other borrowings	**61,522**	31,203
Less: cash and cash equivalents	**(11,245)**	(11,137)
Net debt	**68,780**	39,690
Total equity	**36,623**	43,387
Total capital	**105,403**	83,077
Gearing ratio	**65.3%**	47.8%

The increase in gearing ratio was attributable to the increase in other borrowings during the Year.

The shareholders' funds of the Group decreased to approximately HK$36.6 million as at 31 December 2020 (2019: approximately HK$43.4 million), which was mainly due to the operating loss during the Year. The Group's current assets amounted to approximately HK$165.8 million as at 31 December 2020 (2019: approximately HK$103.9 million), of which approximately HK$11.2 million (2019: approximately HK$11.1 million) was cash and cash equivalents.

As at 31 December 2020, the Group had cash and cash equivalents of approximately HK$11.2 million (2019: approximately HK$11.1 million), of which approximately 5%, 95% and 0% (2019: approximately 5%, 95% and 0%) were denominated in Hong Kong dollars ("HKD"), Renminbi ("RMB") and United States dollars ("USD") respectively.

As at 31 December 2020, all other borrowings and promissory notes of the Group bore fixed interest rates, the maturity (with repayable on demand clause) and currency profile are set out as follows:

	Within 1 year	**2nd year**	**Total**
	HK$'000	HK$'000	HK$'000
Hong Kong Dollars	19,054	6,900	25,954
Renminbi	5,880	44,688	50,568
	24,934	51,588	76,522

In managing the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on funds generated from operations and fund raising activities.

Trade receivables mainly represented the sales of LED and related products which accounted for approximately over 99.3% of the gross trade receivable balances as at 31 December 2020 (2019: 99.6%). As at the latest practicable date prior to the date of this report, trade receivables in the amount of approximately HK$56.6 million were subsequently settled.

Foreign currency risk

The Group operates mainly in Mainland China and Hong Kong. For the operations in Mainland China, the transactions are mostly denominated in RMB. Minimal exposure to fluctuation in exchange rates is expected. For the operations in Hong Kong, most of the transactions are denominated in HK$ and US$. Since the exchange rate of US$ against HK$ is pegged to each other under the Linked Exchange Rate System, the exposure to fluctuation in exchange rates will only arise from the translation to the presentation currency of the Group. The Group did not resort to any currency hedging facility for the Year. However, the management will monitor the Group's foreign currency exposure should the need arise.

Contingent liabilities

At 31 December 2020, the Group had no material contingent liabilities.

Employees and remuneration policies

As at 31 December 2020, the Group had 63 employees (2019: 72). Employees were remunerated according to their performance and work experience. In addition to the basic salaries and retirement scheme, staff benefits including free accommodation at the Group's staff quarters in Hong Kong, performance bonus and share options. The total staff costs including Directors' remuneration for the Year were approximately HK$5.9 million (2019: approximately HK$6.0 million).

Significant investments, material acquisitions and disposal of subsidiaries and affiliated companies

The Group had no significant investments, material acquisitions and disposal of subsidiaries and affiliated companies during the Year.

Pledge of assets

As at 31 December 2020, the Group had no pledge of assets.

Litigation

(i) On 6 March 2012, a writ of summons was issued by JMM Business Network Investments (China) Limited ("JMM") against (a) Mr. Chan Ka Ming, Mr. Nee, Henry Pei Ching, Mr. Ho Chun Kit Gregory, Mr. Tam Chak Chi, Mr. Ng Kai Shing, Mr. Jal Nadirshaw Karbhari and Ms. Chan Sze Man, all former Directors; and (b) the Company. In this action, JMM sought to challenge the validity of a notice of special general meeting of the Company dated 9 February 2012, but did not specify any monetary claim against the Company. The Directors have not been aware of any material progress of this action since as early as the third quarter of 2012. As such, the Directors are of the view that the action is unlikely to result in any significant impact on the financial statements of the Company.

(ii) On 14 March 2012, a writ of summons was issued by Good Capital Resources Limited ("Good Capital") against (a) Mr. Chan Ka Ming, Mr. Nee, Henry Pei Ching, Mr. Ho Chun Kit Gregory, Mr. Tam Chak Chi, Mr. Ng Kai Shing, Mr. Jal Nadirshaw Karbhari and Ms. Chan Sze Man, all former Directors; and (b) the Company. In this action, Good Capital sought to challenge the validity of the issuance of certain warrants and the grant of certain share options of the Company in March 2012, but did not specify any monetary claim against the Company. The Directors have not been aware of any material progress of this action since as early as the third quarter of 2012. As such, the Directors are of the view that the action is unlikely to result in any significant impact on the financial statements of the Company.

(iii) Under action HCA 987/2016, Good Return (BVI) Limited ("Good Return"), a wholly-owned subsidiary of the Company, claims against Wickham Ventures Limited ("Wickham") and Ms. Lee Hei Wun ("Ms. Lee") for, among others, the shortfall of a profit guarantee in a total sum of HK$16,188,374 pursuant to the sale and purchase agreement under which Good Return acquired Arnda Semiconductor Limited from Wickham (the "Legal Action"). Ms. Lee filed a Defence and Counterclaim alleging misrepresentation and breach of contract on the part of Good Return and claiming damages (unquantified), and seeking to rectify and rescind previous agreements. The court has granted judgment on 4 September 2020 in favour of Good Return for the sum of HK$3,000,000 plus interest.

(iv) On 11 February 2015, the Company and Silver Bonus Limited (a wholly-owned subsidiary of the Company and the purchaser to the acquisition) issued a writ of summons against Mr. Lau Hin Chung (the first vendor), Shinning Team Investment Limited (the second vendor), Neo Partner Investments Ltd. (the "Target Company"), Harvest View (China) Limited (a wholly-owned subsidiary of the Target Company) and Mr. Chen Zai (the registered owner of the other 55% shareholding in the Target Company) to claim for relief including damages for breach of contract and/or rescission of contract based on misrepresentation (including a declaration that the promissory notes issued as consideration for the acquisition being null and void and unenforceable), and negligence and breach of fiduciary duties against certain ex-directors of the Company. The Company's claim relates to the acquisition by the Group of 28% shareholding in the Target Company for the consideration of HK$23,800,000, pursuant to a sale and purchase agreement dated 10 December 2012 (as supplemented by a supplemental agreement dated 14 December 2012) which was completed on 23 January 2013. The Company has instructed its legal adviser to continue to uphold its rights in the legal action.

(v) On 20 April 2016, a writ of summons was issued by Mr. Zhu Jun Min ("Mr. Zhu") against the Company for claiming a sum of approximately HK$3.5 million, being the face value of a promissory note allegedly issued by the Company to Mr. Zhu in 2013. The Company has instructed its legal adviser to uphold its rights in the legal action.

Save as disclosed above, neither the Company nor any of its subsidiaries was involved in any material litigation at the end of the reporting period.

PROSPECTS

The COVID-19 outbreak since January 2020 and the uncertain macroeconomic environment have brought disruptions to the logistics of the supply chain for the Group's production lines in the PRC during the first half of 2020. As the schedule of full production resumption amongst upstream materials suppliers in the PRC varies, coupled with policies implemented in certain provinces and cities to restrict the movement of goods and people, a shortage of certain raw materials is resulted. Although COVID-19 pandemic well under control across the PRC and encouraged by the distribution of vaccine, the production only gradually resumed in the second quarter of 2020, the Group's financial performance for the Year was therefore adversely affected by the pandemic.

The Group will closely monitor the situation and the Group's exposure to the risks and uncertainties in connection with COVID-19, and assess and react proactively to its impacts on the financial position and results of the Group. In view of the generally weak market conditions, the Group will continue to take a conservative approach in capacity planning, and adopt stringent cost and risk management measures to guard against heightened uncertainty in the operating landscape.

The Company has been continuously reviewing its business operations and financial position for the purpose of formulating business plans and strategies for its future business development, which would enable the Group not only to develop its existing business divisions but also to capture business opportunities, diversify its businesses and broaden its income sources. The Company will endeavour to allocate its resources in an efficient and effective manner and in the best interest of the Company and its Shareholders as a whole.

BIOGRAPHIES OF DIRECTORS AND COMPANY SECRETARY

Executive Directors

Mr. Wong Kin Hong ("Mr. KH Wong"), aged 50, was appointed as an executive Director and the chairman of the Board on 25 June 2014 and 28 June 2014, respectively. Mr. KH Wong graduated from the Shenzhen University. Mr. KH Wong has been the managing director of a trading and IT company in Macau since 2002. He is the uncle of Mr. Huang Yonghua and Mr. Wong Tat Wa. Mr. KH Wong holds 25,500,000 shares of the Company.

Mr. Huang Yonghua, aged 33, was appointed as an executive Director on 25 June 2014. Mr. Huang graduated from the Lingnan College of Sun Yat-Sen University, majoring in international economics and trade (國際經濟與貿易). Mr. Huang has extensive working experience in financial and management aspects. He is a nephew of Mr. KH Wong.

Mr. Wong Tat Wa, aged 38, was appointed an executive Director on 25 June 2014 and an authorised representative of the Company on 1 July 2014. Mr. Wong graduated from the University of Macau with a bachelor's degree in law. Mr. Wong is currently a trainee solicitor in a law firm in Macau. He also acts as a legal consultant of various companies in Macau. Mr. Wong has extensive working experience in legal aspects. He is a nephew of Mr. KH Wong.

Ms. Leung Po Yee, aged 52, was appointed an executive Director on 25 June 2014 and a compliance officer of the Company on 16 September 2014. Ms. Leung graduated from the University of Hong Kong, majoring in English. Ms. Leung has been specialising in the fields of financial translation, corporate communications and public relations in Hong Kong for more than 21 years. She started her career in financial translation and communications with Beauhorse Professional Translation Limited in 1994 and became a manager of the company to build its leading position in translation of H-share IPO documents. Ms. Leung joined Manulife (International) Limited in 2004 as the Corporate Communications Manager. During her service at Manulife (International) Limited, Ms. Leung supervised the in-house translation department which provided language service across the company. Ms. Leung was also responsible for public relations and has established close connection with the media. In 2011, Ms. Leung joined Lohas Global in China as a company secretary and has been responsible for the management and development of online business platform.

Independent non-executive Directors ("INEDs")

Mr. Yan Guoniu, aged 66, was appointed as an INED on 25 June 2014 and was appointed as the chairman of each of the Board's audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") on the same date. Mr. Yan graduated from the Chinese Department of Foshan University and the Faculty of Law of Sun Yat-Sen University. Mr. Yan is currently a partner of a law firm in the People's Republic of China (the "PRC"). He is a member of the Legal Experts Panel of the Standing Committee of the People's Congress of Sanshui District, Foshan, Guangdong Province (廣東省佛山市三水區人大常委會法律專家委員會委員) and a mediator of the Commercial Mediation Committee of Sanshui Chamber of Commerce in Foshan (佛山市三水區商會企業商事調解委員會調解員). Mr. Yan has comprehensive working experience in the legal affairs of architecture, real estate, economic contracts and corporate law.

Mr. Ou Wei An, aged 53, was appointed as an INED and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee on 11 July 2014. Mr. Ou was awarded a master's degree in law from the Xiangtan University (湘潭大學), Hunan in 1999 and a doctorate's degree in law from the Sichuan University in 2008. Mr. Ou is a professor of the Law School of Guangzhou University and has been practising as a registered lawyer in China since 2001. Mr. Ou is currently a guest legal expert of the Guangzhou City Federation of Industry and Commerce.

Mr. Tang Rong Gang, aged 52, was appointed as an INED and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee on 25 June 2014. Mr. Tang graduated from the Hainan Open University (海南廣播大學) and was qualified as an assistant accountant in Guangdong Province in 2004. He has over 22 years of working experience in the accounting field.

Mr. Ng Yu Ho, Steve, aged 43, was appointed as an INED on 13 November 2014. Mr. Ng is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Ng graduated from the Hong Kong Polytechnic University with a bachelor's degree in accountancy. He has worked in PricewaterhouseCoopers Hong Kong for 9 years. He has extensive experience in auditing and has in-depth knowledge in auditing and accounting standards. The clients he served included both private and public companies, across different industries such as construction and property development, manufacturing, retailing, pharmaceutical and other services industries.

* *for identification purpose only*

Company Secretary

Mr. Fung Nam Shan, aged 44, was appointed as the company secretary and an authorised representative of the Company since 1 July 2014. Mr. Fung holds a degree of bachelor of commerce awarded by the University of Newcastle, Australia. Mr. Fung has become a certified public accountant of the Hong Kong Institute of Certified Public Accountants since February 2010 and a Certified Practising Accountant of CPA Australia since October 2003.

Currently, Mr. Fung is an independent non-executive director of Energy International Investments Holdings Limited (a company listed on the Main Board of the Stock Exchange (stock code: 0353)) and JH Educational Technology INC. (a company listed on the Main Board of the Stock Exchange (stock code: 1935)). He is the company secretary and authorised representative of MH Development Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2662) and China Supply Chain Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3708). He is the company secretary of Thelloy Development Group Limited, a company listed on Main Board of the Stock Exchange (stock code: 1546). He was the joint company secretary of Future Bright Mining Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2212) during the period from 4 November 2015 to 14 October 2016 and the company secretary and authorised representative of China Ocean Group Development Limited, a company listed on GEM of the Stock Exchange (stock code: 8047) during the period from 20 May 2015 to 16 May 2017.

Mr. Fung was employed as financial controller and company secretary of South China Assets Holdings Limited (formerly known as "South China Land Limited") (currently listed on GEM of the Stock Exchange (stock code: 8155)) from February 2011 to April 2013. Mr. Fung served for a reputable property development group as financial controller from 2009 to 2011. He has worked for PricewaterhouseCoopers as an audit manager for several years which he accumulated experience in auditing, accounting and taxation in Hong Kong and the PRC. He has been one of the marketing committee members of The Hong Kong Youth Hostels Association and also a member of its charity walk organising committee since 2012.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

The Company is committed to implementing good corporate governance practices and emphasising transparency and accountability to its shareholders and stakeholders.

The Company had complied with all the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules throughout the Year except for the followings:

Code provision A.2.1 of the CG Code stipulates that roles of the chairman and the chief executive should be separate and should not be performed by the same individual. Mr. KH Wong serves as the chairman of the Board (the "Chairman") and also acts as the chief executive officer of the Company. The Board believes that vesting the roles of both Chairman and chief executive officer in the same person would allow the Company to be more effective and efficient in developing long term business strategies and execution of business plans.

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. All Directors (including executive Directors and INEDs) are not appointed for a specific term but they are all subject to retirement by rotation and re-election in accordance with the Bye-laws of the Company.

The Board has reserved for its decision and consideration issues in relation to (i) formulating the strategic objectives of the Group; (ii) considering and deciding the Group's significant operational and financial matters, including but not limited to substantial mergers and acquisitions and disposals; (iii) overseeing the Group's corporate governance practices; (iv) ensuring a risk management control system in place; (v) directing and monitoring senior management in pursuit of the Group's strategic objectives; and (vi) determining the remuneration packages of all Directors and the Group's senior management, including benefits in kind, pension rights and compensation payments for loss or termination of their office or appointment. Implementation and execution of Board policies and strategies and the daily administrative matters are delegated to the respective Board committees and the management team of the Company.

The Board conducts at least four regular Board meetings a year and additional meetings will be held or resolutions in writing signed by all Directors in lieu of a meeting will be arranged as and when required. If a substantial shareholder of the Company or a Director has a conflict of interest in a transaction which the Board determines to be material, it will be considered and dealt with by the Board at a duly convened Board meeting. Comprehensive information on matters to be discussed at the Board meeting will be supplied to the Directors in a timely manner to facilitate discussion and decision-making.

COMPOSITION OF THE BOARD

At the date of this report, the Board comprises 4 executive Directors and 4 INEDs. The names and office of each of the members of the Board and the Board committees of the Company during the Year and up to the date of this report are as follows:

Board members	Office
Mr. Wong Kin Hong	Chairman/Executive Director
Mr. Huang Yonghua	Executive Director
Mr. Wong Tat Wa	Executive Director
Ms. Leung Po Yee	Executive Director
Mr. Yan Guoniu	INED
Mr. Tang Rong Gang	INED
Mr. Ou Wei An	INED
Mr. Ng Yu Ho, Steve	INED

Audit Committee members	
Mr. Yan Guoniu	Chairman
Mr. Tang Rong Gang	
Mr. Ou Wei An	
Mr. Ng Yu Ho, Steve	

Remuneration Committee members	
Mr. Yan Guoniu	Chairman
Mr. Tang Rong Gang	
Mr. Ou Wei An	
Mr. Ng Yu Ho, Steve	

Nomination Committee members	
Mr. Yan Guoniu	Chairman
Mr. Tang Rong Gang	
Mr. Ou Wei An	
Mr. Ng Yu Ho, Steve	

There is no specific term of appointment of the Directors. The term of office of each of the Directors (including the INEDs) is the period up to his/her retirement by rotation or otherwise as required by the Bye-laws.

The Board composition is regularly reviewed to ensure that it has a balance of skills and experience appropriate for the requirement of the business of the Group. A balanced composition of executive Directors and INEDs is maintained to ensure independence and effective management. The Company has satisfied the relevant provision of the GEM Listing Rules in having at least one of the INEDs with appropriate professional qualifications or accounting or related financial management expertise.

The appointment of Directors is recommended by the Remuneration Committee and the Nomination Committee and approved by the Board based on a formal written procedure and policy for the appointment of new Directors. When selecting potential candidates for the Directors, their skills, experience, expertise, devotion of time and non-conflicts of interests are the key factors.

The daily operation and management of the business of the Group, among other matters, the implementation of strategies, are delegated to the executive Directors. They report periodically to the Board on their work and business decisions.

All Directors have been fully consulted about any matters proposed for inclusion in the agenda for regular meetings. The chairman of the Board has delegated the responsibility for drawing up the agenda for each Board meeting to the company secretary of the Company (the "Company Secretary").

With the assistance of the executive Directors and the Company Secretary, the chairman of the Board seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and have received adequate and reliable information in a timely manner.

Notices of at least fourteen days are given to the Directors for regular meetings, while Board papers are sent to the Directors not less than three days before the intended date of a Board or Board committee meeting. With respect to other meetings, the Directors are given as much notice as is reasonable and practicable in the circumstances. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Bye-laws of the Company (the "Bye-laws"). The Company Secretary ensures that the procedures and all applicable rules and regulations are complied with. Minutes of Board meetings and meetings of Board committees are kept by the Company Secretary and are available for inspection at any time on reasonable notice by any Director.

The Directors have full access to information of the Group and are able to obtain independent professional advice whenever they deem necessary. Memorandums are issued to the Directors from time to time to update them with legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties.

The Company has received from each of the INEDs an annual confirmation of their independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all of the INEDs are independent.

Mr. KH Wong, an executive Director and the chairman of the Board, is the uncle of Mr. Huang Yonghua and Mr. Wong Tat Wa, both executive Directors. Save as disclosed in the "Biographies of Directors" section of this annual report, there is no relationship (including financial, business, family and other material/relevant relationship) among the members of the Board (including between the chairman of the Board and the executive Directors).

RESPONSIBILITIES

In the course of discharging their duties, the Directors act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders. Their responsibilities include (1) regular board meetings focusing on business strategy, operational issues and financial performance; (2) monitoring the quality, timeliness, relevance and reliability of internal and external reporting; (3) monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in connected transaction; and (4) ensuing processes are in place to maintain the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all laws and ethics.

DIRECTOR'S RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENT

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group and ensure that the consolidated financial statements of the Group are accordance with statutory requirements and applicable accounting standards. The Directors also use its best efforts to achieve timely publication of the consolidated financial statements of the Group. In preparing the accounts for the Year, the Directors have, among other things:

- Selected suitable accounting policies and applied them consistently;
- Approved adoption of all Hong Kong Financial Reporting Standards ("HKFRSs") which are in conformity with the International Financial Reporting Standards ("IFRSs"); and
- Made judgments and estimates that are prudent and reasonable; and have prepared the accounts on the going concern basis.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company.

The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, nationality, cultural and educational background, ethnicity, professional experience, skills, knowledge, industry experience and length of service.

Selection of candidates will be based on a range of diversity perspectives as stated in the above. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

As at the date of this report, the Board comprises 8 Directors. Four of the Directors are INEDs and independent of management, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of professional background and skills.

DELEGATION BY THE BOARD

The Board has established three committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. Specific responsibilities of each committee are described below. All committees are chaired by an INED. All committees have defined terms of reference which are no less exacting than those set out in the CG Code.

During the Year, the Board held seven meetings in total, and the individual attendance record of each Director at the meetings of the Board and the general meeting of the Company during the Year is set out below:

Name of Directors	Attendance/ Number of Board Meetings	Attendance/ Number of General Meetings
Executive Directors:		
Mr. Wong Kin Hong *(Chairman)*	7/7	2/2
Mr. Huang Yonghua	7/7	1/2
Mr. Wong Tat Wa	7/7	2/2
Ms. Leung Po Yee	7/7	2/2
INEDs:		
Mr. Yan Guoniu	7/7	2/2
Mr. Tang Rong Gang	7/7	2/2
Mr. Ou Wei An	7/7	2/2
Mr. Ng Yu Ho, Steve	7/7	2/2

Note: The attendance figure represents the actual attendance/the number of meetings a Director was required to attend.

Apart from regular Board meetings, the chairman also had a meeting with the INEDs without the presence of executive Directors during the Year.

AUDIT COMMITTEE

The Audit Committee consists of four INEDs, namely Mr. Yan Guoniu, serving as the chairman, Mr. Tang Rong Gang, Mr. Ou Wei An and Mr. Ng Yu Ho, Steve.

The primary responsibilities of the Audit Committee are to (i) review the financial reporting process of the Group and its internal control and risk management systems, the effectiveness of the Company's internal audit function, (ii) oversee the audit process, (iii) review the Company's compliance with the CG Code and (iv) perform other duties assigned by the Board. All committee members possess appropriate professional qualifications or accounting or related financial management expertise as required by the GEM Listing Rules.

As required by Rule 5.29 of the GEM Listing Rules, the Company has established the Audit Committee with written terms of reference which deal clearly with its authority and duties. The Audit Committee's principal duties are to review and supervise the Company's financial reporting process and internal control systems.

During the Year, the Audit Committee reviewed the financial results of the Group on a quarterly basis, audit plans and findings of the external auditor, the independence of external auditor, accounting principles and practices of the Group, the GEM Listing Rules and statutory compliance, internal controls, risk management, financial reporting matters and adequacy of resources, qualifications and experience of accounting and financial reporting staff and made recommendations to the Board to improve the quality of financial information to be disclosed and internal control. The Audit Committee has also reviewed and approved the engagement of external auditor to perform statutory audit and non-audit services and approved their fees. There was no disagreement between the Board and the Audit Committee on the selection and appointment of external auditor.

The Audit Committee reviewed the audited financial information on 31 March 2021. The Company's financial statements for the Year have been reviewed by the Audit Committee. The Audit Committee considered that the relevant financial statements have been prepared in compliance with the applicable accounting principles and requirements of the Stock Exchange and disclosures have been fully made.

During the Year, the Audit Committee held five meetings and performed duties including reviewing the Group's annual, half-yearly and quarterly reports of the Company.

The individual attendance record of each member at the meetings of the Audit Committee during the Year is set out below:

Name of Members	**Attendance/ Number of Meetings**
Mr. Yan Guoniu	5/5
Mr. Tang Rong Gang	5/5
Mr. Ou Wei An	5/5
Mr. Ng Yu Ho, Steve	5/5

REMUNERATION COMMITTEE

The Remuneration Committee was established with written terms of reference in compliance with the CG Code. The Remuneration Committee consists of four INEDs, namely Mr. Yan Guoniu, serving as the chairman, Mr. Tang Rong Gang, Mr. Ou Wei An and Mr. Ng Yu Ho, Steve.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure of all remuneration of Directors and senior management and the establishment of a formal and transparent procedure for developing a policy on such remuneration, assess performance of executive directors and approve the terms of executive directors' service contracts.

The Remuneration Committee and the Board review the terms of reference of the Remuneration Committee at least annually. The terms of reference of the Remuneration Committee are in line with the requirements of the GEM Listing Rules.

According to the terms of reference of the Remuneration Committee, the Remuneration Committee makes recommendation, to the Board for its final determination of the remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment; and make recommendations to the Board about the Directors' fee of non-executive Directors. The Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, responsibilities and performance of the Directors and senior management.

The Remuneration Committee members held one meeting in the Year. During the Year, the Committee has discussed and reviewed the remuneration policy and the remuneration packages for the Directors. The remuneration policy of the Company is to enable the Company to retain and motivate employees (including executive Directors) to meet corporate objectives. A Director is not allowed to approve his/her own remuneration. The remuneration package of an executive Director includes basic salary, allowance, discretionary bonus and share-based benefits, which are all covered by a service contract. The Director's fee of INEDs is subject to annual assessment. Remuneration surveys on companies operating in similar business, inflation rates, industry trends and performance of the Company are referred to when the Remuneration Committee is considering the remuneration packages of the Directors.

The individual attendance record of each member at the meeting of the Remuneration Committee during the Year is set out below:

Name of Members	**Attendance/ Number of Meeting**
Mr. Yan Guoniu	1/1
Mr. Tang Rong Gang	1/1
Mr. Ou Wei An	1/1
Mr. Ng Yu Ho, Steve	1/1

NOMINATION COMMITTEE

The Nomination Committee was established with written terms of reference in compliance with the CG Code. The Nomination Committee consists of four INEDs, namely Mr. Yan Guoniu, serving as the chairman, Mr. Tang Rong Gang, Mr. Ou Wei An and Mr. Ng Yu Ho, Steve.

The Nomination Committee is responsible for (i) reviewing the Board's structure, size, composition and diversity against factors including but not limited to gender, age, nationality, cultural and educational background, professional experience, skills, knowledge, industry experience and length of services, having regard to the Group's business activities, assets and management portfolio, (ii) selecting Board members and ensuring transparency of the selection process, (iii) reviewing and monitoring the training and continuous professional development of the Directors and senior management and (iv) assessing the independence of the INEDs, having regard to the requirements under the GEM Listing Rules. The Nomination Committee shall consider a variety of factors including without limitation the following in assessing the suitability of the proposed candidate:–

(a) Reputation for integrity;

(b) Accomplishment, experience and reputation in the business and other relevant sectors relate to the Company and/or its subsidiaries;

(c) Commitment in respect of sufficient time and attention to the Company's business;

(d) Diversity in all aspects, including but not limited to gender, age, cultural/educational and professional background, skills, knowledge and experience;

(e) The ability to assist and support management and make significant contributions to the Company's success;

(f) Compliance with the criteria of independence as prescribed under Rule 5.09 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited for the appointment of an independent non-executive Director; and

(g) Any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

The Nomination Committee and the Board review the terms of reference of the Nomination Committee annually. The terms of reference of the Nomination Committee are in line with the requirements of the GEM Listing Rules.

During the Year, one meeting was held by the Nomination Committee to review on the Board's structure, size, composition and diversity, to recommend the re-election of retiring Directors and to assess the independence of the INEDs.

The individual attendance record of each member at the meeting of the Nomination Committee during the Year is set out below:

Name of Members	Attendance/ Number of Meeting
Mr. Yan Guoniu	1/1
Mr. Tang Rong Gang	1/1
Mr. Ou Wei An	1/1
Mr. Ng Yu Ho, Steve	1/1

CORPORATE GOVERNANCE FUNCTIONS

The Board did not establish a corporate governance committee but has delegated its responsibility for performing corporate governance duties to the Audit Committee. During the Year, the Board and the Audit Committee have (i) reviewed the Company's policies and practices on corporate governance and made relevant recommendations to the Board, (ii) reviewed and monitored the training and continuous professional development of the Directors and senior management, (iii) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements, (iv) reviewed and monitored the code of conduct applicable to employees and Directors; and (v) reviewed the Company's compliance with the CG Code and disclosure in this report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. In response to the specific enquiry made by the Company of the Directors, all Directors of the Company have confirmed that they had complied with the required standard of dealings and the code of conduct regarding securities transactions by the Directors adopted by the Company throughout the Year.

CONTINUOUS PROFESSIONAL DEVELOPMENT FOR DIRECTORS

Directors must keep abreast of their collective responsibilities. Each newly appointed Director receives an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company. Apart from the updates on regulatory changes and governance developments provided by the Company, the Directors are encouraged to participate in professional training and seminars to develop and refresh their knowledge and skills. A training record has been devised to record the training which the Directors have undertaken.

Up to date of this report, the current Board members participated in the following training programs:

Name of Directors	Types of training Attending in-house training organised by professional organisations	Reading materials updating on new rules and regulations
Executive directors		
Mr. Wong Kin Hong *(Chairman)*	✓	✓
Mr. Huang Yonghua	✓	✓
Mr. Wong Tat Wa	✓	✓
Ms. Leung Po Yee	✓	✓
INEDs	✓	✓
Mr. Yan Guoniu	✓	✓
Mr. Tang Rong Gang	✓	✓
Mr. Ou Wei An	✓	✓
Mr. Ng Yu Ho, Steve	✓	✓

DIRECTORS AND OFFICERS INSURANCE

Appropriate insurance covers on directors' and officers' liabilities have been in force to protect the Directors and officers of the Group from their risk exposure arising from the business of the Group and, as at the date of this report, the Directors and officers of the Company are indemnified under a directors' and officers' liability insurance against any liability incurred by them in discharge of their duties while holding office as the Directors and officers of the Company. The Directors and officers of the Company shall not be indemnified where there is any fraud, breach of duty or breach of trust proven against them.

COMPANY SECRETARY

The company secretary of the Company (the "Company Secretary") is an external service provider, and his primary corporate contact person is Mr. KH Wong, an executive Director and the Chairman of the Board, for the purpose of code provision F.1.1 of the CG Code. The Company Secretary is to ensure a good information flow within the Board and between the Board and senior management of the Company, to provide advice to the Board in relation to the Directors' obligations under the GEM Listing Rules and applicable laws and regulations and to assist the Board in implementing the corporate governance practices. Mr. Fung Nam Shan, the Company Secretary of the Company, has attended and complied with the 15-hour training requirement under Rule 5.15 of the GEM Listing Rules.

INTERNAL CONTROLS

The Directors are responsible for maintaining and reviewing the effectiveness of the internal controls of the Company, including material financial, operational and compliance controls, risk management functions and particularly the adequacy of resources, staff qualifications and experience, training programs and budget of the accounting and financial reporting function. Appropriate policies and control procedures have been designed and established to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Company performance are appropriately identified and managed. In the case of the Company, such procedures are designed to manage, rather than eliminate, the risk of failure to achieve business objectives. These procedures can only provide reasonable, and not absolute, assurance against material misstatement or losses.

The Company has engaged an internal control review advisor to conduct the annual review of the effectiveness of the internal control system. Review of the Group's internal controls covering major financial, operational and compliance controls, as well as risk management functions of different systems has been done on a systematic rotational basis based on the risk assessments of the operations and controls. The scope of review for the Year had been determined and approved by the Audit Committee. No major issue but areas for improvement have been identified. The Board and the Audit Committee considered that the key areas of the Group's internal control systems are reasonably implemented.

RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group and ensure that the preparation of the consolidated financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

The directors of the Company have reviewed the Group's cash flow projections, which cover a period of 12 months from 31 December 2020. The directors are of the opinion that, taking into account of the following plans and measures, the Group will have sufficient working capital to meet its financial obligation as and when they fall due within the next 12 months from 31 December 2020:

(1) Certain suppliers request payment immediately on receipt or even payment in advance in order to maintain cash flow in the supply chain which have been heavily disrupted by the outbreak of COVID-19 in 2020. The Group had an advanced prepayment to suppliers amounting to approximately HK$58 million as at 31 December 2020. The improvement in supply chain in 2021 will contribute to a loosener credit term granted by the suppliers, the utilisation of the advanced prepayments shall provide relief to the liquidity burden of the Group;

(2) The Group had received payment in advanced from certain customers amounting to approximately HK$10 million as at 31 December 2020 and had received subsequent settlement of trade receivables amounting to approximately HK$56 million in the first quarter of 2021. The management will continue to negotiate a shorter-repayment terms with debtors to improve liquidity;

(3) The Group will recover its sales to the pre-COVID-19 level as its impact to the economic activities in China continues to lessen; and

(4) The Group will be able to obtain financing from directors and/or non-financial institutions, as and when needed.

In the opinion of the directors, in light of the above plans and measures, the Group will have sufficient working capital to fulfil its financial obligations as and when they fall due in the coming twelve months from 31 December 2020.

The Directors were not aware of any material uncertainties which may affect the Company's business or cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements of the Group for the Year is set out in the Independent Auditor's Report on pages 50 to 54 of this annual report.

AUDITOR'S REMUNERATION & RESPONSIBILITIES

The external auditor perform independent review or audit of the financial statements prepared by the management. Linksfield CPA Limited ("Linksfield") has been re-appointed as the independent auditor of the Company by Shareholders at the annual general meeting of the Company held on 28 September 2020.

During the Year, Linksfield received HK$668,000 for audit services and no non-audit services was provided by Linksfield.

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements of the Group for the Year is set out in the "Independent Auditor's Report" on page 50 to 54 of this annual report.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

The disclosure of the Group's information in a reasonable and time manner by the Board is to facilitate the shareholders as well as the investors to have a better understanding of the business performance, operations and strategies of the Group.

Our website at www.victoryhousefp.com/lchp/8150.html allows the Company's potential and existing investors as well as the public to get access to and acquire the Company's up-to-date corporate and financial information.

Shareholders are provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board through these means. The contact details of the Company are provided in this report, the "Corporate Information" section of this annual report and the Company's website.

The Board welcomes views of shareholders and encourages them to attend general meetings to raise any concerns that they may have with the Board or the management directly. Board members and appropriate senior staff of the Group are available at the meetings to answer any questions raised by shareholders.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

To safeguard shareholders' interests and rights, separate resolutions are proposed at general meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. Besides, pursuant to bye-law 58 of the Bye-laws, any one or more shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so.

Shareholders may send written enquiries to the Company or put forward any enquiries or proposals to the Board. The contact details are as follows:

Company Secretary
Seamless Green China (Holdings) Limited
Address: Room 1604, Seaview Commercial Building
21-24 Connaught Road West
Sheung Wan
Hong Kong
Fax No.: 852-37534617

To put forward proposals at an annual general meeting or a special general meeting, the shareholders shall submit a written notice of those proposals with detailed contact information to the Company Secretary at the Company's registered office.

The request will be verified with the Company's branch share registrar in Hong Kong and upon its confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the proposed resolution in the agenda for the general meeting.

Moreover, the notice period concerning the notice to be given to all the shareholders for consideration of the proposals submitted by the shareholders concerned varies as follows pursuant to bye-law 59 of the Bye-laws:

(a) for an annual general meeting and any special general meeting at which the passing of a special resolution is to be considered, it shall be called by at least 21 clear days' notice in writing; and

(b) for all other special general meetings, they may be called by not less than 14 clear days' notice in writing.

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the Company's address above-mentioned and provide their full names, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Constitutional documents

There are no changes in the Company's constitutional documents during the Year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. About this Report

1.1. Environmental, Social and Governance to Support Sustainable Development

The global health and economic crisis resulting from the COVID-19 pandemic has intensified investors and corporate stakeholders' concern about their interest regarding environmental, social, and governance ("ESG") matters. ESG are the preferred and important factors to measure a company's non-financial performance, as well as for company valuation, risk management and regulatory compliance. It is inevitable that the ESG performance of corporations is one of the key criteria to demonstrate companies' corporate social responsibility and their sustainability in the future.

1.2. The Group's ESG Approach and Commitment

The Board recognises its responsibility and is committed to lead and steward the Group with the aim to achieve long-term returns to its shareholders, to provide a safe working environment to its employees, and to generate a positive impact on the society and the environment. By continuing to assess and evaluate ESG-related risks and reporting performance, the Group was able to ensure operational reliance and compliance with the relevant legal and regulatory requirements. Both qualitative information and quantitative data have been collected for this ESG report (the "Report") to demonstrate the Group's ESG performance and its commitment to ensure a sustainable future.

1.3. Reporting Scope

The Report summarised the policies, management approach and performance of the Group's core and material business in the manufacturing and trading of Light-Emitting Diodes ("LED") and related products, the manufacturing and sale of optoelectronic products and sapphire watch crystals, the trading of liquor and property investment. The Group has operations in Hong Kong, Guangzhou, Dongguan and Jiangmen, the PRC. The Report was prepared in accordance with the reporting principles of 'Materiality', 'Quantitative', 'Balance' and 'Consistency'. With the aim to optimise the reporting process and expanding disclosures in the Report, the Group was dedicated in gathering the relevant data, formulating, implementing and monitoring policies.

1.4. Reporting Period

The Report focused on the environmental and social performance of the Group for the reporting period from 1st January 2020 to 31st December 2020 (the "Reporting Period").

1.5. Reporting Framework

The Report was prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Guide") contained in Appendix 20 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). The Report complied with the "comply or explain" provisions of the ESG Guide.

Key Performance Indexes (the "KPIs") Reference Table:

Reference KPIs of the ESG Guide	Corresponding KPIs in the sections of the Report
A. Environment	
A1: Emissions	Environmental Performance
	Emissions Policy and Compliance
	Carbon Footprint – Greenhouse Gas Emissions
	Air Emission
	Hazardous and Non-hazardous Waste Disposal
A2: Use of Resources	Use of Resources
A3: The Environment and Natural Resources	Emissions Policy and Compliance
	Use of Resources
	The Environment and Natural Resources
B. Social	
Employment and Labour Practices	
B1: Employment	Employment Policy and Compliance
B2: Health and Safety	Occupational Health and Safety Policy
B3: Development and Training	Human Resources Development and Training
B4: Labour Standards	Labour Practices and Compliance
Operating Practices	
B5: Supply Chain Management	Supply Chain Management
	Supplier Engagement
B6: Product Responsibility	Product Responsibility and Quality Assurance Process
	Data Protection and Privacy Policy
	Intellectual Property Rights Protection
B7: Anti-corruption	Anti-corruption Policy
	Conflict of Interest Policy
	Preventive Measures and Whistle-blowing Procedures
Community	
B8: Community Investment	Community Care

1.6. Stakeholder Engagement

Stakeholder engagement is crucial to the success of the Group, the process to communicate and exchange ideas with stakeholders enables the Group to understand their expectations and concerns, and at the same time, helps to identify risks and opportunities in the course of business development. To foster collaborative relationship with its stakeholders including policymakers, regulators, employees, investors, customers, suppliers and community members, the Group communicated with them through various approaches to convey business development strategies and collect thoughts and ideas that are valuable to its future growth and challenges.

Stakeholder Group	**Approach of Communication**
Community	Corporate website
	Announcements and notices
	Financial statements/ESG information
Customers	Contracts and agreements
	Corporate website
	Comments and complaint channels
Employees	Orientations, trainings, and meetings
	Notices and circulars
	Performance appraisals
	Employee meetings and briefings
	Emails and other electronic communications
Policymakers and Regulators	Announcements and notices
	Corporate website
	Financial statements/ESG information
Investors and Shareholders	Annual general meeting and circulars
	Announcements and notices
	Corporate website
	Financial statements/ESG information
Suppliers	Contracts and agreements
	Quotations and tendering process
	Management/Business meetings and interviews

1.7. Materiality Assessment

The Group has evaluated ESG related risks and opportunities by assessing their importance to the stakeholders and the Group through various communication channels. The assessment helped to ensure that the Group's business objectives and development direction are coincided with the stakeholders' expectations and requirements. The Group concluded that workplace health and safety, regulatory compliance and the product supply chain are issues of high importance.

1.8. Stakeholder Feedback

The Group welcomes stakeholders' comments and feedbacks regarding its approach and performance on ESG aspects as they are valuable to its continuous improvement and sustainability. If you have any questions, suggestions and recommendations to the Group, please send them to:

Address: Room 1604, Seaview Commercial Building 21-24 Connaught Road West, Sheung Wan, Hong Kong

Email: sgcholdings@gmail.com

2. Environmental Performance

The Group's major operating subsidiaries are engaged in the manufacturing and trading of LED and optoelectronic products. To seek long-term sustainability, the Group is committed to protecting the environment by proactively raising the environmental awareness of its employees and managing its operations at all levels in a sustainable manner.

2.1. Emissions Policy and Compliance

The Group complied with all material aspects of applicable environment protection laws and regulations and did not involve in air (dust and residues), water, and noise pollution during the Reporting Period. The Group continued to enforce its environmental management policy by using environmentally sustainable materials, energy efficient technologies and products, preventing pollution, and reducing waste. The Group strictly complied with all material aspects of applicable environment protection laws and regulations in the PRC, including but not limited to the following:

- The Environmental Protection Law of the PRC;
- The Energy Conservation Law of the PRC;
- Law of the PRC on the Prevention and Control of Water Pollution;
- Law of the PRC on the Prevention and Control of Pollution from Environmental Noise;
- Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste.

2.2. Carbon Footprint – Greenhouse Gas Emissions

Carbon footprint is defined as the total amount of direct and indirect emissions of greenhouse gas (the "GHG") expressed in terms of equivalent amount of carbon dioxide ("CO2-e") emission. During the Reporting Period, the total operation area, comprising the Group's headquarters, offices and factory, was 3,611.93 square metres ("m2") (2019: 5,267.93 m2) and was accounted for 100% of its GHG emissions.

The total net GHG emissions generated by the Group was 152.89 tonnes of carbon dioxide equivalent ("tCO2-e") (mainly carbon dioxide, methane and nitrous oxide), and the emission intensity was 0.042 tCO2-e/m2 during the Reporting Period. The electricity consumption resulting from the manufacturing activities was the major GHG emissions. The Group has made great efforts in controlling its emissions as well as its consumption of resources. Its energy conservation practices included deploying energy efficient lightings, switching off idle lightings, computers and electrical appliances and equipment, monitoring water consumption, using digital technology and recycled paper, encouraging the use of public transport, and using tele or video conferencing as an alternative to business travel.

The following table highlighted the carbon footprint of the Group.

Scope	**Sources of GHG emissions**	**2020**	**2019**	**2018**
		GHG* emissions (in tCO_2-e)		
1	Mobile – Gasoline	41.57	41.56	38.13
2	Purchased electricity	106.65	281.06	230.48
3	Disposal of paper waste	2.30	2.96	3.30
	Fresh water processing	1.61	2.19	0.35
	Sewage water processing	0.76	nil	0.13
	Total GHG* emissions	152.89	327.77	272.39
	Carbon Emission intensity per m^2	0.042	0.062	0.093

* The GHG is calculated according to the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong" jointly published by Environmental Protection Department and Electrical and Mechanical Services Department.

2.3. Air emission

Air emission was generated from motor vehicles used by employees for commuting and transporting goods. Motor vehicles emit a considerable amount of pollutants into the environment. The following table highlighted the total air emission of the Group.

Types of Pollutants	2020	2019
	Emission Data (kilograms) ("kgs")	
Nitrogen Oxides (NO_X)	**11.47^**	Data not available
Sulphur Dioxide (SO_2)	**0.23**	0.23
Particulate Matter	**0.84^**	Data not available

^ The Drivers' Estimation

2.4. Hazardous and Non-hazardous Waste Disposal

The Group's LED products manufactured during the Reporting Period were affixed with the CE marking which indicated that they complied with the European Union's Directives on performance and the essential health and safety requirements. Under the requirement, all waste generated from the production of LED products have fulfilled the Restriction on Hazardous Waste Directive (RoHS) and Waste Electrical and Electronic Equipment (WEEE) Directive. The product and its parts should not exceed the limit being set for the CE accredited listed hazardous substance and all parts and post-consumer parts should be appropriately recycled. The concerned hazardous electrical waste ("E-waste") such as the LED drivers and transformers were generated but the quantity was minimal, and they were properly sorted and sent to local recyclers.

Non-hazardous waste such as paper and its related printed matters and stationery waste was generated by the Group during the Reporting Period. Paper waste from the offices was collected by the property management for recycling and disposal.

2.5. Use of Resources

The Group encouraged efficient use of resources to reduce waste and cost. During the Reporting Period, the primary resources consumed by the Group were electricity, gasoline, water and paper. Packaging materials were used for the finished products that the Group manufactured.

The following table summarised the consumption of different resources by the Group.

Scope	Sources of GHG emissions	2020 Consumption	Intensity
1	Mobile – Gasoline	15,350.00 L	0.66 tCO2-e/ employee
2	Purchased electricity	119,713.00 kWh	33.14 kWh/m^2
3	Disposal of paper waste	479.54 kgs	0.04 tCO_2-e/ employee
	Water processing	3,789.60 m^3	0.04 tCO_2-e/ employee

Fossil Fuel Consumption – Gasoline

The air emission of motor vehicles may affect the people and neighbouring communities through its environmental impact. The total gasoline consumption was 15,350.00 litres ("L") and constituted to 27.2% of the Group's total carbon footprint. Regular maintenance on vehicles were conducted to ensure optimal vehicle performance and fuel efficiency.

Energy Consumption – Electricity

The total electricity consumption was 119,713.00 Kilowatt-hour ("kWh") and constituted to 69.7% of the Group's total carbon footprint. It was attributed to the electricity usage of lightings, air-conditioning, and electrical appliances and equipment. The Group's energy saving practices also included the use of window blinds in the offices for insulation to reduce indoor temperature during summer season.

Water Consumption

The Group did not encounter any issue in sourcing water that was fit for purpose. The water consumption of the Group's headquarters in Hong Kong was not available for disclosure because it was included in the property management fee and the amount of water used was insignificant. However, the Dongguan factory alone consumed 3,600.00 cubic metres ("m3") of freshwater that attributed to 95.0% of the Group's total freshwater consumption. The Group continued to introduce water conservation measures in the factory to enhance water efficiency and save this precious natural resource on earth.

Paper Consumption

Reducing the consumption of paper in its offices has been one of the environmental objectives of the Group. Paper and printed matters were used by administration, marketing and report publication purposes. The Group will continue to monitor its paper reuse and recycling efficiency to reduce paper consumption and disposal.

Total Packaging Material Used for Finished Products

The use of packaging materials is unavoidable to the Group. Various packaging materials ranging from carton boxes, plastic wrapping, adhesive type and stretch films were used for the packaging of finished products. Approximately 15.50 tonnes (2019: 19.00 tonnes) of packaging materials were used for product protection and transportation. With the aim to reduce waste and minimise its environmental impact, the Group constantly considers using fewer packaging materials and at the same time, evaluates the use of more environmentally friendly materials by encouraging employees and suppliers' feedback through research and discussions.

2.6. The Environment and Natural Resources

To seek long-term sustainability of the environment and places where it operates, the Group has made great efforts in controlling its emissions as well as documenting its consumption of resources in its daily operations and has strictly complied with the relevant environmental laws and regulations in Hong Kong and the PRC. As the Group's business is mainly conducted indoor, minor environmental impact is caused by its operations.

3. Employment and Labour Practices

3.1. Employment Policy and Compliance

As at 31st December 2020, the total workforce of the Group was 63 (2019: 72). The Group understands that human resources is the heart of a business organisation, and it is essential to the Group's development and future success. The Group continues to foster a positive business culture at work by building a stimulating yet harmonious working environment for its employees.

The Group complied with the Employment Ordinance (Cap. 57) of Hong Kong), the 1995 Labour Law and the 2008 Labour Contract Law of the PRC and provides equal opportunities to its employees in respect of recruitment, training and development, job advancement and remuneration and benefits during the Reporting Period. Employees' remuneration is designed to attract, retain and recognise employees to maintain a productive and sustainable workforce. The objective of the Group's human resources management is to encourage and reward employees by reviewing their compensation and benefits through the performance appraisal system. Performance appraisal is conducted annually based on employees' job performance, skills and experience. The employee composition is listed in the following table.

Employee Structure		2020	2019	2018
Total number of employees		63	72	58
By classification	Full-time	73.3%	94.4%	94.8%
	Part-time	6.7%	5.6%	5.2%
By gender	Male	47.6%	51.4%	58.6%
	Female	52.4%	48.6%	41.4%
By age group	18-25	12.7%	9.7%	10.3%
	26-35	41.3%	31.9%	29.3%
	36-45	19.0%	26.4%	31.0%
	46-55	17.5%	27.8%	25.9%
	56 or above	9.5%	4.2%	3.4%
By employee category	Management	22.2%	19.4%	25.9%
	Administrative	27.0%	29.2%	20.7%
	General	50.8%	51.4%	53.4%

3.2. Occupational Health and Safety Policy

Ensuring the health and wellbeing of employees is an important material aspect of the Group as human resources is one of its most valuable assets. To maintain a safe working environment and to comply with the Occupational Safety and Health Ordinance (Cap. 509) of Hong Kong and the Law of the PRC on Work Safety; trainings and instructions regarding health and safety precautions were developed and communicated to the employees. Trainings on good workplace practices that are tailored specifically to the nature of work and working environment were provided. The Group put emphasis on employee's safety performance during manufacturing operations by providing relevant trainings, conducting functional and safety checks, and arranging regular maintenance of equipment. The Group also provides regular health checks to employees to encourage the importance of health maintenance.

The COVID-19 pandemic crisis has been putting pressure on the Group and its employees during the Reporting Period. As part of the COVID-19 countermeasures and to prevent the spread of the virus, the Group complied strictly with the virus prevention regulations as required by the government, and stringent infection preventive measures (e.g. cleaning and sanitizing the offices and factories regularly) were implemented to protect its employees. The Group also arranged some of its employees to work from home and to conduct business meetings online to minimise physical interaction. Employees were advised to wear masks and avoid going to crowded places when they were required to meet people or work outside in their local community.

The Group administrated body temperature checks, provided surgical face masks and alcohol-based hand rub, arranged safe sitting arrangement to the employees, business partners and visitors during necessary business meetings in its operating locations to prevent the spreading of the virus.

During the Reporting Period, the Group did not violate any health and safety related regulations and laws.

Occupational Health and Safety Data	2020	2019	2018
Number of work injury cases	0	0	0
Lost days due to work injury	0	0	0
Number of work-related fatalities	0	0	0
Work injury rate	0	0	0

3.3. Human Resources Development and Training

The Group strives to provide its employees with a decent working environment with opportunities to progress within the Group. Various professional and technical training programs were provided to its employees according to their job responsibilities. On-the-job trainings were also provided to enhance their expertise and skills at work. To encourage lifelong learning and help employees to cope with the growing needs of emerging technologies, the Group offers tuition assistance to employees who would want to further develop themselves and progress on their career paths.

Annual Training Hours	2020	2019	2018
Total (hours)	2,952.0	560	540
Average (per employee) (hours)	46.9	7.8	9.3

3.4. Labour Practices and Compliance

The Group complied with the applicable laws and regulations on employment, child and forced labour practices during the Reporting Period. The employment contract and guidelines are structured to communicate important ground rules and regulations surrounding employment and labour standard, remuneration and benefits, leave and holidays, training and development, business conduct and ethics, and occupational health and safety. It is an essential tool to define the expectations of the management and to protect employees from unfair or inconsistent treatment and discrimination.

Recruitment of employees has been strictly abided by the guidelines and procedures as set out by the Group's human resources department so that suitable talents are recruited in accordance with the job requirement, relevant laws, and candidates' expectation. During the Reporting Period, there was no incidence of work stoppages, labour disputes, litigation, claims, administrative action or arbitration against the Group.

4. Operating Practices

4.1. Supply Chain Management

The Group's procurement policy is to ensure that products and services are procured in an honest, competitive, fair, and transparent manner. With the supplier selection process, products and services suppliers are selected based on tender terms and criteria including their reputation, financial reliability, product quality, price stability, safety assurance and proximity delivery service. Manufacturing supplies and materials are procured according to the production and shipping plan of the sales contract, suppliers' performance is assessed and evaluated periodically to enhance long-term cooperation.

4.2. Supplier Engagement

The Group recognises the importance of using strategic suppliers who offer high quality, safe, environmentally friendly, and technologically advanced products to meet the Group's developing needs. There were a total of 154 products and services suppliers (2019: 154) on the Group's approved suppliers list during the Reporting Period, the list is updated periodically and communicated to employees on a regular basis. To effectively communicate with and manage the quality performance of the suppliers, the Group mainly chose the suppliers who are in the proximity of respective operating location to save the transportation time and cost.

4.3. Product Responsibility and Quality Assurance Process

The Group is committed to manufacturing high quality products that meet the related safety and environmental standard. Goods and materials needed were purchased from accredited suppliers to ensure a safe manufacturing environment. By affixing the CE marking to the finished products, the Group guaranteed that its products met the required legal and technical requirements. The Group's quality management system has a standardized quality inspection process to ensure the quality of its raw materials and finished products are satisfactory. Product inspection and sampling method are used after production to ensure the quality standard are met. Inspection and sampling record are validated and kept for future reference. During the Reporting Period, there was no significant complaint in the product quality of the Group.

4.4. Data Protection and Privacy Policy

As a responsible enterprise, the Group complied with the Personal Data (Privacy) Ordinance (Cap 486 of the Laws of Hong Kong), all personal data collected from employees, customers, suppliers and business partners were kept confidential. As stipulated in the Group's ethical corporate practice on confidentiality, company servers and computers are protected from access passwords, employees are obliged to ensure the safekeeping of all personal data, trade secrets and proprietary information they have accessed to or collected from various stakeholders.

4.5. Intellectual Property Rights Protection

The Group registered its company logo and domain names as they are important to its brand and corporate image. The Group complied with the intellectual property (the "IP") rights regulations. During the Reporting Period, there was no material infringement of the IP rights and the Group is confident that all reasonable measures have been taken to prevent any infringement of its own IP rights and the IP rights of third parties.

4.6. Anti-corruption Policy

The Group is committed to conducting business with the highest standard of ethical behaviour and corporate practices. To uphold the ethical consideration of honesty, integrity and fairness in dealing with all business activities, the Group ensures that all applicable rules and regulations with regards to corruption, fraud and bribery are being complied with. Procurement and tendering process were conducted impartially to prevent bribery, corruption, and fraudulent practices.

4.7. Conflict of Interest Policy

The Group requires its directors and employees to avoid the conflict between personal or financial interest and their official duties to act in the best interest of the Group. A situation in which directors or employees exercise authority, influence decisions and actions or gain access to valuable information when dealing with third parties with his profession to achieve financial and personal gain is strictly prohibited. Directors and employees are required to declare potential conflict of interest to the Group on an annual basis.

4.8. Preventive Measures and Whistle-blowing Procedures

The Group encourages whistleblowing whereas an employee or a third party could report any concern about suspected misconduct, malpractice, irregularities and conflict of interest to the senior management in strict confidence. During the Reporting Period, communication was made to ensure employees understand the Group's ethical standard and the Group was not aware of any non-compliance with relevant laws and regulations that would have any significant impact on the Group, nor any corruption litigation against the Group or its employees.

5. Community

5.1. Community Care

The Group is committed to conducting business in a manner that minimises any potential environmental and social impact to its stakeholders, in particular to its employees and community members. The Group will explore opportunities in participating in future charitable e or community events to play a part in strengthening the communities in Hong Kong and the PRC.

The Directors submit their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020 (the "Year").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Company's subsidiaries are principally engaged in the manufacturing and trading of LED and related products, manufacturing and sale of optoelectronic products and sapphire watch crystals, trading of liquor and property investment.

An analysis of the Group's segment information for the Year by business is set out in note 5 to the consolidated financial statements.

RESULTS AND DIVIDENDS

Details of the audited consolidated results of the Group for the Year are set out in the consolidated statement of profit or loss and consolidated statement of comprehensive income on pages 55 and 56, of this annual report.

The Board does not recommend the payment of a final dividend for the Year (2019: Nil).

BUSINESS REVIEW

A fair review of the business of the Group as well as discussion and analysis of the Group's performance during the Year and the material factors underlying its financial performance and financial position can be found in the "Chairman's Statement" and "Management Discussion and Analysis" set out on pages 4 to 5 and pages 6 to 11 respectively. An analysis of the Group's financial risk management is provided in note 3 to the consolidated financial statements. No important event affecting the Group has occurred since the end of the Year.

Looking ahead, the global economic environment remains challenging. The Group will continue to combat rising operating costs by bolstering production efficiency and employing stringent cost control measures. The Group will focus on the LED and related products business in 2021, with more of the Group resources being allocated in this business line as an initiative to improve the Group's financial performance.

Environmental policies and performance

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 continues to upgrade equipment such as lighting 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.

Compliance with law and regulation

The Group recognises the importance of compliance with regulatory requirements and that the risk of non-compliance with such requirements could lead to the termination of business operation. The Group has been allocating system and staff resources to ensure ongoing compliance with rules and regulations and to maintain cordial working relationships with relevant authorities effectively through effective communications.

The Group also complies with the requirements under the Bermuda Companies Act, the GEM Listing Rules and the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO") for the disclosure of information and corporate governance. The Group also complies with the requirements of Employment Ordinance and ordinances relating to occupational safety for the interest employees of the Group in Hong Kong.

Key relationships with employees, customers and suppliers

The Group's success depends on, amongst other matters, the support from key stakeholders which comprise employees, shareholders, customers and suppliers.

Employees are regarded as the most important and valuable assets of the Group. The objective of the Group's human resource management is to reward and recognise performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by appropriate training and providing opportunities within the Group for career advancement. One of the corporate goals of the Group is to enhance corporate value to shareholders. The Group is poised to foster business developments for improving the Group's financial performance and rewarding shareholders by stable dividend payouts in the foreseeable future when sustainable earnings growth can be achieved, taking into account the capital adequacy levels, liquidity positions and business expansion needs of the Group. The Group aimed to maintain good and sustainable relationship with its customers and suppliers in order to achieve stable growth in sales, as well as maintain a stable supplier chain.

Principal risks and uncertainties facing the Company

Risk relating to the business growth sustainability

The Group commenced the production and sales of LED and related products in late of 2014. To a considerable degree, revenue during the Year was mainly attributable to the production and sale of LED and related products. However, the Group only has a limited operating history for the production and sale of LED and related products. Certain challenges are associated with companies that have relatively short operating histories on a business segment, including the ability to, among other things, effectively manage a rapidly growing business segment and respond effectively to the changes of market conditions.

Market risk on the existing LED and related products

The competitiveness in the LED and related industry is largely dependent on the Group's ability to improve the quality of the existing products and develop new products and techniques. As the Group has a limited history of operating the LED and related products business, no assurance could be given that such products will be well-accepted by the market.

Further, other competitors in the market may improve, develop and launch products which are superior to our products in terms of costs, production lead times and product quality, which would render our products non-competitive and obsolete. If the Group lags behind its competitors in improving existing products and/or launching new products in a timely manner, the Group may not be able to retain the existing customers, compete effectively for new business or maintain the position in the market, and the results of operations, profitability and prospects could be adversely affected as a result.

Risk relating to doing business in the People's Republic of China (the "PRC")

Substantially all of the Group's operations and assets are located the PRC. Accordingly, the Group's financial condition, results of operations and prospects are subject, to a significant degree, to the economic, political and social conditions and government policies in China. The PRC economy differs from the economies of most developed countries in a number of respects, including the extent of government involvement, level of development, growth rate, and control of foreign exchange.

While the PRC economy has grown significantly in the past 30 years, this growth has been geographically uneven among various sectors of the economy and during different periods. The Group cannot assure that the PRC economy will continue to grow, or that if there is growth, such growth will be steady and uniform. Any economic slowdown may have a negative effect on the Group's business. For example, the PRC government has in the past periodically implemented a number of measures intended to slow down certain segments of the economy, which the government believed to be overheating. The Group cannot assure that the various macroeconomic measures and monetary policies adopted by the PRC government to guide economic growth and the allocation of resources will be effective in improving the growth rate of the PRC economy. In addition, such measures, even if they benefit the overall PRC economy in the long term, may materially and adversely affect us if they reduce demand for the products.

SUBSIDIARIES

Details (including the principal activities) of the Company's principal subsidiaries as at 31 December 2020 are set out in note 36(a) to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the Year are set out in consolidated statement of changes in equity and note 38(b) to the consolidated financial statements, respectively.

PROPERTY, PLANT AND EQUIPMENT

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

DISTRIBUTABLE RESERVES

As at 31 December 2020, no reserve was available for distribution to the owners of the Company (2019: Nil).

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist under the Company's bye-laws (the "Bye-laws") or under the laws in Bermuda.

GROUP FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 137 of this annual report.

SHARE CAPITAL

Details of the movements in share capital of the Company during the Year are set out in note 25 to the consolidated financial statements.

DIRECTORS

During the Year and thereafter up to the date of this report, the Directors are named as follows:

Executive Directors:

Mr. Wong Kin Hong *(Chairman)*
Mr. Huang Yonghua
Mr. Wong Tat Wa
Ms. Leung Po Yee

Independent Non-executive Directors (the "INEDs"):

Mr. Yan Guoniu
Mr. Tang Rong Gang
Mr. Ou Wei An
Mr. Ng Yu Ho, Steve

Pursuant to bye-law 87(1) of the Bye-laws, at each annual general meeting, one-third of the Directors for the time being (or, if this number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at an annual general meeting of the Company (the "AGM") at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. As such, Mr. Huang Yonghua, Mr. Tang Rong Gang and Mr. Qu Wei An will retire from office at the forthcoming AGM. All of the above retiring directors, being eligible, will offer themselves for re-election at the forthcoming AGM.

Confirmation of independence of INEDs

The Company has received an annual written confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules from each of the INEDs, namely Mr. Yan Guoniu, Mr. Tang Rong Gang, Mr. Ou Wei An and Mr. Ng Yu Ho, Steve as at the date of this report. The Company considers the INEDs to be independent.

Biographies of Directors

The biographical details of the Directors are set out on pages 12 to 14 of this annual report.

Directors' service contracts

None of the Directors who are proposed for re-election at the forthcoming AGM has entered into a service contract with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

There is no specific term of appointment of the Directors. The term of office of each of the executive Directors and INEDs is the period up to his/her retirement by rotation or otherwise as required by the Bye-laws. Pursuant to bye-law 87(1) of the Bye-laws, at each AGM, one-third of the Directors for the time being shall retire from office by rotation.

Directors' and controlling shareholders' interests in transactions, arrangements or contracts of significance

No transactions, arrangements or contracts of significance in relation to the business of the Group to which the Company, or any of its holding companies, or any of its subsidiaries or fellow 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, nor was there any transaction, arrangements or contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder (as defined in the GEM Listing Rules) or any of its subsidiaries for the Year.

Management contract

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

Directors' emoluments

Details of the remuneration of the Directors on a named basis during the Year are set out in note 10 to the consolidated financial statements.

Remuneration policy

The remuneration policy of the Company is reviewed regularly, making reference to the market conditions and performance of the Company and individual staff (including the Directors). The remuneration policy and remuneration packages of the Directors and senior management are reviewed by the remuneration committee and the Board, which are detailed in the paragraph headed "Remuneration Committee" under the Corporate Governance Report on page 21 of this annual report.

The Company provides a comprehensive benefit package for all employees as well as career development opportunities. This includes retirement schemes, share option scheme, medical insurance, other insurances, in-house training, on-the-job training, external seminars and programs organised by professional bodies and educational institutes.

PENSION-DEFINED CONTRIBUTION PLANS

Details of the pension-defined contribution plans of the Group are set out in note 2.22 to the consolidated financial statements.

SHARE OPTIONS SCHEME AND OUTSTANDING SHARE OPTIONS

Details of the Company's share option scheme and the movement in the outstanding share options during the Year are set out in note 26 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Save and except for the Share Option Scheme as disclosed in the paragraph headed "Share Option Scheme" above, no equity-linked agreement that (i) will or may result in the Company issuing shares or (ii) requires the Company enter into any agreement that will or may results in the Company issuing shares, was entered into by the Company during the year ended 31 December 2020 or subsisted at the end of the year.

DIVIDEND POLICY

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

– the Bye-laws of the Company;

– the applicable restrictions and requirements under the laws of the Bermuda;

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

– the investment and operating requirements of the Company; and

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

The Board may consider distributing special dividend to all shareholders, and the amount of which shall be determined and approved by the Board at its absolute discretion.

Under the Bye-laws of the Company, all of the shareholders have equal entitlement to dividends and distributions. The Board shall have the right to review the Dividend Policy from time to time as it deems fit according to the financial and business development requirements of the Company.

PERMITTED INDEMNITY

Appropriate insurance covers on directors' and officers' liabilities have been in force to protect the directors and officers of the Group from their risk exposure arising from the business of the Group.

Pursuant to the Bye-laws, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses, which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO, which were required to be: (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions in which they were taken or deemed to have under such provisions of the SFO); or (b) recorded in the register required to be kept pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

Ordinary shares in the Company (the "Shares")

Name of Director/ chief executive	Capacity/Nature of interest	No. of Shares	Underlying Shares	Long/Short position	Approximate percentage of the Company's issued Shares *(Note)*
Wong Kin Hong	Beneficial owner	25,500,000	–	Long Position	1.62%

Note: The percentage represents the number of Shares interested divided by the number of the Company's issued Shares as at 31 December 2020.

As at 31 December 2020, save as disclosed above, none of the Directors and the chief executive of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which would have to be: (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions in which they were taken or deemed to have under such provisions of the SFO); or (b) recorded in the register required to be kept pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed under the paragraphs headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Option Scheme and Outstanding Share Options" above, at no time during the Year were any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or the chief executive of the Company or any of their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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

As at 31 December 2020, so far as the Directors are aware, the persons (other than a Director or the chief executive of the Company) who had an interest or short position in the 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 were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or substantial shareholders as recorded in the register required to be kept by the Company under section 336 of the SFO, are as follows:

Name of shareholders	Capacity/Nature of Interest	Number of Shares held	Underlying Shares	Long/Short position	Approximate percentage of the Company's issued Shares *(Note)*
Elisabeta Ling	Beneficial owner	118,500,000	–	Long Position	7.54%

Note: The percentage represents the number of Shares interested divided by the number of the Company's issued Shares as at 31 December 2020.

So far as is known to any Director, there was no person other than a Director or the chief executive of the Company who, as at 31 December 2020, had an interest or short position in the Shares or underlying Shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other substantial shareholders whose interest or short position were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHAREHOLDERS' INTERESTS IN SECURITIES OF SIGNIFICANCE

Other than the interests disclosed above in respect of the substantial shareholders, as at 31 December 2020, no other person is individually and/or collectively entitled to exercise or control the exercise of five per cent. or more of the voting power at the general meetings of the Company and are able, as a practicable manner, to direct or influence the management of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of revenue for the Year generated from the Group's major customers is as follows:

– The largest customer	37%
– Five largest customers	92%

The percentage of purchases for the Year attributable to the Group's major suppliers is as follows:

– The largest supplier	25%
– Five largest suppliers	64%

None of the Directors, their close associates (as defined in the GEM Listing Rules) or any shareholders (which to the knowledge of the Directors, owns more than 5% of the Company's share capital) had an interest in any of the Group's five largest customers and suppliers for the Year.

PURCHASE, SALE OR REDEMPTION OF SHARES BY THE COMPANY AND/OR SUBSIDIARIES

Save as aforesaid, the Company did not redeem any of its Shares listed and traded on GEM nor did the Company or any of its subsidiaries purchase or sell any of such Shares during the Year.

COMPETING INTERESTS

During the Year, none of the Directors or the controlling shareholders (as defined in the GEM Listing Rules) of the Company or their respective close associates (as defined in the GEM Listing Rules) had an interest in a business that competed with or might compete with the business of the Group.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors (the "Securities Code") on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

Following a specific enquiry made by the Company with the Directors, all of them have confirmed that they had complied with the required standard of dealings of the Securities Code throughout the Year.

REVIEW BY AUDIT COMMITTEE

As required by Rule 5.29 of the GEM Listing Rules, the Company has established an Audit Committee with written terms of reference, which deals clearly with its authority and duties. The principal duties of the Audit Committee are to review and supervise the Group's financial reporting process and its internal control and risk management systems. As at the date of this report, the Audit Committee comprises four INEDs, namely Mr. Yan Guoniu (chairman of the Audit Committee), Mr. Tang Rong Gang, Mr. Ou Wei An and Mr. Ng Yu Ho, Steve.

The Company's audited consolidated financial statements for the Year and this annual report have been reviewed by the Audit Committee. The Audit Committee considered that the relevant financial statements had been prepared in compliance with the applicable accounting principles and requirements of the GEM Listing Rules.

RELATED PARTIES TRANSACTIONS

Saved as disclosed elsewhere in the consolidated financial statements, no significant related party transactions was entered into by the Group during the Year.

PUBLIC FLOAT

From the information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital are held by the public at all times during the Year and thereafter up to the date of this report.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to implementing good corporate governance practices. Information on the principal corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 15 to 27 of this annual report.

INDEPENDENT AUDITOR

The consolidated financial statements for the Year have been audited by Linksfield, who will retire and, being eligible, offer themselves for re-appointment. The Board has taken the Audit Committee's recommendation that a resolution for their re-appointment as independent auditor of the Company will be proposed at the forthcoming AGM.

There is no change of independent auditor during the Year and up to the date of this report.

EVENT AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2020 and up to the date of this report.

On behalf of the Board

Wong Kin Hong
Chairman

Hong Kong, 31 March 2021

LINKSFIELD
CPA LIMITED

LINKSFIELD CPA LIMITED
金道連城會計師事務所有限公司
Unit 1503, 15/F., Podium Plaza, 5 Hanoi Road,
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TO THE SHAREHOLDERS OF SEAMLESS GREEN CHINA (HOLDINGS) LIMITED

(incorporated in the Cayman Islands with limited liability and re-domiciled to Bermuda on 22 January 2008)

Opinion

What we have audited

The consolidated financial statements of Seamless Green China (Holdings) Limited (the "Company") and its subsidiaries (the "Group") set out on pages 55 to 136, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, 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 Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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.

Key audit matter identified in our audit is the impairment of trade receivables.

Key Audit Matter	How our audit addressed the Key Audit Matter
Refer to Note 3.1(b)(ii) (financial risk factors), Note 4(b) (critical accounting estimates and judgments) and Note 22 (trade receivables and other financial assets carried at amortised cost) to the consolidated financial statements for related disclosures. As at 31 December 2020, the Group had gross trade receivables of approximately HK$90.3 million and provision for impairment of trade receivables of approximately HK$7.9 million. Provision is made for lifetime expected credit losses on trade receivables. Management applied judgment in assessing the expected credit losses. Receivables relating to customers with known financial difficulties, dispute or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. Expected credit losses are also estimated by grouping the remaining receivables based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customer and its ageing category, and applying expected credit loss rates to the respective gross carrying amounts of the receivables. The expected credit loss rates are determined based on historical credit losses experienced from the past 3 years and adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables. External valuations were obtained to support management's estimates of the expected credit losses of trade receivables. The valuations of the expected credit losses of trade receivables are dependent on certain key assumptions that require significant judgment, including the probability of default, loss given default and forward-looking adjustment. We focused on this area due to the magnitude of the trade receivables and the estimation and judgment involved in determining the expected credit losses allowance of the trade receivables.	Our audit procedures in relation to management's assessment on provision for impairment losses of trade receivables included: – Understood, evaluated and validated the credit control procedures performed by management, including its procedures on periodic review of aged receivables and assessment on expected credit allowance of receivables; – Tested on a sample basis, the accuracy of ageing profile of trade receivables by checking to the underlying sales invoices; – Tested on a sample basis, the subsequent settlement of trade receivables against bank receipts; and – Obtained management's assessment on the expected credit losses allowance of receivables. We corroborated and validated management's assessment based on the historical settlement pattern from the past 3 years, correspondence with the customers, evidence from external sources including market research regarding the relevant forward-looking information such as macroeconomic factors used in management assessment. – We considered the competency, capability and objectivity of the independent, professional and qualified valuer by considering its qualification, relevant experience and relationship with the Group. – We obtained the valuation report on the expected credit losses on trade receivables and involved our internal valuation specialist to understand the rationale and assess the reasonableness of key assumptions used and checked, on a sample basis, the accuracy of key inputs used in the valuation process, agreeing the ageing categories, and comparing the key parameters used, such as the probability of default and loss given default, against historical settlement records of the relevant debtors. Based upon the above, we found that the estimation and judgment made by management in respect of the expected credit losses allowance and the collectability of receivables were supportable by the available evidences.

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with 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 are 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. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda 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.

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

(continued)

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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

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

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

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

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

(continued)

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

The engagement partner on the audit resulting in this independent auditor's report is Kwok Chi Kan.

Linksfield CPA Limited
Certified Public Accountants

Hong Kong, 31 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
Revenue	6	**142,047**	146,602
Cost of sales	7	**(129,715)**	(135,466)
Gross profit		**12,332**	11,136
Other income and other losses, net	6	**(2,497)**	(913)
Selling and distribution expenses	7	**(1,687)**	(1,017)
Administrative and other operating expenses	7	**(13,237)**	(14,462)
(Provision for)/reversal of impairment of trade receivables	22(a)	**(2,899)**	506
Reversal of/(provision for) impairment of other financial assets carried at amortised cost	22(b)	**20**	(338)
Operating loss		**(7,968)**	(5,088)
Finance costs	8	**(3,172)**	(4,545)
Loss before income tax		**(11,140)**	(9,633)
Income tax credit/(expense)	11	**180**	(657)
Loss for the year		**(10,960)**	(10,290)
(Loss)/profit for the year attributable to:			
– Owners of the Company		**(11,202)**	(10,557)
– Non-controlling interests		**242**	267
		(10,960)	(10,290)
Loss per share for the loss attributable to owners of the Company for the year			
– Basic (HK cents)	12	**(0.71)**	(0.67)
– Diluted (HK cents)	12	**(0.71)**	(0.67)

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	**2020** **HK$'000**	2019 HK$'000
Loss for the year		**(10,960)**	(10,290)
Other comprehensive income/(loss), net of tax			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**4,524**	(1,260)
Items that will not be reclassified to profit or loss:			
Change in the fair value of financial assets at fair value through other comprehensive income	*19*	**(328)**	(4)
		4,196	(1,264)
Total comprehensive loss for the year, net of tax		**(6,764)**	(11,554)
Total comprehensive (loss)/income for the year attributable to:			
– Owners of the Company		**(7,184)**	(11,768)
– Non-controlling interests		**420**	214
		(6,764)	(11,554)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*14*	**7,846**	9,045
Right-of-use assets	*15(a)(i)*	**3,113**	4,261
Investment property	*16*	**10,362**	12,321
Intangible asset	*17*	**507**	507
Financial assets at fair value through other comprehensive income	*19*	**–**	328
Other financial assets carried at amortised cost	*22*	**153**	168
Total non-current assets		**21,981**	26,630
Current assets			
Inventories	*21*	**9,897**	7,763
Trade receivables and other financial assets carried at amortised cost	*22*	**85,903**	62,996
Other current assets	*23*	**58,801**	21,990
Cash and cash equivalents	*24*	**11,245**	11,137
Total current assets		**165,846**	103,886
Total assets		**187,827**	130,516
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Company			
Share capital	*25*	**78,626**	78,626
Reserves		**(44,961)**	(37,777)
		33,665	40,849
Non-controlling interests		**2,958**	2,538
Total equity		**36,623**	43,387

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
LIABILITIES			
Non-current liabilities			
Other borrowings	*28*	**51,588**	3,000
Lease liabilities	*15(a)(ii)*	**1,801**	2,897
Deferred income tax liabilities	*29*	**–**	744
Total non-current liabilities		**53,389**	6,641
Current liabilities			
Trade and other payables	*30*	**58,512**	31,158
Contract liabilities	*5(b)*	**9,936**	2,118
Current income tax liabilities		**2,731**	2,282
Other borrowings	*28*	**9,934**	28,203
Promissory notes	*31*	**15,000**	15,000
Lease liabilities	*15(a)(ii)*	**1,702**	1,727
Total current liabilities		**97,815**	80,488
Total liabilities		**151,204**	87,129
Total equity and liabilities		**187,827**	130,516

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 55 to 136 were approved by the Board of Directors on 31 March 2021 and were signed on its behalf.

Wong Tat Wa
Director

Leung Po Yee
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Financial assets at fair value through other comprehensive income reserve HK$'000	Exchange reserve HK$'000	Share-based payment reserve HK$'000	Other reserve HK$'000	Statutory reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
For the year ended 31 December 2019											
Balance at 1 January 2019	78,626	491,228	(762)	(6,606)	8,762	(776)	436	(518,291)	52,617	–	52,617
Comprehensive income											
Loss for the year	–	–	–	–	–	–	–	(10,557)	(10,557)	267	(10,290)
Other comprehensive loss											
Exchange differences on translation of foreign operations	–	–	–	(1,207)	–	–	–	–	(1,207)	(53)	(1,260)
Changes in the fair value of financial assets at fair value through other comprehensive income	–	–	(4)	–	–	–	–	–	(4)	–	(4)
Total comprehensive income/(loss) for the year	–	–	(4)	(1,207)	–	–	–	(10,557)	(11,768)	214	(11,554)
Transactions with owners in their capacity as owners:											
Non-controlling interests arising from business combination	–	–	–	–	–	–	–	–	–	2,324	2,324
Transfer to statutory reserve	–	–	–	–	–	–	123	(123)	–	–	–
	–	–	–	–	–	–	123	(123)	–	2,324	2,324
Balance at 31 December 2019	78,626	491,228	(766)	(7,813)	8,762	(776)	559	(528,971)	40,849	2,538	43,387
For the year ended 31 December 2020											
Balance at 1 January 2020	**78,626**	**491,228**	**(766)**	**(7,813)**	**8,762**	**(776)**	**559**	**(528,971)**	**40,849**	**2,538**	**43,387**
Comprehensive income											
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(11,202)**	**(11,202)**	**242**	**(10,960)**
Other comprehensive income/(loss)											
Exchange differences on translation of foreign operations	**-**	**-**	**-**	**4,346**	**-**	**-**	**-**	**-**	**4,346**	**178**	**4,524**
Changes in the fair value of financial assets at fair value through other comprehensive income	**-**	**-**	**(328)**	**-**	**-**	**-**	**-**	**-**	**(328)**	**-**	**(328)**
Total comprehensive income/(loss) for the year	**78,626**	**491,228**	**(328)**	**4,346**	**8,762**	**(776)**	**559**	**(11,202)**	**(7,184)**	**420**	**(6,764)**
Transactions with owners in their capacity as owners:											
Transfer to statutory reserve	**-**	**-**	**-**	**-**	**-**	**-**	**128**	**(128)**	**-**	**-**	**-**
	-	**-**	**-**	**-**	**-**	**-**	**128**	**(128)**	**-**	**-**	**-**
Balance at 31 December 2020	**78,626**	**491,228**	**(1,094)**	**(3,467)**	**8,762**	**(776)**	**687**	**(540,301)**	**33,665**	**2,958**	**36,623**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Cash used in operations	*32(a)*	**(22,749)**	(21,233)
Income tax paid		**(301)**	(891)
Net cash used in operating activities		**(23,050)**	(22,124)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(468)**	(2,495)
Interest received		**10**	21
Proceeds from acquisition of a subsidiary	*37*	**–**	678
Net cash used in investing activities		**(458)**	(1,796)
Cash flows from financing activities			
Proceeds from other borrowings		**43,790**	32,218
Repayment of other borrowings		**(14,238)**	(500)
Interest paid on other borrowings		**(2,957)**	(731)
Principal elements of lease payments		**(1,852)**	(1,131)
Interest elements of lease payments		**(215)**	(152)
Net cash generated from financing activities		**24,528**	29,704
Net increase in cash and cash equivalents		**1,020**	5,784
Cash and cash equivalents at beginning of the year		**11,137**	5,014
Effects of exchange rate changes on cash and cash equivalents		**(912)**	339
Cash and cash equivalents at end of the year	*24*	**11,245**	11,137

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 General information

Seamless Green China (Holdings) Limited (the "Company") is an investment holding company and together with its subsidiaries (collectively referred to as the "Group") are principally engaged in the manufacturing and trading of Light Emitting Diode ("LED") and related products, manufacturing and sale of optoelectronic products and sapphire watch crystals, trading of liquor and property investment.

The Company was incorporated in the Cayman Islands on 18 January 2001 as an exempted company with limited liability. The issued shares of the Company's shares have been listed on GEM of The Stock Exchange of Hong Kong Limited since 10 August 2001. Pursuant to a special resolution passed on 7 January 2008, the shareholders of the Company resolved to change the domicile of the Company from the Cayman Islands to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda. The re-domicile was completed on 22 January 2008. The change of domicile has no impact on the continuity and the listing status of the Company. The addresses of its registered office and principal place of business are Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Room 1604, Seaview Commercial Building, 21-24 Connaught Road West, Sheung Wan, Hong Kong respectively.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). The consolidated financial statements have been prepared under the historical cost convention, except for the investment property and financial assets at fair value through other comprehensive income ("FVOCI"), which are measured at fair values.

The preparation of these consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

HKFRS 3	Definition of a Business (amendments)
HKAS 1 and HKAS 8	Definition of Material (amendments)
HKAS 39, HKFRS 7 and HKFRS 9	Hedge accounting (amendments)
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The adoption of other new and amended standards, improvements and interpretation did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New and amended standards, interpretations and revised framework that have been issued but were not yet effective

		Effective for annual periods beginning on or after
HKFRS 16	Covid-19-Related Rent Concessions (amendments)	1 June 2020
Annual Improvements Project	Annual Improvements to HKFRSs 2018-2020 (amendments)	1 January 2022
HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments (amendments)	1 January 2022
HKAS 1	Classification of Liabilities as Current or Non-current (amendments)	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
HK Int 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	To be determined

The Group has commenced an assessment of the impact of these new and amended standards, interpretations and revised framework and are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions. The Group does not intend to early adopt these standards before their respective effective dates.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

2.1.2 Going concern

For the year ended 31 December 2020, the Group incurred loss attributable to owners of the Company and net cash used in operating activities of approximately HK$11.2 million and HK$23.1 million respectively.

The directors of the Company have reviewed the Group's cash flow projections, which cover a period of 12 months from 31 December 2020. The directors are of the opinion that, taking into account of the following plans and measures, the Group will have sufficient working capital to meet its financial obligation as and when they fall due within the next 12 months from 31 December 2020:

(1) Certain suppliers request payment immediately on receipt or even payment in advance in order to maintain cash flow in the supply chain which have been heavily disrupted by the outbreak of COVID-19 in 2020. The Group had an advanced prepayment to suppliers amounting to approximately HK$58 million as at 31 December 2020. The improvement in supply chain in 2021 will contribute to a loosener credit term granted by the suppliers, the utilisation of the advanced prepayments shall provide relief to the liquidity burden of the Group;

(2) The Group had received payment in advanced from certain customers amounting to approximately HK$10 million as at 31 December 2020 and had received subsequent settlement of trade receivables amounting to approximately HK$56 million in the first quarter of 2021. The management will continue to negotiate a shorter-repayment terms with debtors to improve liquidity;

(3) The Group will recover its sales to the pre-COVID-19 level as its impact to the economic activities in China continues to lessen; and

(4) The Group will be able to obtain financing from directors and/or non-financial institutions, as and when needed.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

2 Summary of significant accounting policies *(continued)*

2.2 Principles of consolidation and equity accounting

(i) 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 consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of changes in equity respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iii) below), after initially being recognised at cost.

(iii) Equity method

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 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 associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses 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.

2 Summary of significant accounting policies *(continued)*

2.2 Principles of consolidation and equity accounting *(continued)*

(iii) ***Equity method*** *(continued)*

Unrealised gains on transactions between the Group and its associates and joint ventures 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 2.10.

(iv) ***Changes in ownership interests***

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.

When the Group ceases to consolidate or equity account for an investment because of a loss of control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the consolidated statement of profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, 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. This may mean that 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.

If the ownership interest in an associated company is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2 Summary of significant accounting policies *(continued)*

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in consolidated statement of profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in consolidated statement of profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in consolidated statement of profit or loss.

2 Summary of significant accounting policies *(continued)*

2.4 Separate financial statements

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

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

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company that makes strategic decisions.

2.6 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 Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. 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 recognised in the consolidated statement of profit or loss.

2 Summary of significant accounting policies *(continued)*

2.6 Foreign currency translation *(continued)*

(b) ***Transactions and balances*** *(continued)*

All foreign exchange gains and losses are presented in consolidated statement of profit or loss on a net basis within "administrative and other operating expenses".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the 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 FVPL are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as financial assets at FVOCI are recognised in other comprehensive income.

(c) ***Group companies***

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary 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 income statement 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.

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 consolidated statement of profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2 Summary of significant accounting policies *(continued)*

2.7 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation and impairment. 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 the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the year in which they are incurred.

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

Leasehold improvements	Over the shorter of lease terms or 10 years
Plant and machinery	3 years to 10 years
Furniture, fixtures and equipment	3 years to 5 years
Motor vehicles	3 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate at the end of 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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "administrative and other operating expenses" in the consolidated statement of profit or loss.

2 Summary of significant accounting policies *(continued)*

2.8 Investment properties

Investment properties, principally freehold office buildings, are held for long-term rental yields and are not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at fair value. Changes in fair values are presented in consolidated statement of profit or loss as part of "other income and other losses, net".

2.9 Intangible assets

Goodwill

Goodwill is measured as described in Note 2.3. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units ("CGU") that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (note 5).

2.10 Impairment of non-financial assets

Goodwill not subject to amortisation is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Assets that are subject to amortisation are reviewed 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 flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Investments and other financial assets

2.11.1 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 entity's business model for managing the financial assets and the contractual terms of the cash flows.

2 Summary of significant accounting policies *(continued)*

2.11 Investments and other financial assets *(continued)*

2.11.1 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 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 FVOCI.

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

2.11.2 Recognition and derecognition

Regular way purchases and sales 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.

2.11.3 Measurement

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

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 to classify the debt instruments:

(1) 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. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the consolidated statement of profit or loss. Impairment losses are presented as separate line item in the consolidated statement of profit or loss.

2 Summary of significant accounting policies *(continued)*

2.11 Investments and other financial assets *(continued)*

2.11.3 Measurement *(continued)*

Debt instruments *(continued)*

(2) Fair value through other comprehensive income

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 the consolidated statement of 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. Interest income from these financial assets is included in finance income using the effective interest rate method. Impairment expenses are presented as separate line item in the consolidated statement of profit or loss.

(3) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the consolidated statement of profit or loss in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair values. 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 the consolidated statement of profit or loss when the Group's right to receive payments is established.

Changes in the fair value of financial asset at FVPL are recognised in the consolidated statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.11.4 Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Loss allowance on financial assets other than trade receivables are measured as either 12-months expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then loss allowance is measured as lifetime expected credit losses.

2 Summary of significant accounting policies *(continued)*

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position where the Group currently has 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 legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.13 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average method. The costs of work in progress and finished good comprise direct materials, direct labour and an appropriate proportion of overheads. It excludes borrowing costs. Net realisable value is based on estimated selling prices in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

2.15 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), 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 contain 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.

2 Summary of significant accounting policies *(continued)*

2.16 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks, with original maturities of three months or less.

2.17 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.

2.18 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within one year or less of recognition. 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.

2.19 Borrowings

Borrowings are initially recognised at fair values, 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 consolidated 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 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 consolidated statement of profit or loss as “other income” or “finance costs”.

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)*

2.20 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time (generally over 6 months for renewable power projects) to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

2.21 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of 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.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date 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 at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax liabilities in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

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

2 Summary of significant accounting policies *(continued)*

2.21 Current and deferred income tax *(continued)*

(b) Deferred income tax *(continued)*

Deferred income tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group 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.

(c) Offsetting

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.

2.22 Employee benefits

(a) Pension obligations

The Group also operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") set up pursuant to the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administrated fund. The Group's employer contributions vest fully with the employees when contributed to the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to vesting fully in the contributions, in accordance with the rules of the MPF Scheme.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

In addition, pursuant to the government regulations in the People's Republic of China (the "PRC"), the Group is required to contribute an amount to certain retirement benefit schemes based on certain percentage of the wages for the year of those employees in the PRC. The local municipal government undertakes to assume the retirement benefits obligations of those employees of the Group. Contributions to these retirement benefits schemes are charged to the consolidated statement of profit or loss as incurred.

2 Summary of significant accounting policies *(continued)*

2.22 Employee benefits *(continued)*

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) Termination benefits

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

(d) Share-based payment

Equity-settled share-based payment transactions

The Group operates an equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified 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 reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of profit or loss, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

2 Summary of significant accounting policies *(continued)*

2.23 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.

2.24 Revenue recognition

Revenue is recognised when or as the control of the goods or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may transfer over time or at a point in time.

Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant. The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a practical expedient, the Group does not adjust any of the transaction prices for the time value of money.

2 Summary of significant accounting policies *(continued)*

2.24 Revenue recognition *(continued)*

Sales of products

Revenue from the sale of goods directly to the customers is recognised at the point that the control of the inventory have passed to the customers, which is primarily upon the acceptance of the products by the customers. The customers have full discretion over the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

A contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. The Group recognised its contract liabilities as receipt in advance from customers in the consolidated statement of financial position.

2.25 Interest income

Interest income is recognised on time-proportion using the effective interest method.

2.26 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.27 Leases (as the lessee for operating 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.

2 Summary of significant accounting policies *(continued)*

2.27 Leases (as the lessee for operating leases) *(continued)*

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed lease payments. 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. 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 and makes any adjustments specific to the lease, e.g. term, country, currency and security.

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,
- prepayment, and
- any initial direct costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straightline basis. 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 premises and all leases of low-valued assets are recognised on a straightline basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2.28 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group's foreign currency transactions are mainly denominated in Renminbi ("RMB"), HK$ and United States dollars ("US$"). The majority of assets and liabilities are denominated in RMB and HK$ and there are no significant assets and liabilities denominated in other currencies. The Group is subject to foreign exchange risk arising from future commercial transactions and recognised assets and liabilities denominating in a currency other than HK$ or RMB, which are the functional currencies of the major operating companies within the Group. The Group currently does not hedge its foreign currency exposure.

The exchange rate of RMB to HK$ is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

<u>For the reporting entities with HK$ as their functional currency</u>

Transactions or balances denominated in US$ are reasonably stable with the Hong Kong dollars under the Linked Exchange Rate System, the directors are of the opinion that the Group does not have significant foreign exchange risk, the exposure to fluctuation in exchange rates will only arise from the translation to the presentation currency of the Group. Accordingly, no sensitivity analysis is performed.

<u>For the reporting entities with RMB as their functional currency</u>

As at 31 December 2020, if HK$ had weakened/strengthened by 5% against RMB with all other variables held constant, post-tax loss for the year and equity of the Group would have been approximately HK$17,000 (2019: HK$16,000) higher/lower, respectively, mainly as a result of the foreign exchange difference on translation of cash and cash equivalents which denominated in HK$.

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(ii) Cash flow and fair value interest rate risk

The income and operating cash flows of the Group are substantially independent of changes in market interest rates. As at 31 December 2020 and 2019, expect for deposit placed with banks, the Group has no significant interest-bearing financial assets and liabilities with a floating interest rate, the Group's results and operating cash flows are substantially independent of changes in market interest rates.

As at 31 December 2020 and 2019, the Group's other borrowings, and promissory notes are 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 other borrowings and promissory notes are insignificant to the Group.

(iii) Price risk

The Group's financial assets at FVOCI are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk. The Group's equity price risk is mainly concentrated on equity security quoted on the NEX Stock Exchange.

As at 31 December 2020 and 2019, the price risk exposure of the equity security is insignificant to the Group.

(b) Credit risk

Credit risk arises from trade receivables, other financial assets carried at amortised cost, and cash at banks.

The Group's credit risk is primarily attributable to its trade receivables and other financial assets carried at amortised cost arising from default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets in the consolidated statement of financial position.

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(b) ***Credit risk*** *(continued)*

(i) *Risk management*

To manage this risk, deposits of the Group are mainly placed with state-owned financial institutions and reputable banks. The Group has policies in place to ensure that sales are made to reputable and creditworthy customers with an appropriate financial strength, credit history and an appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

In addition, the Group reviews regularly the authorisation of credit limits to individual customers and recoverable amount of each individual trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group has concentration of credit risk on trade receivables. Sales of goods to the top five customers constituted 92% (2019: 89%) of the Group's revenue for the year ended 31 December 2020. They accounted for approximately 87% (2019: 84%) of the gross trade receivable balances as at 31 December 2020. Collections of outstanding receivable balances are closely monitored on an ongoing basis to minimise such credit risk.

(ii) *Impairment of financial assets*

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Group measures the expected credit losses on a combination of both individual and collective basis.

(a) Measurement of expected credit loss on individual basis

Receivables relating to customers with known financial difficulties, dispute or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. As at 31 December 2020, the balance of loss allowance in respect of these individually assessed receivables was HK$3,331,000 (2019: HK$3,141,000).

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets (continued)

Trade receivables *(continued)*

(a) Measurement of expected credit loss on individual basis *(continued)*

The following table presents the balances of gross carrying amount and the loss allowance in respect of the individually assessed receivables as at 31 December 2020 and 2019:

	2020	2019
	HK$'000	HK$'000
Gross carrying amount	**3,331**	3,141
Loss allowance	**(3,331)**	(3,141)
Net carrying amount	**–**	–

(b) Measurement of expected credit loss on collective basis

Expected credit losses are also estimated by grouping the remaining receivables based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customer and its ageing category, and applying the expected credit loss rates to the respective gross carrying amounts of the receivables.

The expected credit loss rates are determined based on historical credit losses experienced from the past 3 years and adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables.

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(b) ***Credit risk*** *(continued)*

(ii) Impairment of financial assets (continued)

Trade receivables *(continued)*

(b) Measurement of expected credit loss on collective basis *(continued)*

On that basis, the loss allowance for trade receivables as at 31 December 2020 and 2019 was determined as follows:

	0-365 days	**366-730 days**	**Total**
At 31 December 2020			
Gross carrying amount (HK$'000)	**82,870**	**4,070**	**86,940**
Expected loss rate (%)	**4.1%**	**29.0%**	**5.3%**
Loss allowance (HK$'000)	**(3,432)**	**(1,179)**	**(4,611)**
Net carrying amount (HK$'000)	**79,438**	**2,891**	**82,329**

	0-365 days	366-730 days	Total
At 31 December 2019			
Gross carrying amount (HK$'000)	59,220	123	59,343
Expected loss rate (%)	2.4%	49.6%	2.5%
Loss allowance (HK$'000)	(1,442)	(61)	(1,503)
Net carrying amount (HK$'000)	57,778	62	57,840

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(b) ***Credit risk*** *(continued)*

(ii) Impairment of financial assets (continued)

Trade receivables *(continued)*

Impairment losses on trade receivables are presented as "Provision for Impairment of trade receivables" in the consolidated statement of profit or loss. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are recognised as in the consolidated statement of profit or loss.

Others financial assets carried at amortised cost

The receivables relating to counterparties with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. As at 31 December 2020, the balance of loss allowance in respect of these individually assessed receivables was HK$7,450,000 (2019: HK$7,462,000).

Cash at banks

There is no loss allowance for cash and cash equivalents as at 31 December 2020 (2019: Nil).

(c) ***Liquidity risk***

Cash flow forecasts are prepared by management. Management monitors rolling forecasts on the Group's liquidity requirements to ensure the Group maintains sufficient liquidity reserve to support sustainability and growth of the Group's business. Currently, the Group finances its working capital requirements through funds generated from operations, issue of new shares and obtaining other borrowings.

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions, if necessary, to meet its liquidity requirements in the short and longer term.

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(c) ***Liquidity risk*** *(continued)*

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the date of the consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	On demand or less than 1 year	1 to 2 years	2 to 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2020				
Promissory notes	**15,000**	**–**	**–**	**15,000**
Trade and other payables	**58,512**	**–**	**–**	**58,512**
Undiscounted lease liabilities	**1,847**	**1,520**	**340**	**3,707**
Other borrowing and corresponding interest (with repayment on demand clause)	**4,054**	**–**	**–**	**4,054**
Other borrowings and corresponding interest	**5,901**	**54,303**	**–**	**60,204**
	85,314	**55,823**	**340**	**141,477**
At 31 December 2019				
Promissory notes	15,000	–	–	15,000
Trade and other payables	31,158	–	–	31,158
Undiscounted lease liabilities	1,926	1,488	1,581	4,995
Other borrowing and corresponding interest (with repayment on demand clause)	650	–	–	650
Other borrowings and corresponding interest	28,399	3,049	–	31,448
	77,133	4,537	1,581	83,251

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(c) ***Liquidity risk*** *(continued)*

The table that follows summarises the maturity analysis of other borrowing with a repayable on demand clause based on agreed scheduled repayments set out in the loan agreement. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "On demand or less than 1 year" time band in the maturity analysis above. Taking into account the Group's financial position, the directors do not consider that it is probable that the independent non-banking financial institution and the director will exercise its discretion to demand immediate repayment. The directors believe that such other borrowings will be repaid in accordance with scheduled repayment dates set out in the loan agreements.

	2020	2019
	HK$'000	HK$'000
Within 1 year	**487**	78
More than 1 year but less than 2 years	**4,148**	78
More than 2 years but less than 5 years	**–**	665
	4,635	821

3.2 Capital management

The Group regards its shareholders' equity as capital. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, obtain other borrowings, or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as promissory notes, lease liabilities and other borrowings, less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt.

3 Financial risk management *(continued)*

3.2 Capital management *(continued)*

The gearing ratios as at 31 December 2020 and 2019 were as follows:

	2020	2019
	HK$'000	HK$'000
Promissory notes	**15,000**	15,000
Lease liabilities	**3,503**	4,624
Other borrowings	**61,522**	31,203
Less: cash and cash equivalents	**(11,245)**	(11,137)
Net debt	**68,780**	39,690
Total equity	**36,623**	43,387
Total capital	**105,403**	83,077
Gearing ratio	**65.3%**	47.8%

The increase in gearing ratio was attributable to the increase in other borrowings during the year ended 31 December 2020.

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2020 and 2019 by level of inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 Financial risk management *(continued)*

3.3 Fair value estimation *(continued)*

The following table presents the Group's financial assets and liabilities that are at fair value at 31 December 2020 and 2019.

	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2020				
Recurring fair value measurements:				
Financial assets:				
Investment property				
– Residential property in the PRC	**–**	**10,362**	**–**	**10,362**
	–	**10,362**	**–**	**10,362**
At 31 December 2019				
Recurring fair value measurements:				
Financial assets:				
Financial assets at fair value through other comprehensive income				
– Listed equity investment	328	–	–	328
Investment property				
– Residential property in the PRC	–	12,321	–	12,321
	328	12,321	–	12,649

3 Financial risk management *(continued)*

3.3 Fair value estimation *(continued)*

There were no transfers among Level 1, 2 and 3 during the year ended 31 December 2020 and 2019.

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quote market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, price services or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

(c) Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

3.4 Fair value of financial assets and liabilities measured at amortised cost

The fair value of the following financial assets and liabilities approximate their carrying values:

- Trade receivables
- Other financial assets carried at amortised cost
- Cash and cash equivalents
- Trade and other payables
- Promissory notes
- Other borrowings
- Lease liabilities

3.5 Offsetting financial assets and financial liabilities

No financial assets and financial liabilities were subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2020 and 2019.

4 Critical accounting estimates and judgments

Estimates and judgments used in preparing the consolidated financial statements are evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Going concern

These financial statements have been prepared on a going concern basis, the validity of which depends upon certain measures taken by the Directors to improve the Group's financial position, immediate liquidity, cash flows, profitability and operations as explained in note 2.1.2 to the consolidated financial statements.

(b) Provision for impairment of trade receivables

The Group makes provision for impairment of trade receivables based on assumptions about risk of default and expected loss rates (Note 3.1(b)(ii)). The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the historical credit losses experienced from the past 3 years and adjusted to reflect current and forward-looking information at the end of the reporting period.

(c) Income and deferred income taxation

Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the current tax and deferred tax assets and liabilities in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(d) Impairment on investments accounted for using equity method

Assets that have an indefinite useful life 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. The recoverable amounts have been determined based on the higher of value-in-use calculations or fair value less costs of disposal. These calculations require the use of judgments and estimates. Management judgment is required in the area of asset impairment particularly in assessing whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal and net present value of future cash flows which are estimated based upon the continued use of the asset in the business.

4 Critical accounting estimates and judgments *(continued)*

(d) Impairment on investments accounted for using equity method *(continued)*

Changing the assumptions selected by management in assessing impairment could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations.

(e) Fair values of investment property

The Group's investment property is stated at fair value based on the valuation carried out by independent qualified professional valuer. In determining the fair value, the valuer has based on market value basis which take into account, inter-alia, certain estimates, including open market rents, appropriate capitalisation rates, reversionary income potential, redevelopment potential and comparable market transactions. Management has reviewed the valuation and is satisfied that the valuation of the Group's investment property is reasonable.

(f) Useful lives and impairment assessment of property, plant and equipment

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

(g) Provision for impairment of inventories

Inventories are carried at the lower of cost and net realisable value. The cost of inventories is written down to net realisable value when there is an objective evidence that the cost of inventories may not be recoverable. The cost of inventories may not be recoverable if those inventories are aged and damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may also not be recoverable if the estimated costs to be incurred to make the sales have increased.

The amount written-off in the consolidated statement of profit or loss is the difference between the carrying value and net realisable value of the inventories. In determining whether the inventories can be recoverable, significant judgment is required. In making this judgment, the Group evaluates, among other factors, the duration and extent by all means to which the amount will be recovered.

5 Segment information

The Chief Operation Decision-Maker ("CODM") has been identified as the Board of Directors of the Company. CODM reviews the Group's internal reports in order to assess performance, allocate resources and determine the operating segments.

There are four operating segments as follows:

(a) LED and related products segment ("LED") is engaged in manufacturing and trading of LED and related products;

(b) Optoelectronic products segment ("Optoelectronic") is a supplier of optoelectronic products for use in the watch products;

(c) Liquor products segment ("Liquor") is engaged in trading of wine; and

(d) Sapphire watch crystals segment ("Sapphire") is a supplier of watch crystals mainly for use in the manufacturing of watch products.

Reportable segment results represent the profit or loss resulted by each segment and exclude interest income, interest expenses on other borrowings, change in fair value of investment property, provision for impairment of other financial assets carried at amortised cost, and unallocated corporate expenses.

Segment assets exclude unallocated corporate assets, investment property, financial assets at fair value through other comprehensive income, and cash and cash equivalents.

Segment liabilities exclude unallocated corporate liabilities, other borrowings, promissory notes, current income tax liabilities and deferred income tax liabilities.

5 Segment information *(continued)*

Year ended 31 December 2020

	LED HK$'000	Optoelectronic HK$'000	Liquor HK$'000	Sapphire HK$'000	Total HK$'000
Year ended 31 December 2020					
Segment revenue:					
Sales to external customers	138,897	2,702	448	–	142,047
Segment results	2,446	(738)	(363)	–	1,345
Unallocated:					
Change in fair value of investment property					(2,704)
Reversal of impairment of other financial assets carried at amortised cost					20
Unallocated corporate income					72
Unallocated corporate expenses					
– staff costs					(1,896)
– others					(7,977)
Loss before income tax					(11,140)
As at 31 December 2020					
Segment assets	172,032	3	2,893	–	174,928
Unallocated:					
Cash and cash equivalents					284
Investment property					10,362
Other unallocated assets					2,253
Total assets					187,827

5 Segment information *(continued)*

Year ended 31 December 2020 *(continued)*

	LED HK$'000	Optoelectronic HK$'000	Liquor HK$'000	Sapphire HK$'000	Total HK$'000
Segment liabilities	(59,767)	(5,959)	(47)	–	(65,773)
Unallocated:					
Promissory notes					(15,000)
Other borrowings					(61,522)
Current income tax liabilities					(2,731)
Other unallocated liabilities					(6,178)
Total liabilities					(151,204)

	LED HK$'000	Optoelectronic HK$'000	Liquor HK$'000	Sapphire HK$'000	Unallocated HK$'000	Total HK$'000
Other segment information:						
Capital expenditure	(464)	–	–	–	(4)	(468)
Interest income	–	–	–	–	10	10
Finance costs	(155)	–	–	–	(3,017)	(3,172)
Depreciation of property, plant and equipment and right-of-use assets	(3,275)	–	(1)	–	(786)	(4,062)
Income tax expense	(9)	–	–	–	676	667
Provision for impairment of inventories	(261)	–	–	–	–	(261)
Reversal of impairment of other receivables	–	–	–	–	20	20
Provision for impairment of trade receivables	(2,899)	–	–	–	–	(2,899)

5 Segment information *(continued)*

Year ended 31 December 2019

	LED HK$'000	Optoelectronic HK$'000	Liquor HK$'000	Sapphire HK$'000	Total HK$'000
Year ended 31 December 2019					
Segment revenue:					
Sales to external customers	145,683	200	719	–	146,602
Segment results	2,028	(294)	(310)	–	1,424
Unallocated:					
Change in fair value of investment property					(1,145)
Provision for impairment of other financial assets carried at amortised cost					(338)
Unallocated corporate income					21
Unallocated corporate expenses					
– staff costs					(2,058)
– others					(7,537)
Loss before income tax					(9,633)
As at 31 December 2019					
Segment assets	112,332	27	2,755	–	115,114
Unallocated:					
Cash and cash equivalents					278
Investment property					12,321
Financial assets at fair value through other comprehensive income					328
Other unallocated assets					2,475
Total assets					130,516

5 Segment information *(continued)*

Year ended 31 December 2019 *(continued)*

	LED HK$'000	Optoelectronic HK$'000	Liquor HK$'000	Sapphire HK$'000	Total HK$'000
Segment liabilities	(26,118)	(5,187)	(34)	–	(31,339)
Unallocated:					
Promissory notes					(15,000)
Other borrowings					(31,203)
Current income tax liabilities					(2,282)
Deferred income tax liabilities					(744)
Other unallocated liabilities					(6,561)
Total liabilities					(87,129)

	LED HK$'000	Optoelectronic HK$'000	Liquor HK$'000	Sapphire HK$'000	Unallocated HK$'000	Total HK$'000
Other segment information:						
Capital expenditure	(2,495)	–	–	–	–	(2,495)
Interest income	–	–	–	–	21	21
Finance costs	(3,768)	–	–	–	(777)	(4,545)
Depreciation of property, plant and equipment and right-of-use assets	(1,641)	–	(1)	–	(492)	(2,134)
Income tax expense	(934)	(9)	–	–	286	(657)
Provision for impairment of inventories	(795)	–	–	–	–	(795)
Reversal of impairment of trade receivables	506	–	–	–	–	506
Provision for impairment of other financial assets carried at amortised cost	–	–	–	–	(338)	(338)

Geographic Information

(a) Revenue from external customers

The Group's revenue from external customers by geographical area, which is determined by the country where the goods were delivered, is as follows:

	For the year ended 31 December **2020** **HK$'000**	2019 HK$'000
The PRC	**138,995**	142,440
Hong Kong	**3,052**	4,162
	142,047	146,602

5 Segment information *(continued)*

Geographic Information *(continued)*

(b) Non-current assets

The Group's non-current assets other than financial assets at fair value through other comprehensive income by geographic area is as follows:

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
The PRC	**20,781**	25,020
Hong Kong	**1,200**	1,282
	21,981	26,302

Key Customers

For the year ended 31 December 2020, there were four customers (2019: four) which individually contributed over 10% of the Group's revenue, the revenue contributed from each of these customers was as follows:

	For the year ended 31 December	
	2020	2019
	HK$'000	HK$'000
Customer A	**51,990**	–
Customer B	**26,448**	17,884
Customer C	**21,223**	15,570
Customer D	**19,263**	–
Customer E	**–**	64,851
Customer F	**–**	23,152

Contract assets

The Group did not recognise any revenue-related contract assets during the year ended 31 December 2020 (2019: Nil).

5 Segment information *(continued)*

Contract liabilities

The balances represent the receipt in advance from customers. The Group recognised the following revenue-related contract liabilities:

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
Contract liabilities	**9,936**	2,118

(a) Significant change in contract liabilities

The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance under the contracts which are mainly from sales of LED and related products.

(b) Revenue recognised in relation to contract liabilities

The follow table shows the revenue recognised for the year ended 31 December 2020 and 2019 relates to carried-forward contract liabilities.

	For the year ended 31 December	
	2020	2019
	HK$'000	HK$'000
Sales of LED and related products	**2,118**	1,036

(c) Unsatisfied contracts

The Group selects to choose a practical expedient and omits disclosure of remaining performance obligations as all related contracts have a duration of one year or less.

6 Revenue, other income and other losses, net

	2020	2019
	HK$'000	HK$'000
Revenue from customers and recognised at point in time		
Sales of LED and related products	**138,897**	145,683
Sales of optoelectronic products	**2,702**	200
Sales of liquor products	**448**	719
	142,047	146,602
Other income		
Interest income	**10**	21
Others	**197**	211
	207	232
Other losses, net		
Change in fair value of investment property *(Note 16)*	**(2,704)**	(1,145)
	(2,704)	(1,145)
Other income and other losses, net	**(2,497)**	(913)

7 Expenses by nature

Expenses included in cost of sales, selling and distribution expenses and administrative and other operating expenses are analysed as follows:

	2020	2019
	HK$'000	HK$'000
Auditor's remuneration		
– Audit services	**668**	630
Depreciation		
– property, plant and equipment *(Note 14)*	**2,206**	955
– right-of-use assets *(Note 15(a))*	**1,856**	1,179
Cost of inventories sold *(Note 21)*	**123,882**	129,506
Provision for impairment of inventories *(Note 21)*	**261**	795
Employee benefit expenses (including directors' emoluments) *(Note 9)*	**5,864**	6,013
Foreign exchange losses	**46**	451
Lease payments for short-term leases *(Note 15(b))*	**114**	424
Legal and professional fee	**3,883**	5,178
Subcontracting fee	**355**	1,942
Others	**5,504**	3,872
Total cost of sales, selling and distribution expenses and administrative and other operating expenses	**144,639**	150,945

8 Finance costs

	2020	2019
	HK$'000	HK$'000
Interest expense on other borrowings from directors	**596**	121
Interest expense on other borrowings from independent third parties	**2,361**	610
Interest expense on lease liabilities *(Note 15(b))*	**215**	152
Factoring costs	**–**	3,662
	3,172	4,545

9 Employee benefit expenses (including directors' emoluments)

	2020	2019
	HK$'000	HK$'000
Wages, salaries and other staff costs	**5,729**	5,681
Social security and pension cost	**135**	332
	5,864	6,013

Notes:

(a) As at 31 December 2020, there were no forfeited contributions available to offset future retirement benefit obligations of the Group (2019: Nil).

(b) Five highest paid individuals

The five highest paid individuals during the year ended 31 December 2020 included four directors (2019: four directors), details of whose remuneration are set out in Note 10. Details of the remuneration for the year ended 31 December 2020 of the remaining one (2019: one) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2020	2019
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**312**	312
Pension cost	**16**	16
	328	328

The emoluments fell within the following bands:

	Number of individuals	
	2020	2019
Nil to HK$1,000,000	**1**	1

(c) During the year ended 31 December 2020, no emoluments have been paid by the Group to the directors or the five highest paid individuals mentioned above as an inducement to join or upon joining the Group, or as compensation for loss of office (2019: Nil).

10 Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and GEM Listing Rules)

(a) Directors' and chief executive's emoluments

The remuneration paid or payable to each director and chief executive for the years ended 31 December 2020 and 2019 is set out below:

For the year ended 31 December 2020

Name	Fees	Salary	Discretionary bonuses	Allowances and benefits in kind	Employer's contribution to a retirement benefit scheme	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:							
Mr. Wong Kin Hong	240	–	–	–	–	–	240
Mr. Huang Yonghua	144	197	–	–	7	–	348
Mr. Wong Tat Wa	144	360	–	–	–	–	504
Ms. Leung Po Yee	144	360	–	–	18	–	522
	672	917	–	–	25	–	1,614
Independent non-executive directors:							
Mr. Yan Guoniu	120	–	–	–	–	–	120
Mr. Tang Rong Gang	120	–	–	–	–	–	120
Mr. Ou Wei An	120	–	–	–	–	–	120
Mr. Ng Yu Ho, Steve	120	–	–	–	–	–	120
	480	–	–	–	–	–	480
Total	1,152	917	–	–	25	–	2,094

10 Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and GEM Listing Rules) *(continued)*

(a) Directors' and chief executive's emoluments *(continued)*

For the year ended 31 December 2019

Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Allowances and benefits in kind HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$'000	Total HK$'000
Executive directors:							
Mr. Wong Kin Hong	240	–	–	–	–	–	240
Mr. Huang Yonghua	144	197	–	–	7	–	348
Mr. Wong Tat Wa	144	360	–	–	–	–	504
Ms. Leung Po Yee	144	360	–	–	18	–	522
	672	917	–	–	25	–	1,614
Independent non-executive directors:							
Mr. Yan Guoniu	120	–	–	–	–	–	120
Mr. Tang Rong Gang	120	–	–	–	–	–	120
Mr. Ou Wei An	120	–	–	–	–	–	120
Mr. Ng Yu Ho, Steve	120	–	–	–	–	–	120
	480	–	–	–	–	–	480
Total	1,152	917	–	–	25	–	2,094

10 Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and GEM Listing Rules) *(continued)*

(a) Directors' and chief executive's emoluments *(continued)*

	For the year ended 31 December	
	2020	2019
	HK$'000	HK$'000
Aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the Company or its subsidiary undertaking	**–**	–
Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking	**–**	–
	–	–

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the year ended 31 December 2020 (2019: Nil).

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year ended 31 December 2020 (2019: Nil).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2020, the Company did not pay consideration to any third parties for making available directors' services (2019: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2020, there is no loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled body corporates and connected entities of such directors (2019: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

Unless elsewhere stated, no significant transactions, arrangements and contracts in relation to the Company'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 as at 31 December 2020 or at any time for the year ended 31 December 2020 (2019: Nil).

11 Income tax (credit)/expense

	2020	2019
	HK$'000	HK$'000
Current income tax		
– PRC Corporate Income Tax ("CIT")	**591**	934
– Under provision in prior year	**–**	9
Deferred income tax *(Note 29)*	**(771)**	(286)
	(180)	657

Hong Kong profits tax has been provided for as there is business operation that is subject to Hong Kong profits tax. Under the two-tiered profits tax rates regime, for the years ended 31 December 2020 and 2019, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% remaining on the estimated assessable profits. The profits of group entities not qualified for the two-tiered profits tax rates regime continue to be taxed at a flat rate of 16.5%.

CIT is provided on the assessable income of entities within the Group incorporated in the PRC. The applicable CIT tax rate is 25% (2019: 25%) unless preferential tax rates were applicable.

The taxation on the Group's loss before income tax differs from the theoretical amount that would arise using weighted average tax rate applicable to profits/(losses) of the consolidated entities as follows:

	2020	2019
	HK$'000	HK$'000
Loss before income tax	**(11,140)**	(9,633)
Tax calculated at domestic tax rates applicable to profits in the respective countries	**(2,062)**	(1,571)
Expenses not deductible for taxation purposes	**1,841**	2,049
Income not subject to taxation	**–**	(438)
Tax losses for which no deferred income tax asset was recognised	**41**	759
Utilisation of previously unrecognised tax losses	**–**	(151)
Under provision in prior year	**–**	9
	(180)	657

11 Income tax (credit)/expense *(continued)*

The weighted average applicable tax rate was 21.0% (2019: 16.3%). The change is carried by a change in the profitability mix of the Group's subsidiaries in the respective countries.

12 Loss per share

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2020	2019
Loss attributable to the owners of the Company *(HK$'000)*	**(11,202)**	(10,557)
Weighted average number of ordinary shares in issue *(thousand shares)*	**1,572,517**	1,572,517
Basic loss per share attributable to owners of the Company *(HK cents)*	**(0.71)**	(0.67)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume exercise of all potentially dilutive ordinary shares. The Company has one (2019: one) category of potentially dilutive ordinary shares: share options (2019: share options) (Note 26). For the share options, a calculation has been done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares for the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

For the years ended 31 December 2020 and 2019, diluted loss per share is same as the loss per share as the exercise of potential ordinary shares in relation to the share options issued were not assumed to be exercised as they would have an anti-dilutive impact to the basic loss per share (2019: same).

13 Dividends

The directors did not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

14 Property, plant and equipment

	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2019					
Cost	694	51,467	829	–	52,990
Accumulated depreciation and impairment	(154)	(48,489)	(617)	–	(49,260)
Net book amount	540	2,978	212	–	3,730
Year ended 31 December 2019					
Opening net book amount	540	2,978	212	–	3,730
Acquisition of a subsidiary	–	3,878	86	–	3,964
Additions	–	2,244	145	106	2,495
Depreciation	(62)	(788)	(102)	(3)	(955)
Currency translation difference	(11)	(170)	(6)	(2)	(189)
Closing net book amount	467	8,142	335	101	9,045
At 31 December 2019					
Cost	679	56,923	1,048	104	58,754
Accumulated depreciation and impairment	(212)	(48,781)	(713)	(3)	(49,709)
Net book amount	467	8,142	335	101	9,045
Year ended 31 December 2020					
Opening net book amount	**467**	**8,142**	**335**	**101**	**9,045**
Additions	**–**	**433**	**35**	**–**	**468**
Depreciation	**(64)**	**(1,957)**	**(151)**	**(34)**	**(2,206)**
Currency translation difference	**29**	**488**	**16**	**6**	**539**
Closing net book amount	**432**	**7,106**	**235**	**73**	**7,846**
At 31 December 2020					
Cost	**723**	**57,997**	**1,112**	**111**	**59,943**
Accumulated depreciation and impairment	**(291)**	**(50,891)**	**(877)**	**(38)**	**(52,097)**
Net book amount	**432**	**7,106**	**235**	**73**	**7,846**

Depreciation expense of HK$2,074,000 (2019: HK$927,000) has been charged to cost of sales and HK$132,000 (2019: HK$28,000) has been charged to administrative and other operating expenses.

15. Right-of-use assets and lease liabilities

(a) Amounts recognised in the consolidated statement of financial position

(i) Right-of-use assets

The consolidated statement of financial position shows the following amounts relating to leases:

	Office premises and staff quarter	Factories and warehouse	Total
	HK$'000	HK$'000	HK$'000
Balance as at 1 January 2019	601	407	1,008
Acquisition of a subsidiary	169	2,920	3,089
Additions	1,409	–	1,409
Depreciation	(576)	(603)	(1,179)
Currency translation difference	(7)	(59)	(66)
Balance as at 31 December 2019	1,596	2,665	4,261
Balance as at 1 January 2020	**1,596**	**2,665**	**4,261**
Additions	**537**	**–**	**537**
Depreciation	**(913)**	**(943)**	**(1,856)**
Currency translation difference	**21**	**150**	**171**
Balance as at 31 December 2020	**1,241**	**1,872**	**3,113**

(ii) Lease liabilities

	2020	2019
	HK$'000	HK$'000
Current	**1,702**	1,727
Non-current	**1,801**	2,897
	3,503	4,624

15. Right-of-use assets and lease liabilities *(continued)*

(b) Amounts recognised in consolidated statement of profit or loss

The consolidated statement of profit or loss shows the following amounts relating to leases:

	2020	2019
	HK$'000	HK$'000
Interest expense on lease liabilities *(Note 8)*	**215**	152
Lease payments for short-term leases (included in property rental and related expenses)	**114**	424

Depreciation expenses of HK$885,000 (2019: HK$546,000) has been charged to cost of sales and HK$971,000 (2019: HK$633,000) has been charged to administrative and other operating expenses respectively.

Total cash outflows for leases for the year ended 31 December 2020 was HK$2,067,000 (2019: HK$1,283,000).

16 Investment property

	2020	2019
	HK$'000	HK$'000
At the beginning of the year	**12,321**	13,741
Change in fair value of investment property *(Note 6)*	**(2,704)**	(1,145)
Currency translation difference	**745**	(275)
At end of the year	**10,362**	12,321

16 Investment property *(continued)*

The Group's interest in investment property held in the PRC was on leases of between 51 to 100 years.

As at 31 December 2020, the Group had no unprovided contractual obligations for future repairs and maintenance (2019: Nil).

The valuation of the Group's investment property was performed by an independent valuer, Ravia Global Appraisal Advisory Limited, who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment property valued to determine the fair values of the investment property as at 31 December 2020 and 2019. The fair value gain or loss is recognised in "other income and other losses, net" in the consolidated statement of profit or loss.

The Group's finance department includes a team that review the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the financial controller ("FC"). Discussions of valuation processes and results are held between the FC and valuers at least once every six months, in line with the Group's interim and annual reporting dates. At each financial year end, the finance department would:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuers.

There were no transfers between levels 1, 2 and 3 during the year ended 31 December 2020 and 2019.

Valuation techniques use the sale comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square meter.

There were no changes to the valuation techniques used during the year.

17 Intangible asset

	Goodwill	
	2020	2019
	HK$'000	HK$'000
At the beginning of the year	**507**	–
Acquisition of a subsidiary	**–**	507
At end of the year	**507**	507

The relevant goodwill is allocated to the respective groups of CGUs, which represent the lowest level within the Group at which the relevant goodwill is monitored for internal management purposes, and not larger than an operating segment.

As at 31 December 2020, the Group's goodwill of HK$507,000 is attributable to the acquisition of a subsidiary, 東莞市楓樺電子科技有限公司 ("東莞楓樺") (2019: same).

The recoverable amounts of CGUs are determined based on a value in use calculation. The calculation is performed by using pre-tax cash flow projection based on financial budgets approved by management covering a five-year period. Thereafter, the cash flows are extrapolated using the terminal growth rates not exceeding the long-term average growth rate of the countries in which the CGU operates.

18 Investments accounted for using the equity method

Set out below are associated companies of the Group as at 31 December 2020 and 2019:

	2020	2019
	HK$'000	HK$'000
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	**–**	–

As at 31 December 2020, investments accounted for using the equity method were fully impaired (2019: same).

As at 31 December 2020, loan receivables from associates with principal amount of approximately HK$7,006,000 (2019: HK$7,006,000), which were unsecured, non-interest bearing and denominated in HK$, were past due for over than one year and were fully impaired (Note 22).

18 Investments accounted for using the equity method *(continued)*

Particulars of the Group's associates as at 31 December 2020 and 2019 are as follows:

Name	Particulars of issued shares/ registered share capital	Place of incorporation/ registration/ establishment	Percentage of owner interest		Principal activities
			Direct	Indirect	
Great Steer Limited	USD10,000	British Virgin Islands ("BVI")	20%	–	Dormant
Neo Partner Group					
Neo Partner Investments Limited	USD100	BVI	28%	–	Investment holding
Harvest View (China) Limited	HK$100	Hong Kong	–	28%	Distribution of care watch smart series products
Full Pace Group					
Full Pace Holdings Limited	USD100	BVI	45%	–	Investment holding
TDI Transportation Displays International Limited	HK$250,000	Hong Kong	–	45%	Provision of multimedia technical consultancy service

There is no contingent liability relating to the Group's interests in associated companies. The Group's interests in associated companies are not material.

19 Financial assets at fair value through other comprehensive income

As at 31 December 2020 and 2019, the Group's financial assets at FVOCI represents listed equity investment which are not held for trading, and the Group was irrevocably elected at initial recognition in this category. These are strategic investments and the Group considers this classification more relevant.

	2020	2019
	HK$'000	HK$'000
Balance at 1 January	**328**	332
Fair value loss on revaluation recognised in other comprehensive income	**(328)**	(4)
Balance at 31 December	**–**	328

The fair values of equity investment listed outside Hong Kong is based on current bid prices. As at 31 December 2020 and 2019, the market value of equity securities was nil and HK$328,000 respectively).

The carrying amount of the financial asset at FVOCI is denominated in Great British Pound ("GBP").

20 Financial instruments by category

The Group holds the follow financial instruments:

	2020	2019
	HK$'000	HK$'000
Financial assets		
Financial assets at amortised cost:		
– Trade receivables and other financial assets carried at amortised cost	**86,056**	63,164
– Cash and cash equivalents	**11,245**	11,137
Financial assets at FVOCI	**–**	328
	97,301	74,629

20 Financial instruments by category *(continued)*

	2020	2019
	HK$'000	HK$'000
Financial liabilities		
Liabilities at amortised cost:		
– Trade and other payables	**58,512**	31,158
– Promissory notes	**15,000**	15,000
Other borrowings	**61,522**	31,203
Lease liabilities	**3,503**	4,624
	138,537	81,985

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3.1. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

21 Inventories

	2020	2019
	HK$'000	HK$'000
Raw materials	**7,811**	5,570
Finished goods	**1,135**	630
Merchandise	**2,053**	2,344
	10,999	8,544
Less: Provision for impairment	**(1,102)**	(781)
	9,897	7,763

The cost of inventories included in cost of sales during the year ended 31 December 2020 amounted to HK$123,882,000 (2019: HK$129,506,000).

21 Inventories *(continued)*

Movements on the Group's provision for impairment on inventories are as follows:

	2020 HK$'000	2019 HK$'000
At the beginning of the year	**781**	–
Provision for impairment	**261**	795
Currency translation difference	**60**	(14)
At the end of the year	**1,102**	781

The provision of obsolete inventories amounted to HK$261,000 (2019: HK$795,000) were included in cost of sales during the year.

22 Trade receivables and other financial assets carried at amortised cost

	2020 HK$'000	2019 HK$'000
Trade receivables	**90,271**	62,484
Less: Provision for impairment	**(7,942)**	(4,644)
Trade receivables, net	**82,329**	57,840
Other financial assets carried at amortised cost	**11,177**	12,786
Less: Provision for impairment	**(7,450)**	(7,462)
Other financial assets carried at amortised cost, net	**3,727**	5,324
Total trade receivables and other financial assets carried at amortised cost	**86,056**	63,164
Less: Amounts classified as non-current portion	**(153)**	(168)
Current portion	**85,903**	62,996

(a) Trade receivables

No factoring arrangement was made during the year ended 31 December 2020.

During the year ended 31 December 2019, the Group entered into two factoring agreements with non-banking financial institutions in relation to the factoring of trade receivables amounted to approximately HK$52.5 million in return for cash. The non-banking financial institutions had no right of recourse to the Group if the debtors default on payment.

22 Trade receivables and other financial assets carried at amortised cost *(continued)*

(a) Trade receivables *(continued)*

The Group's credit terms to trade debtors mainly range from 60 to 180 days. As at 31 December 2020 and 2019, the ageing analysis of the trade receivables based on invoice date is as follows:

	2020	2019
	HK$'000	HK$'000
Within 30 days	**14,397**	9,745
31 to 60 days	**18,007**	12,665
61 to 90 days	**13,877**	6,858
Over 90 days	**43,990**	33,216
	90,271	62,484

Trade receivables that were neither past due nor impaired amounted to approximately HK$74,973,000 as at 31 December 2020 (2019: HK$42,143,000).

As of 31 December 2020, trade receivables of HK$7,356,000 (2019: HK$15,697,000) were past due but not impaired. These relate to a number of independent debtors for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables is as follows:

	2020	2019
	HK$'000	HK$'000
Less than 1 month past due	**–**	1,121
1 to 3 months past due	**217**	12,096
Over 3 months	**7,139**	2,480
	7,356	15,697

The movements in provision for impairment of trade receivables are as follows:

	2020	2019
	HK$'000	HK$'000
At beginning of the year	**4,644**	5,213
Provision for/(reversal of) impairment	**2,899**	(506)
Currency translation difference	**399**	(63)
At end of the year	**7,942**	4,644

22 Trade receivables and other financial assets carried at amortised cost *(continued)*

(a) Trade receivables *(continued)*

Based on the assessment of the expected credit losses (refer to Note 3.1(b)(ii)), the Group has made a provision of impairment of the trade receivables of HK$2,918,000 during the year ended 31 December 2020 (2019: reversal of impairment of HK$466,000).

The fair values of trade receivables net-off provision of impairment at amortised cost approximate their carrying values as at 31 December 2020 and 2019 and are denominated in the following currencies:

	2020	2019
	HK$'000	HK$'000
RMB	**81,774**	56,023
HK$	**555**	1,817
	82,329	57,840

(b) Other financial assets carried at amortised cost

Other financial assets carried at amortised cost were unsecured, interest-free and repayable on demand (2019: same).

The movements in provision for impairment of other financial assets carried at amortised cost are as follows:

	2020	2019
	HK$'000	HK$'000
At beginning of the year	**7,462**	9,226
(Reversal of)/provision for impairment	**(20)**	338
Written-off	**–**	(2,102)
Currency translation difference	**8**	–
At end of the year	**7,450**	7,462

(c) The maximum exposure to credit risk at the reporting date is the carrying values of each class of receivables mentioned above. The Group did not hold any collateral as security for these receivables as at 31 December 2020 (2019: same).

23 Other current assets

	2020 HK$'000	2019 HK$'000
Prepayments to suppliers	**57,552**	21,089
Others	**1,249**	901
	58,801	21,990

24 Cash and cash equivalents

	2020 HK$'000	2019 HK$'000
Cash and cash equivalents	**11,245**	11,137
Maximum exposure to credit risk	**11,101**	10,900

Cash and cash equivalents are denominated in the following currencies:

	2020 HK$'000	2019 HK$'000
RMB	**10,673**	10,547
HK$	**553**	564
USD	**19**	26
	11,245	11,137

As at 31 December 2020, the cash and cash equivalents of the Group amounted to HK$10,919,000 (2019: HK$10,666,000), were deposited in bank accounts opened with banks in the PRC where the remittance of funds is subject to foreign exchange control.

25 Share capital

Ordinary shares issued and fully paid:

	Number of shares in issue (thousand shares)	Ordinary share of HK$0.05 each HK$'000
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	1,572,517	78,626

26 Share option scheme

The Company operates a share option scheme (the "Scheme"), which was adopted by the Company on 8 March 2011 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's Directors, including independent non-executive directors, employees, whether full-time or part-time, of the Group or any Invested Entity (as defined in the Scheme), suppliers of goods or services to the Group or any Invested Entity, customers of the Group or any Invested Entity, person or entity that provides research, development or other technological support to the Group or any Invested Entity, and any shareholder of any member of the Group or any Invested Entity or holder of securities issued by any member of the Group or any Invested Entity.

Under the Scheme, the Board of Directors of the Company may grant options to eligible employees (including any executive, non-executive and independent non-executive directors), supplier, customer, shareholder and adviser or consultant of any members of the Group and any person or entity that provides research, development or other technological support to any members of the Group. The total number of shares which may be issued upon exercise of all options to be granted under the Scheme shall not in aggregate exceed 10% of the total number of shares of the Company in issue on the adoption date of the Scheme. The maximum number of shares of the Company in respect of which share options may be granted under the Scheme and any other schemes of the Company must not, in aggregate, exceed 30% of the total number of shares in issue from time to time. The total number of shares to be issued upon exercise of the options granted to each eligible person (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue. The exercise price (subscription price) shall be such price as determined by the Board in its absolute discretion at the time of the making of the offer but in any case the exercise price shall not be lower than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the offer date; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a share.

26 Share option scheme *(continued)*

The options were granted at a consideration of HK$1 each. As at 31 December 2020 options to subscribe for a total of 67,343,940 (2019: 67,343,940) option shares are still outstanding and exercisable under the Scheme which represents approximately 4.3% (2019: 4.3%) of the issued ordinary shares of the Company. The options outstanding as at 31 December 2020 have a weighted average remaining contractual life of 4.4 years (2019: 5.4 years) and weighted average exercise price of HK$0.318 per share (2019: HK$ 0.318 per share).

The Scheme shall be valid and effective for a period of 10 years commencing from the date the Company adopted the scheme. At the annual general meeting of the Company held on 13 May 2016, the Scheme Mandate Limit was refreshed to allow the Company to grant up to the maximum of 127,380,604 Options, representing 10% of the Shares in issue on the date of approval of the refreshment. As no option grant was completed thereafter, the full limit of 127,380,604 Options so refreshed are still available for grant up to the date of this report.

Details of the specific categories of options as at 31 December 2020 and 2019 are as follows:

Date of grant	Exercise period		Original exercise price	Adjusted exercise price	Number of outstanding share options
	From	To	HK$	HK$	
Employees and consultants					
19/11/2013	19/11/2013	18/11/2023	1.594	1.503	5,143,940
13/7/2015	13/7/2015	12/7/2025	0.220	N/A	62,200,000
					67,343,940

The options were fully vested as of the date of grant.

No share option were granted, exercised, cancelled or lapsed during the year ended 31 December 2020 (2019: same).

27 Reserves

Statutory reserve

The subsidiaries of the Company in the PRC is required to allocate 10% of the company's net profit to the statutory reserves fund until such fund reaches 50% of its registered capital. The statutory reserves fund can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase its registered capital, provided that such fund is maintained at a minimum of 25% of its registered capital.

28 Other borrowings

The Group's other borrowings, after taking into account of repayable-on-demand clause, are repayable as follows:

	2020			2019		
	Within one year or on demand	**Non-current**	**Total**	Within one year or on demand	Non-current	Total
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Loans from directors	**9,518**	**22,188**	**31,706**	–	3,000	3,000
Loans from non-financial institutions	**416**	**29,400**	**29,816**	28,203	–	28,203
	9,934	**51,588**	**61,522**	28,203	3,000	31,203

The Group's other borrowings based on the scheduled repayment dates are analysed as follows:

	2020	2019
	HK$'000	HK$'000
Within 1 year	**5,880**	27,553
Between 1 and 2 years	**55,642**	3,000
Between 2 and 5 years	**–**	650
	61,522	31,203

As at 31 December 2020, the Group's other borrowings bore effective interest rate of 4.9% to 12.2% (2019: 4.9% to 10.7%) per annum, carrying amount of HK$50.6 million and HK$11.0 million (2019: HK$27.6 million and HK$3.7 million) was denominated in RMB and HK$, respectively and approximate their fair values.

29 Deferred income tax

The analysis of deferred income tax liabilities is as follows:

	2020	2019
	HK$'000	HK$'000
Deferred income tax liabilities:		
– to be recovered after more than 12 months	**–**	744

The movements in net deferred income tax liabilities during the year are as follows:

	Revaluation of investment property	
	2020	2019
	HK$'000	HK$'000
At 1 January	**744**	1,048
Credited to profit or loss	**(771)**	(286)
Currency translation difference	**27**	(18)
At 31 December	**–**	744

At 31 December 2020, the Group has unused tax losses of approximately HK$79,875,000 (2019: HK$79,705,000) available for offset against future profits. The tax losses of HK$2,734,000 (2019: HK$5,744,000) will expire 2022 to 2025 (2019: 2021 to 2024) and HK$77,141,000 (2019: HK$77,141,000) can be carried forward indefinitely under current tax legislation. No deferred income tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

At 31 December 2020, no deferred income tax asset has been recognised in relation to the deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised (2019: same).

As at 31 December 2020, deferred income tax liabilities have not been provided for in the consolidated financial statements in respect of the withholding tax that would be payable on unremitted earnings of the PRC subsidiaries of the Company amounting to approximately HK$6.6 million (2019: HK$6.6 million), as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

30 Trade and other payables

	2020 HK$'000	2019 HK$'000
Trade payables	**35,789**	14,271
Amount due to a director	**631**	690
Consideration payable	**3,058**	2,865
Other payables and accruals	**19,034**	13,332
	58,512	31,158

Amount due to a director is non-trade in nature, unsecured, non-interest bearing and repayable on demand.

Trade payables are denominated in the following currencies:

	2020 HK$'000	2019 HK$'000
RMB	**35,148**	12,831
HK$	**641**	1,440
	35,789	14,271

The ageing analysis of the trade payables based on the invoice date are as follows:

	2020 HK$'000	2019 HK$'000
Within 30 days	**3,538**	686
31 to 60 days	**1,266**	1,631
61 to 90 days	**4,132**	996
Over 90 days	**26,853**	10,958
	35,789	14,271

The average credit period granted by the Group's suppliers ranges from 0 to 60 days.

31 Promissory notes

	2020	2019
	HK$'000	HK$'000
At 1 January and 31 December	**15,000**	15,000

On 23 November 2012, the Company issued promissory notes at an aggregate principal amount of HK$71,000,000 for acquisition of 20% equity interests in Great Steer Limited (the "Promissory Notes"). The Promissory Notes were interest-free and due 3 years after the date of issue. The fair value of the Promissory Notes was HK$55,794,000 as at the issue date, calculated at the effective interest rate of 8.366% per annum.

During the year ended 31 December 2012, Promissory Notes at amortised cost of HK$9,733,000 were early repaid by cash at nominal value of HK$13,000,000. During the year ended 31 December 2015, the Company further repaid HK$43,000,000 on maturity. The remaining balance of HK$15,000,000 has not yet been repaid as at 31 December 2020 (2019: Same).

32 Notes to the consolidated statement of cash flows

(a) Reconciliation of loss before income tax to cash used in operations

	2020	2019
	HK$'000	HK$'000
Loss before income tax	**(11,140)**	(9,633)
Adjustments for:		
Depreciation		
– property, plant and equipment	**2,206**	955
– right-of-use assets	**1,856**	1,179
Provision for/(reversal of) impairment of		
– Inventories	**261**	795
– Trade receivables	**2,899**	(506)
– Other financial assets carried at amortised cost	**(20)**	338
Change in fair value of investment property	**2,704**	1,145
Interest income	**(10)**	(21)
Finance costs	**3,172**	4,545

32 Notes to the consolidated statements cash flows *(continued)*

(a) Reconciliation of loss before income tax to cash used in operations *(continued)*

	2020	2019
	HK$'000	HK$'000
Operating profit/(loss) before working capital changes	**1,928**	(1,203)
Changes in working capital		
Inventories	**(1,933)**	(2,132)
Trade receivables and other financial assets carried at amortised cost	**(21,078)**	20,463
Other current assets	**(34,330)**	(20,578)
Trade and other payables	**25,208**	(18,797)
Contract liabilities	**7,456**	1,014
Net cash used in operations	**(22,749)**	(21,233)

(b) Reconciliation of liabilities arising from financing activities

	Lease liabilities	**Other borrowings**	**Total**
	HK$'000	HK$'000	HK$'000
As at 1 January 2019	–	–	–
Net cash (outflows)/inflows, net	(1,283)	30,987	29,704
Non-cash flows:			
– Recognition on adoption of HKFRS 16	1,008	–	1,008
– Acquisition of a subsidiary	3,411	–	3,411
– Additions on lease	1,409	–	1,409
– Interest expense	152	731	883
Currency translation difference	(73)	(515)	(588)
As at 31 December 2019	4,624	31,203	35,827

32 Notes to the consolidated statements cash flows *(continued)*

(b) Reconciliation of liabilities arising from financing activities *(continued)*

	Lease liabilities HK$'000	**Other borrowings** HK$'000	**Total** HK$'000
As at 1 January 2020	**4,624**	**31,203**	**35,827**
Net cash (outflows)/inflows, net	**(2,067)**	**26,595**	**24,528**
Non-cash flows:			
– Additions on lease	**537**	**–**	**537**
– Interest expense	**215**	**2,957**	**3,172**
Currency translation difference	**194**	**767**	**961**
As at 31 December 2020	**3,503**	**61,522**	**65,025**

33 Related party transactions

(a) Transactions and balances with related parties

Except for those disclosed below and elsewhere on the consolidated financial statements, the Group has the following significant transactions and balances with related parties during the year ended 31 December 2020 (2019: none).

	2020 **HK$'000**	2019 HK$'000
Balance with a related party		
Contract liabilities		
廣東順太電容電器有限公司	**2,000**	–

廣東順太電容電器有限公司 is a limited company incorporated in the PRC, which is indirectly partially owned by Mr. Wong Kin Hong, the chairman and executive director of the Group.

34 Litigation

(i) On 6 March 2012, a writ of summons was issued by JMM Business Network Investments (China) Limited ("JMM") against (a) Mr. Chan Ka Ming, Mr. Nee, Henry Pei Ching, Mr. Ho Chun Kit Gregory, Mr. Tam Chak Chi, Mr. Ng Kai Shing, Mr. Jal Nadirshaw Karbhari and Ms. Chan Sze Man, all former Directors; and (b) the Company. In this action, JMM sought to challenge the validity of a notice of special general meeting of the Company dated 9 February 2012, but did not specify any monetary claim against the Company. The Directors have not been aware of any material progress of this action since as early as the third quarter of 2012. As such, the Directors are of the view that the action is unlikely to result in any significant financial impact on the financial statements of the Company.

34 Litigation *(continued)*

(ii) On 14 March 2012, a writ of summons was issued by Good Capital Resources Limited ("Good Capital") against (a) Mr. Chan Ka Ming, Mr. Nee, Henry Pei Ching, Mr. Ho Chun Kit Gregory, Mr. Tam Chak Chi, Mr. Ng Kai Shing, Mr. Jal Nadirshaw Karbhari and Ms. Chan Sze Man, all former Directors; and (b) the Company. In this action, Good Capital sought to challenge the validity of the issuance of certain warrants and the grant of certain share options of the Company in March 2012, but did not specify any monetary claim against the Company. The Directors have not been aware of any material progress of this action since as early as the third quarter of 2012. As such, the Directors are of the view that the action is unlikely to result in any financial impact on the financial statements of the Company.

(iii) Under action HCA 987/2016, Good Return (BVI) Limited ("Good Return"), a wholly-owned subsidiary of the Company, claims against Wickham Ventures Limited ("Wickham") and Ms. Lee Hei Wun ("Ms. Lee") for, among others, the shortfall of a profit guarantee in a total sum of HK$16,188,374 pursuant to the sale and purchase agreement under which Good Return acquired Arnda Semiconductor Limited from Wickham (the "Legal Action"). Ms. Lee filed a Defence and Counterclaim alleging misrepresentation and breach of contract on the part of Good Return and claiming damages (unquantified), and seeking to rectify and rescind previous agreements. The court has granted judgment on 4 September 2020 in favour of Good Return for the sum of HK$3,000,000 plus interest.

(iv) On 11 February 2015, the Company and Silver Bonus Limited (a wholly-owned subsidiary of the Company and the purchaser to the acquisition) issued a writ of summons against Mr. Lau Hin Chung (the first vendor), Shinning Team Investment Limited (the second vendor), Neo Partner Investments Ltd. (the "Target Company"), Harvest View (China) Limited (a wholly-owned subsidiary of the Target Company) and Mr. Chen Zai (the registered owner of the other 55% shareholding in the Target Company) to claim for relief including damages for breach of contract and/or rescission of contract based on misrepresentation (including a declaration that the promissory notes issued as consideration for the acquisition being null and void and unenforceable), and negligence and breach of fiduciary duties against certain ex-directors of the Company. The Company's claim relates to the acquisition by the Group of 28% shareholding in the Target Company for the consideration of HK$23,800,000, pursuant to a sale and purchase agreement dated 10 December 2012 (as supplemented by a supplemental agreement dated 14 December 2012) which was completed on 23 January 2013. The Company has instructed its legal adviser to continue to uphold its rights in the legal action.

(v) On 20 April 2016, a writ of summons was issued by Mr. Zhu Jun Min ("Mr. Zhu") against the Company for claiming a sum of approximately HK$3.5 million, being the face value of a promissory note allegedly issued by the Company to Mr. Zhu in 2013. The Company has instructed its legal adviser to uphold its rights in the legal action.

Save as disclosed above, neither the Company nor any of its subsidiaries was involved in any material litigation at the end of the reporting period.

35 Contingent liabilities

As at 31 December 2020 and 2019, the Group had no material contingent liabilities.

36 Subsidiaries

(a) Particulars of the principal subsidiaries

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Nominal value of issued shares/ registered share capital	Ownership interest held by the Group 2020	2019
Oriental Light International Limited	BVI, limited liability company	Trading of optoelectronic products in Hong Kong	Issued and paid-up USD1	**100%**	100%
Rich Point International Limited	Hong Kong, limited liability company	Trading of liquor in Hong Kong	Issued and paid-up HK$2	**100%**	100%
象山弘通投資管理諮詢有限公司	PRC, limited liability company	Property investment in the PRC	Registered and paid-up USD1,324,000	**100%**	100%
All Like Limited	Hong Kong, limited liability company	Investment holding and trading of LED and related products in Hong Kong	Issued and paid-up HK$1	**100%**	100%
廣州無縫綠色科技有限公司	PRC, limited liability company	Trading of LED and related products in the PRC	Registered: HK$73,000,000 Paid-up: HK$65,000,000	**100%**	100%
東莞楓樺	PRC, limited liability company	Trading of LED and related products in the PRC	Registered: RMB10,000,000 Paid-up: RMB5,390,870	**51%**	51%
江門市新會區嘉熙年電子科技有限公司	PRC, limited liability company	Manufacturing and trading of LED and related products in the PRC	Registered and paid-up RMB1,000,000	**100%**	100%
易富酒業（深圳）有限公司	PRC, limited liability company	Trading of liquor in the PRC	Registered and paid-up RMB500,000	**100%**	100%

36 Subsidiaries *(continued)*

(b) Material non-wholly-owned subsidiaries

Set out below are the summarised unaudited financial information for 東莞楓樺 which has 49% material non-controlling interests.

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Assets and liabilities		
Current assets	**38,889**	3,733
Non-current assets	**5,867**	7,339
Current liabilities	**(37,409)**	(3,786)
Non-current liabilities	**(1,311)**	(2,106)

	Year ended 31 December 2020	Period ended 31 December 2019
Profit or loss		
Revenue	**47,489**	34,448
Profit for the year/period	**494**	546
Other comprehensive income/(loss)	**362**	(108)
Total comprehensive income	**856**	438
Profit allocated to non-controlling interests	**242**	267
Dividend paid to non-controlling interests	**–**	–

	Year ended 31 December 2020	Period ended 31 December 2019
Cash flows		
Net cash inflow from operating activities	**1,660**	1,388
Net cash outflow from investing activities	**(425)**	(1,394)
Net cash outflow from financing activities	**(1,011)**	(486)
	224	492

The information above was the amount before inter-company eliminations.

36 Subsidiaries *(continued)*

(c) Transaction with non-controlling interests

There were no transactions with non-controlling interests in 2020 and 2019.

37 Business combinations

During the year ended 31 December 2019, the Group completed the acquisition of 51% equity interest in 東莞楓樺, from an independent third party. The aggregate financial information as at acquisition date was presented as follows:

	HK$'000
Consideration:	
– Cash	2,926
Recognised amounts of provisional fair value of identifiable assets acquired, liabilities assumed and non-controlling interests	
Property, plant and equipment *(Note 14)*	3,964
Right-of-use assets *(Note 15)*	3,089
Inventories	328
Other financial assets carried at amortised cost and prepayments	239
Other current assets	500
Cash and cash equivalents	678
Trade and other payables	(552)
Contract liabilities	(92)
Lease liabilities	(3,411)
Total identifiable net assets	4,743
Non-controlling interests	(2,324)
Goodwill *(Note 17)*	507
	2,926
Net cash inflow arising from the acquisitions	
Cash consideration	(2,926)
Less: Cash and cash equivalents acquired	678
Consideration payable	2,926
	678

37 Business combinations *(continued)*

Notes:

(a) Revenue and profit contribution

The revenue and the profit included in the consolidated statement of profit or loss since acquisition date contributed by the business combination occurred during the year ended 31 December 2019 were approximately HK$34,448,000 and HK$546,000 respectively. Had the consolidation taken place at 1 January 2019, the consolidated statement of profit or loss would show pro-forma revenue of approximately HK$156,912,000 and loss of HK$10,918,000 respectively.

(b) Provisional fair value of acquired identifiable assets

The fair value of the acquired identifiable assets was provisional pending receipt of the final valuations for those assets. Deferred tax liabilities have been provided in relation to these fair value adjustments.

(c) Goodwill on business combination

The goodwill is attributable to the synergies expected to arise after the Group's acquisition of this subsidiary.

(d) Non-controlling interests

The non-controlling interests were recognised at their proportionate share of the recognised amounts of acquirees' identifiable net assets.

38 Statement of financial position and reserves movement of the Company

(a) Statement of financial position of the Company

	Note	2020 HK$'000	2019 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**16**	41
Right-of-use assets		**447**	–
Investments in subsidiaries	*36(a)*	**–**	–
Financial assets at fair value through other comprehensive income		**–**	328
Other financial assets carried at amortised cost		**48**	50
Total non-current assets		**511**	419
Current assets			
Other financial assets carried at amortised cost		**7**	7
Other current assets		**435**	424
Amounts due from subsidiaries		**24,043**	28,924
Cash and cash equivalents		**205**	182
Total current assets		**24,690**	29,537
Total assets		**25,201**	29,956
EQUITY			
Equity attributable to the owners of the Company			
Share capital	*25*	**78,626**	78,626
Reserves	*38(b)*	**(79,498)**	(70,638)
Total (deficit)/equity		**(872)**	7,988

38 Statement of financial position and reserves movement of the Company *(continued)*

(a) Statement of financial position of the Company *(continued)*

	Note	**2020** **HK$'000**	2019 HK$'000
LIABILITIES			
Non-current liabilities			
Other borrowings		**6,900**	3,000
Lease liabilities		**186**	–
Total non-current liabilities		**7,086**	3,000
Current liabilities			
Other payables and accruals		**3,721**	3,968
Promissory notes		**15,000**	15,000
Lease liabilities		**266**	–
Total current liabilities		**18,987**	18,968
Total liabilities		**26,073**	21,968
Total equity and liabilities		**25,201**	29,956

The statements of financial position of the Company was approved by the Board of Directors on 31 March 2021 and were signed on its behalf.

Wong Tat Wa
Director

Leung Po Yee
Director

38 Statement of financial position and reserves movement of the Company *(continued)*

(b) Reserves movement of the Company

	Share premium	Financial assets at fair value through other comprehensive income reserve	Share-based payment reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2019	491,228	(762)	8,762	(573,461)	(74,233)
Profit for the year	–	–	–	3,599	3,599
Change in the fair value of financial assets at fair value through other comprehensive income	–	(4)	–	–	(4)
Total comprehensive loss for the year	–	(4)	–	3,599	3,595
At 31 December 2019	491,228	(766)	8,762	(569,862)	(70,638)
Balance at 1 January 2020	**491,228**	**(766)**	**8,762**	**(569,862)**	**(70,638)**
Loss for the year	**–**	**–**	**–**	**(8,532)**	**(8,532)**
Change in the fair value of financial assets at fair value through other comprehensive income	**–**	**(328)**	**–**	**–**	**(328)**
Total comprehensive loss for the year	**–**	**(328)**	**–**	**(8,532)**	**(8,860)**
At 31 December 2020	**491,228**	**(1,094)**	**8,762**	**(578,394)**	**(79,498)**

FIVE YEARS FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial years set out below:

	Year ended 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**142,047**	146,602	121,060	40,680	12,822
Loss before tax	**(11,140)**	(9,633)	(5,270)	(14,786)	(18,024)
Income tax (expense)/credit	**180**	(657)	(1,425)	(1,054)	(114)
Loss for the year	**(10,960)**	(10,290)	(6,695)	(15,840)	(18,138)
Attributable to:					
– Owners of the Company	**(11,202)**	(10,557)	(6,723)	(15,862)	(18,790)
– Non-controlling interests	**242**	267	28	22	652
	(10,960)	(10,290)	(6,695)	(15,840)	(18,138)

	As at 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Non-current assets	**21,981**	26,630	17,974	20,167	22,899
Current assets	**165,846**	103,886	100,693	85,278	41,962
Non-current liabilities	**(53,389)**	(6,641)	(1,048)	(1,121)	(1,039)
Current liabilities	**(97,815)**	(80,488)	(65,002)	(39,777)	(24,482)
Net assets	**36,623**	43,387	52,617	64,547	39,340
Attributable to:					
– Owners of the Company	**33,665**	40,849	52,617	65,351	40,166
– Non-controlling interests	**2,958**	2,538	–	(804)	(826)
Total equity	**36,623**	43,387	52,617	64,547	39,340

SUMMARY OF INVESTMENT PROPERTY

Address	Approximate gross floor areas	Tenure	Existing use
House No. 11 in Phase I, Rose Garden, Baishawan, Xiangshan County, Ningbo City, Zhejiang Province, the PRC	440.27 sq.m. plus a basement ancillary floor of 301.26 sq.m.	A term of 70 years expiring on 19 September 2076	Residential use