PHOENITRON

Phoenitron Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8066)

SEEING FURTHER GOING FORWARD

Annual Report 2021

Characteristics of GEM of the Stock Exchange of Hong Kong Limited (the "Stock Exchange")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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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Corporate Information

DIRECTORS

Executive Directors
Lily Wu *(Chairman and Chief Executive Officer)*
Chang Wei Wen
Yang Meng Hsiu

Independent non-executive Directors
Chan Siu Wing, Raymond
Leung Ka Kui, Johnny
Wong Ka Wai, Jeanne

COMPLIANCE OFFICER

Lily Wu

QUALIFIED ACCOUNTANT

Lau Ka Chung *(FCPA, FCG)*

COMPANY SECRETARY

Lau Ka Chung *(FCPA, FCG)*

AUTHORISED REPRESENTATIVES

Lily Wu
Chang Wei Wen

AUDIT COMMITTEE

Wong Ka Wai, Jeanne *(Chairman)*
Chan Siu Wing, Raymond
Leung Ka Kui, Johnny

REMUNERATION COMMITTEE

Leung Ka Kui, Johnny *(Chairman)*
Chang Wei Wen
Chan Siu Wing, Raymond
Lily Wu
Wong Ka Wai, Jeanne

NOMINATION COMMITTEE

Lily Wu *(Chairman)*
Chan Siu Wing, Raymond
Leung Ka Kui, Johnny
Wong Ka Wai, Jeanne
Yang Meng Hsiu

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 710, 7th Floor, North Tower,
World Finance Centre,
Harbour City,
Tsimshatsui, Kowloon,
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3, Building D
PO Box 1586, Gardenia Court, Camana Bay
Grand Cayman KY1-1110, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKER

Nanyang Commercial Bank Limited

AUDITOR

Moore Stephens CPA Limited
Registered Public Interest Entity Auditor
801-806 Silvercord, Tower 1
30 Canton Road
Tsimshatsui
Kowloon
Hong Kong

WEBSITE ADDRESS

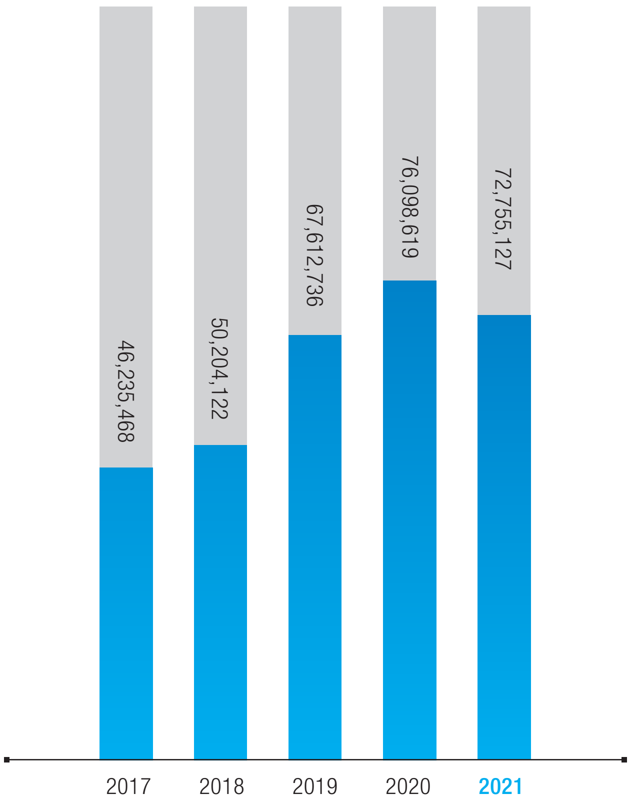
www.phoenitron.com

STOCK CODE

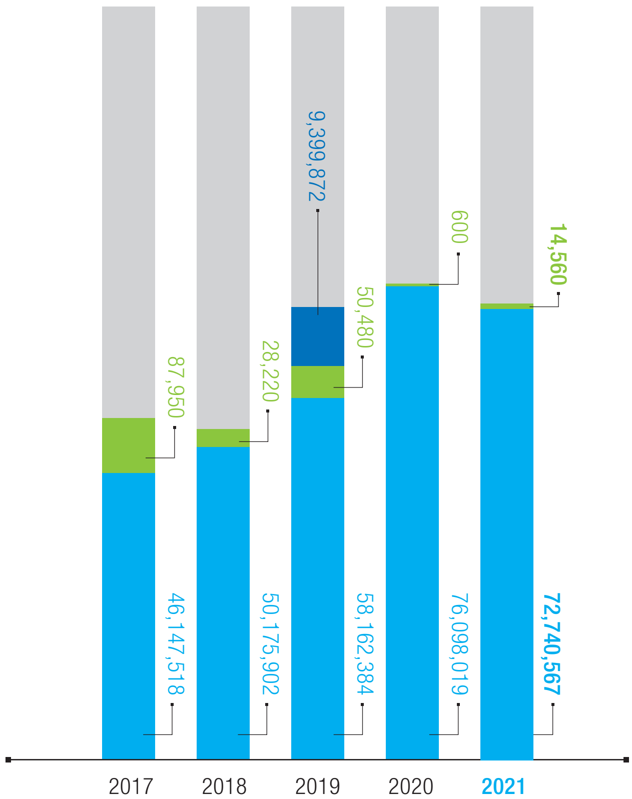
8066

Financial Highlights

TURNOVER (RESTATED)

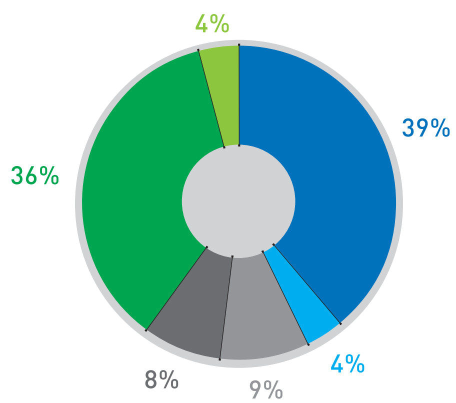


TURNOVER BY SEGMENTS (RESTATED)



- Sales of smart cards
- Sales of smart card application systems
- Sales and trading of scrap metals

TOTAL ASSETS AT 31 DECEMBER 2021



- Cash and cash equivalents
- Investment in TV programmes
- Other Assets
- Right-of-use assets
- Property, plant and equipment
- Trade and other receivables, prepayments and deposits

Chairman's Statement

TO OUR SHAREHOLDERS

On behalf of the Board of Directors, I am pleased to present the results of Phoenitron Holdings Limited (the "Company") and its subsidiaries (together, the "Group" or the "Phoenitron") for the financial year ended 31 December 2021 (the "Reporting Period").

RESULTS

For the year ended 31 December 2021, the Company recorded a consolidated revenue of approximately HK$72,755,000 (2020: approximately HK$76,099,000) and loss attributable to owners of the Company of approximately HK$5,763,000 (2020: profit of approximately HK$3,956,000).

DIVIDEND

The Board of Directors (the "Board") of the Company does not recommend any payment of a final dividend for the Reporting Period.

BUSINESS AND OPERATION REVIEW

The year 2021 was challenging.

During the Reporting Period, the COVID-19 pandemic situation dragged on with several new variants of the virus, each of which created operating and sales difficulties, and stood in the way of a global economic recovery. The issues included disrupted supply chain, rising energy prices, workforce disruptions, travel restrictions and intensifying inflationary pressures which negatively impacted the Phoenitron's smart card contract manufacturing business and investment in TV Play during the period under review.

Contract manufacturing and sales of smart cards

Due to the global semiconductor shortage, one of the many problems caused by the COVID-19 pandemic, all companies at some levels of business are experiencing effects of this scarcity, and the smartcard segments, including telecom (SIM cards), are taking a big hit within the supply chain ecosystem.

The Group's SIM cards business was negatively affected by the unstable supply of chips from customers, and the situation was particularly acute during the second half of 2021. In many cases, customers' orders were placed but production could not proceed due to lack of supply of chips from customers. It has not only caused delivery delays, the Group's product mix suffered with a smaller proportion of higher-value-added orders which rely on SIM chips, being compensated by the acceptance of more lower-value-added card body orders taken just to better utilize the production capacity in Shenzhen.

During the Reporting Period, high-value-added ancillary card services orders (e.g. packaging) were also substantially reduced, due primarily to the increase of transportation costs which made the business uneconomical.

During the Reporting Period, we focused on strengthening our relationship with existing customers and at the same time expanding the client base and overall market share. Management also made greater efforts in implementing cost-cutting/streamlining measures and increasing productivity and operational efficiency. Apart from the existing SIM card services, we will also be searching for opportunities to provide certain higher-value-added card services (for example, machine-to-machine (M2M) smartcard related business) in the coming year.

Financially, profit of approximately HK$1.4 million (2020: approximately HK$7.9 million) was recorded for the sales of smart cards business during the Reporting Period.

Chairman's Statement

Investment in TV Play

On 30 September 2019, Kartop Hong Kong Limited ("Kartop HK"), an indirectly wholly-owned subsidiary of the Company, entered into the Joint Production Agreement with 浙江優盛影視文化有限公司, pursuant to which Kartop HK has agreed to invest RMB24.0 million (equivalent to approximately HK$26.9 million) in the production of a TV Play "Snow Leopard II" (the "Target TV Play"), which is directed by Mr. Wang De Qing, produced by Mr. Zhang Jian and starring Mr. Zhang Ming En and Ms. Feng Yue and was tentatively targeting a release in China in 2020.

As disclosed in the Company's 2020 annual report, the Covid-19 outbreak caused a major film production delay of "Snow Leopard II", which pushed the release schedule to 2021.

Unfortunately, due to the unexpected, persistent COVID-19 circumstances throughout 2021, the Target TV Play could not be produced as planned in the Reporting Period, as the shooting base was forced to close and was not allowed to operate (despite the shooting team being ready and available for production).

According to the producer Mr. Zhang Jian, the Target TV Play is 70% completed. Based on the revised timetable, it is expected that the production will be completed in 2022, and post-production and obtaining relevant licenses shall take another two to three months, hence the Target TV Play is now targeting a second quarter 2023 release and Kartop HK should be able to receive revenue by end of the third quarter 2023.

The Group plans to develop new businesses in the advertising, media and entertainment industry. The investment in the Target TV Play is in line with the Group's plan of development in the advertising, media and entertainment industry. The Directors consider that the investment in the Target TV Play would be beneficial to the Group as it represents a first step forward in the implementation of the Group's development plan. The Directors also believe that the investment in the Target TV Play will provide additional income to the Group which strengthen our financial base. Apart from "Snow Leopard II", the management will also be looking for other similar investments in the future.

OUTLOOK

In 2022, the on-going COVID-19 crisis in China may continue to bring uncertainties in the Group's operating environment. As far as the Group's businesses are concerned, the recent tightening measures implemented by the customs office in Shenzhen on import/export of goods from Hong Kong has caused a substantial increase in raw material costs, transportation and related costs for the SIM cards business.

Going forward, the COVID-19 pandemic continues to pose challenges and the management of the Company believed that the progress of vaccination rates and the easing of lockdown measures worldwide are the determining factors in the recovery of the global economy in the 2nd half of year 2022 and is confident that the global economy will continue to improve and will bring in more revenue. At the same time, we will continue to explore more business opportunities, and to consolidate the existing SIM card businesses, manufacture with greater efficiency, seek cost and expense savings wherever possible, and to reinforce competitive strengths to solidify the Phoenitron's leading position in existing markets by providing quality services and to convert challenges into opportunities. We believe, by applying the Company's funds in an appropriate manner and by utilising the unique investment opportunities of the Company, we will bring stable revenue and profit for our shareholders. The Board believes the diversification of our businesses will facilitate the long-term development of the Group and enhance our shareholder value.

Chairman's Statement

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to extend our gratitude to all members of the Board and staff for their dedication and contribution to the Group throughout the year 2021. I would also like to express my heartfelt appreciation to our shareholders, business partners, investors and customers for their continuous support.

Lily WU
Chairman

Hong Kong, 22 March 2022

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

For the financial year ended 31 December 2021 (the "Reporting Period"), the Group's financial result was principally derived from the contract manufacturing and sales of smart cards.

During the Reporting Period, the Group's revenue generated from the SIM card manufacturing business amounted to approximately HK$72.74 million, a decline of approximately HK$3.36 million or 4.4% as compared to the corresponding period in 2020 of approximately HK$76.10 million.

Cost of Sales ("COS") and Gross Profit

During the Reporting Period, cost of sales incurred for the SIM card manufacturing business amounted to approximately HK$53.91 million, an increase of approximately HK$1.98 million or 3.8% as compared to the corresponding period in 2020 of approximately HK$51.93 million. The reason for the increase in COS was due to a higher portion of revenue being derived from cardbody-related orders (meaning fewer higher-value-added-service orders) which caused the increases in material and labour costs year-on-year.

Due to a less favourable sales mix year-on-year, gross profit of the Group during the Reporting Period recorded a decline of approximately HK$5.33 million or 22.1%, from the corresponding period in 2020 of approximately HK$24.16 million, to approximately HK$18.83 million.

Other Income

Other income of approximately HK$0.77 million comprised of a one-off subsidy from the PRC local authority of approximately HK$0.28 million, bank interest income of HK$7,342 and sundry and other income of approximately HK$0.49 million (2020: approximately HK$1.03 million and was mainly comprised of the government subsidy of approximately HK$0.75 million and sundry and other income of approximately HK$0.28 million).

Other Losses, Net

During the Reporting Period, other losses amounted to approximately HK$0.68 million, which comprised of loss of disposal of property, plant and equipment of approximately HK$0.10 million, net exchange losses arising from foreign currency based transactions of approximately HK$0.58 million (2020: HK$7,220, comprised of loss on disposal of property, plant and equipment of HK$6,863 and net exchange losses arising from foreign currency based transactions of HK$357).

Selling and Distribution Costs

During the Reporting Period, selling and distribution costs amounted to approximately HK$2.65 million, representing a slight decrease of approximately HK$0.37 million, or 12.3%, as compared to the corresponding period in 2020 of approximately HK$3.02 million. The decrease was mainly due to the decreases in freight charges and commission paid as a result of the decrease in revenue of SIM card segment year-on-year.

Administrative Expenses

Administrative expenses recorded an increase of approximately HK$0.85 million, or 4.1% during the Reporting Period, from approximately HK$20.82 million for the corresponding period in 2020, to approximately HK$21.67 million. The increase was primarily attributable to the increase in various administrative expenses such as entertainment, staff costs and sundry expenses.

Impairment Loss on Other Receivables

During the Reporting Period, an impairment loss on other receivables amounted to HK$6,807 (2020: approximately HK$0.27 million).

Management Discussion and Analysis

Change in Fair Value of Investment in TV Programmes

During the Reporting Period, a fair value gain on investment in TV programmes of approximately HK$0.61 million was recognised (2020: approximately HK$3.25 million).

Finance Costs

During the Reporting Period, the Group's finance costs, representing the finance charges on lease liabilities, amounted to approximately HK$0.39 million (2020: approximately HK$0.39 million).

Income Tax Expense/Credit

During the Reporting Period, an income tax expense of approximately HK$0.57 million was provided for in respect of an underprovision of tax for prior years (2020: income tax credit of HK$0.02 million).

Non-controlling Interests

During the Reporting Period, a loss of HK$125 attributable to the non-controlling interests was recognised (2020: HK$178).

As a result of the foregoing, loss attributable to owners of the Company for the Reporting Period amounted to approximately HK$5.76 million (2020: profit attributable to owners of the Company of approximately HK$3.96 million).

THE GROUP'S RESPONSE TO THE QUALIFIED OPINION

Referring to the auditor's qualified opinion on page 26, the Company expressed that they fully understood and accepted the qualified opinion being made, and understood that such qualification arose because of the possible effect on the comparability of the current year's figures and the corresponding figures for the year ended 31 December 2020. The Board would like to emphasize that they do not have any modified opinion on the figures in relation to the year ended 31 December 2021 and the qualified opinion does not have carryforward effect to the Group's financial statements for the year ending 31 December 2022 and similar qualified opinion will not be issued in the Group's financial statements for the year ending 31 December 2022.

The Board considered that there is no material effect on the operation or financial position of the Company and its subsidiaries.

LIQUIDITY AND FINANCIAL RESOURCES/CAPITAL STRUCTURE

During the year under review, the Group financed its business operations and investments with cash, revenue generated from operating activities and other borrowings. As at 31 December 2021, the Group had cash and bank balances of approximately HK$3.7 million (2020: approximately HK$8.8 million) and repaid all outstanding other borrowings (2020: approximately HK$0.3 million).

As at 31 December 2021, the Group had current assets of approximately HK$36.3 million (2020: approximately HK$44.4 million) and current liabilities of approximately HK$34.6 million (2020: approximately HK$36.0 million). The current ratio, expressed as current assets over current liabilities, was 1.0 (2020: 1.2).

EMPLOYEE INFORMATION

As at 31 December 2021, the Group employed a total of 139 employees (2020: 144 employees), of which 13 were located in Hong Kong and the rest were located in the PRC and Taiwan. Employee cost, including directors' remuneration, was approximately HK$24.0 million (2020: approximately HK$22.6 million) for the year under review. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. In addition to basic salaries and participation in mandatory provident fund scheme, staff benefits include medical scheme and share options.

Management Discussion and Analysis

SIGNIFICANT INVESTMENTS

Save as disclosed in note 23 to consolidated financial statements, there was no other significant investments for the year ended 31 December 2021.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group made no material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2021.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the "Chairman's Statement" and "Management Discussion and Analysis" sections, there were no future plans for material investments or capital assets.

CHARGE ON GROUP ASSETS

At 31 December 2021, there is no charge on assets of the Group (2020: nil).

GEARING RATIO

The gearing ratio of the Group, expressed as a percentage of total borrowings including lease liabilities to total assets of the Group, was 10.1% as at 31 December 2021 (2020: 11.5%).

FINAL DIVIDEND

The Directors does not recommend any payment of a final dividend for the year ended 31 December 2021 (2020: nil).

COMPETING INTERESTS

As at 31 December 2021, none of the directors or the management shareholders or any of its respective associates (as defined under the GEM Listing Rules) of the Company had any interest in a business that competed or might compete with the business of the Group directly or indirectly.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

ANNUAL GENERAL MEETING

The annual general meeting (the "AGM") of the shareholders of the Company will be held at 10:00 a.m., on Wednesday, 11 May 2022, at Function Room 1, 11th Floor, L'hotel Nina et Convention Centre, 8 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong and the notice of AGM will be published and dispatched to the shareholders in the manner as required by the GEM Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the entitlements to attend the AGM, the register of members of the Company will be closed from Thursday, 5 May 2022 to Wednesday, 11 May 2022 (both dates inclusive) during which period no transfer of shares of the Company will be registered. In order to qualify for attending the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Wednesday, 4 May 2022.

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2021.

INTRODUCTION

The Board believes that good corporate governance practices are essential for effective management and enhancement of shareholder value and investor confidence. The Company has taken a proactive approach in strengthening corporate governance practices, increasing transparency and sustaining accountability to shareholders through effective internal controls, under the leadership of its experienced and committed Board.

The Company has applied the principles set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 15 to the GEM Listing Rules.

In the opinion of the Board, the Company has complied with all the code provisions set out in the CG Code throughout the year ended 31 December 2021 with the exception of the code provision C.2.1 which requires that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Details relating to the foregoing deviation are summarised below.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions 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. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 December 2021.

BOARD OF DIRECTORS

The Board is responsible for overseeing the management of the business and affairs of the Group with the overriding objective of enhancing share value. With delegating authorities from the Board, management of the Company is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer.

Code provision C.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing.

Ms. Lily Wu ("Ms. Wu") serves as the Chairman of the Board since 1 April 2006 and was further appointed as the Chief Executive Officer on 23 March 2009. The reasons for not splitting the roles of chairman and chief executive officer are (i) the size of the Group is still relatively small and thus not justified in separating the roles of chairman and chief executive officer; and (ii) the Group has in place an internal control system to perform the check and balance function. Ms. Wu is primarily responsible for leadership of the Group and the Board, setting strategic direction, ensuring the effectiveness of management in execution of the strategy approved by the Board. Execution responsibilities lie with another executive Director and senior management of the Company.

The Board considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company.

Corporate Governance Report

Board composition

Up to the date of this annual report, the Board comprises six Directors, including three executive Directors and three Independent non-executive Directors. Details of their composition by category are as follows:

Executive Directors
Ms. Lily Wu *(Chairman and Chief Executive Officer)*
Mr. Chang Wei Wen
Mr. Yang Meng Hsiu

Independent non-executive Directors
Mr. Chan Siu Wing, Raymond
Mr. Leung Ka Kui, Johnny
Ms. Wong Ka Wai, Jeanne

Biographical details of Directors are set out on page 18 of this annual report.

The Directors, with relevant and sufficient experience and qualifications, have given sufficient time and attention to the affairs of the Group and have exercised due care and fiduciary duties to the significant issues of overall business planning, management and strategic development of the Group.

Board and general meetings

The Board conducts regular scheduled meetings on a quarterly basis. Ad-hoc meetings are convened when circumstances require. During the year ended 31 December 2021, there were four board meetings and one general meeting held. The Directors can attend meetings in person or via telephone conference as permitted under the articles of association of the Company.

Details of individual attendance of all Directors at the board meetings and general meeting are as follows:

Name of Directors	Attendance of Board meetings	Attendance of general meeting
Executive Directors		
Ms. Lily Wu	4/4	1/1
Mr. Chang Wei Wen	4/4	1/1
Mr. Yang Meng Hsiu	4/4	0/1
Independent Non-executive Directors		
Mr. Chan Siu Wing, Raymond	4/4	0/1
Mr. Leung Ka Kui, Johnny	3/4	0/1
Ms. Wong Ka Wai, Jeanne	4/4	0/1

Information of material issues, due notice of meeting and minutes of each Directors' meeting have been sent to each of the Directors for their information, comment and review.

Corporate Governance Report

The Board is responsible to set strategic plans, formulates policies and provides effective oversight over the management on the operational affairs, and members of the Board are individually and collectively accountable to the shareholders of the Company. The management is responsible for the daily operations of the Group. For significant matters that are specifically delegated by the Board, the management must report back to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group.

Independent non-executive Directors

Each Director is required to keep abreast of his responsibilities as a director of the Company and of the Company's conduct, business activities and development. Given the essential unitary nature of the Board, independent non-executive Director has the same duties of care and skill and fiduciary duties as executive Directors. Independent non-executive Director brings a wide range of business and financial expertise, experience and independent judgment to the Board. Functions of independent non-executive Director include but should not be limited to the following:

i. participating in Board meetings to bring independent judgment;

ii. taking the lead where potential conflict of interests may arise;

iii. serving on the audit, nomination and remuneration committees if invited; and

iv. scrutinizing the Group's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance.

Pursuant to Rule 5.05 of the GEM Listing Rules, the Board has appointed three independent non-executive Directors, representing half of the Board and all of them have appropriate professional accounting qualifications or related experiences on financial management which is in compliance with Rule 5.05A and 5.05 of the GEM Listing Rules. Currently, there is no specific terms of service for each of the independent non-executive Directors and the appointment may continue thereafter unless and until terminated by either the Company or the independent non-executive Director by giving not less than one month's prior notice in writing and such appointment is subject at all times to the Articles of Association.

The Company strongly supports the principle of Board independence. Mr. Leung Ka Kui, Johnny, Mr. Chan Siu Wing, Raymond and Ms. Wong Ka Wai Jeanne have been serving the Board as independent non-executive Directors for more than nine years and have consistently demonstrated their willingness to exercise independent judgments and provide objective challenges to management. They have actively participated in board meetings and board committee meetings held during the year and have shown themselves able to give constructive and independent advice to the Board over significant issues. Therefore, the Board considers that all of them remain independent, notwithstanding the length of their tenure as independent non-executive Directors. The Board has assessed their independence and considers that all independent non-executive Directors are independent as required under the GEM Listing Rules. All independent non-executive Directors have also confirmed their independence pursuant to Rule 5.09 of the GEM Listing Rules by providing an annual confirmation of their independence.

Corporate Governance Report

Continuous Professional Development

Pursuant to Code Provision C.1.4, which has come into effect from 1 April 2012, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Up to the date of this report, all Directors have participated in continuous professional development by attending training course or reading relevant materials on the topics related to corporate governance and regulations.

The individual training record of each Director received for the year ended 31 December 2021 is summarised below:

Name of Directors	Attending seminar(s)/ Programme(s)/ relevant materials in relation to the business or Directors' duties
Executive Directors	
Ms. Lily Wu	Yes
Mr. Chang Wei Wen	Yes
Mr. Yang Meng Hsiu	Yes
Independent non-executive Directors	
Mr. Chan Siu Wing, Raymond	Yes
Mr. Leung Ka Kui, Johnny	Yes
Ms. Wong Ka Wai, Jeanne	Yes

All the Directors also understand the importance of continuous professional development and are committed to participating any suitable training or reading relevant materials in order to develop and refresh their knowledge and skills.

BOARD COMMITTEES

Audit committee

The audit committee currently comprises three independent non-executive Directors and is chaired by Ms. Wong Ka Wai, Jeanne. The rest of members are Mr. Leung Ka Kui, Johnny and Mr. Chan Siu Wing, Raymond. At the discretion of the audit committee, executive Directors and/or senior management personnel, overseeing the Group's finance and internal control functions, may be invited to attend meeting. The primary role and function of the audit committee are to review the Company's financial controls, internal control and risk management systems; to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standard; to review the Company's financial statements, annual reports, interim reports and quarterly reports, and to provide advice and comment thereon to the Board.

The audit committee held four meetings to review the quarterly, interim and annual results during the year ended 31 December 2021 as well as discussed and reviewed the Group's internal control and audit works with the auditor of the Group. Details of the attendance of the audit committee meetings are as follows:

Members	Attendance
Mr. Leung Ka Kui, Johnny	3/4
Ms. Wong Ka Wai, Jeanne	4/4
Mr. Chan Siu Wing, Raymond	4/4

Corporate Governance Report

The Group's unaudited quarterly and interim results and annual audited results during the year ended 31 December 2021 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

Nomination committee

The nomination committee comprises two executive Directors and three independent non-executive Directors and is chaired by Ms. Lily Wu. The rest of the members are Mr. Chan Siu Wing, Raymond, Mr. Leung Ka Kui, Johnny, Ms. Wong Ka Wai, Jeanne and Mr. Yang Meng Hsiu. The primary role and function of the nomination committee are to review and monitor the structure, size and composition of the Board at least once a year and make recommendations on any proposed changes to the Board to carry out the Company's corporate strategies; to assess the independence of independent non-executive Directors; and to make recommendations to the Board succession planning.

Diversity of the Board

The nomination committee is also responsible for the review of the Board's diversity policy, considering factors including but not limited to gender, age, cultural and educational background, ethnicity, industry experience, professional experience, skills, knowledge and length of service of Board members, and review the measurable objectives that the Board has set for implementing the Board's diversity policy, and monitor the progress on achieving the measurable objectives. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. All Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee had reviewed and is satisfied with the current composition of the Board.

The nomination committee held one meeting during the year ended 31 December 2021. Details of the attendance of the nomination committee meetings are as follows:

Members	Attendance
Ms. Lily Wu	1/1
Mr. Chan Siu Wing, Raymond	1/1
Mr. Leung Ka Kui, Johnny	1/1
Ms. Wong Ka Wai, Jeanne	1/1
Mr. Yang Meng Hsiu	1/1

Remuneration committee

The remuneration committee comprises two executive Directors and three independent non-executive Directors and is chaired by Mr. Leung Ka Kui, Johnny. The rest of the members are Mr. Chan Siu Wing, Raymond, Mr. Chang Wei Wen, Ms. Lily Wu and Ms. Wong Ka Wai, Jeanne. The primary role and function of the remuneration committee are to review and make recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration; and to review and make recommendations to the Board the remuneration packages of all Directors and senior management.

Corporate Governance Report

The remuneration committee held one meeting during the year under review. Details of the attendance of the remuneration committee meetings are as follows:

Members	Attendance
Mr. Leung Ka Kui, Johnny	1/1
Mr. Chan Siu Wing, Raymond	1/1
Mr. Chang Wei Wen	1/1
Ms. Lily Wu	1/1
Ms. Wong Ka Wai, Jeanne	1/1

Compliance Officer

Ms. Lily Wu was appointed as the Compliance Officer of the Company on 28 December 2005. Details of her qualifications and experience are set out in the section headed "Profiles of Directors and Senior Management" on page 18 of this annual report.

Company Secretary

Mr. Lau Ka Chung is the Company Secretary of our Company. Details of his qualifications and experience are set out in the section headed "Profiles of Directors and Senior Management" on page 19 of this annual report.

Directors' and auditor's responsibilities for the consolidated financial statements

All Directors acknowledge their responsibility to prepare the Group's consolidated financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the consolidated financial statements for the year ended 31 December 2021, the Board has selected suitable accounting policies and applied them consistently, made judgements and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements of the Group on a going concern basis.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The statement of auditor about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 26 to 29. The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

AUDITOR'S REMUNERATION

During the year ended 31 December 2021, the fees paid/payable to the auditor of the Company in respect of audit and non-audit services provided by the auditor of the Company were as follows:

Nature of services	Amount HK$'000
Audit services	680
Non-audit services	–

Corporate Governance Report

INTERNAL CONTROL AND RISK MANAGEMENT

The Board acknowledges its responsibility for the effectiveness of the Group's internal control and risk management systems. Such internal control and risk management systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss. The Board had conducted a review on the effectiveness of the Group's internal control and risk management systems once during the year ended 31 December 2021 which covered financial, operational, compliance procedural and risk management functions and had considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. In light of the size and scale of the Group's businesses, the Board is also delegated with the responsibilities for the internal control of the Group and for reviewing its effectiveness. As such, the Group currently does not have an internal audit department. The Board will review and consider to establish such department as and when it thinks necessary.

The Group believes that good corporate governance practices are very important for maintaining and promoting investor confidence and for the sustainable growth of the Group. The Group has therefore made Continued efforts to uplift its quality of corporate governance. It has established a highly effective system of internal controls and adopted a series of measures to ensure its safety and effectiveness. As a result, the Group is able to safeguard its assets and protect the interests of its Shareholders.

The Board is of the view that the systems of internal control and risk management are effective and there are no irregularities, improprieties, fraud or other deficiencies that suggest material deficiency in the effectiveness of the Group's internal control system.

Principal risks and uncertainties

A number of factors may affect the results and business operations of the Group, major risks are summarised below.

Reliance on limited number of customers

The Group derived a significant portion of our revenue from a limited number of customers. For the year ended 31 December 2021, the five largest customers of the Group contributed 99% of total revenue to the Group. There is no assurance that these significant customers will continue their business relationship with the Group or that the revenue generated from the customers will increase or be maintained in the future. The Group will continue to expand the customer base to mitigate the risk.

Handling and Dissemination of Inside Information

The Company has established and maintained the procedures and internal controls for the handling and dissemination inside information. The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules. Other employees of the Group who are likely to be in possession of inside information of the Company are also subject to dealing restrictions. The Group has strictly prohibited unauthorised use of confidential or inside information or any use of such information for the advantage of himself or others. Any inside information and any information which may potentially constitute inside information is promptly identified, assessed and escalated to the Board and for the Board to decide on the need for disclosure. Inside information and other information which is required to be disclosed pursuant to the GEM Listing Rules will be announced on the respective websites of GEM and the Company in due course.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

Convening of extraordinary general meeting

Pursuant to article 58 of the articles of association of the Company (the "Articles of Association"), the Directors of the Company, notwithstanding anything in its bye-laws shall, on the requisition of Shareholders of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the company as at the date of the deposit carries the right of voting at general meetings of the Company, forthwith proceed duly to convene an extraordinary general meeting ("EGM") of the Company.

The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the Company Secretary at the Company's principal place of business in Hong Kong, and may consist of several documents in like form each signed by one or more requisitionists.

The request will be verified with the Company's Share Registrars and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board of Directors to include the resolution in the agenda for the EGM.

If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists may themselves convene a meeting.

Enquiries put to the Board

The enquiries must be in writing with contact information of the requisitionists and deposited at the Company Secretary at the Company's principal place of business in Hong Kong.

Procedures for putting forward proposals at shareholders' meetings

Pursuant to article 59(1) of the Articles of Association, in order to put forward proposals at an annual general meeting ("AGM"), or EGM, the Shareholders should submit a written notice of those proposals with the detail contact information to the Company Secretary at the Company's principal place of business in Hong Kong. The request will be verified with the Company's Share Registrars and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the general meeting.

The notice period to be given to all the Shareholders for consideration of the proposal raised by the Shareholders concerned at AGM or EGM varies according to the nature of the proposal, as follows:

- At least 21 clear days' notice in writing if the proposal constitutes a special resolution of the Company in AGM or EGM
- At least 14 clear days' notice in writing for all other EGMs

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include (i) the publication of quarterly, interim and annual reports; (ii) the annual general meeting or extraordinary general meeting providing a forum for shareholders to raise comments and exchanging views with the Board; (iii) updated and key information of the Group available on the websites of GEM and the Company; (iv) the Company's website offering communication channel between the Company and its shareholders and investors; and (v) the Company's share registrars in Hong Kong serving the shareholders in respect of all share registration matters.

The Company aims to provide its shareholders and investors with high standards of disclosure and financial transparency. The Board is committed to provide clear, detailed, timely manner and on a regular basis information of the Group to shareholders through the publication of quarterly, interim and annual reports and/or dispatching circulars, notices, and other announcements.

Significant Changes in Constitutional Documents

There were no significant changes in the constitutional documents of the Company for the year ended 31 December 2021.

Profiles of Directors and Senior Management

EXECUTIVE DIRECTORS

Lily WU, aged 59, is an executive Director and the Chairman of the Company. She was appointed as Director of the Company in June 2005. Ms. Wu has 35 years of experience in the technology sector investment research and industry analysis. She is currently an independent investment analyst on technology companies for private equity firms, and has previously worked as a director in equity research for Salomon Smith Barney, and as a vice president in equity research for Bankers Trust. Ms. Wu earned a Bachelor of Science degree with Honors in Engineering from the California Institute of Technology.

CHANG Wei Wen, aged 45, is an executive Director. He was appointed as a non-executive Director of the Company in May 2006 and was re-designated as an executive Director of the Company in December 2006 when he assumed key management and operating responsibilities for the Group. He formerly worked as an assistant to directors of a Taiwan company, which is principally engaged in international trade and wholesale of information software and electronic materials. Mr. Chang obtained a Bachelor of Organization Management degree from Patten University.

YANG Meng Hsiu, aged 45, is an executive Director. He was appointed as Director of the Company in March 2011. Mr. Yang graduated from The Leader University of Taiwan (currently known as The University of Kang Ning) with a bachelor degree in leisure management. Mr. Yang had more than 16 years of experience in product planning and brand name marketing business.

INDEPENDENT NON-EXECUTIVE DIRECTORS

LEUNG Ka Kui, Johnny, aged 65, is an independent non-executive Director. He is the chairman of the remuneration committee and one of the members of the audit committee and the nomination committee of the Company. Mr. Leung is a qualified solicitor in Hong Kong, the United Kingdom and Singapore. He has over 37 years of experience in the legal field. Currently, he is the managing partner of Messrs. Johnny K. K. Leung & Co, a law firm in Hong Kong. Mr. Leung is currently an independent non-executive director of each of Celestial Asia Securities Holdings Limited and Ban Loong Holdings Limited, companies whose shares are listed on the Main Board of the Stock Exchange. In addition, Mr. Leung has been appointed as an independent non-executive director of Janco Holdings Limited, a company whose shares are listed on GEM of the Stock Exchange, with effect from 10 November 2021. Mr. Leung was formerly an independent non-executive director of each of Asia Coal Limited and Affluent Partners Holdings Limited, companies whose shares are listed on the Main Board of the Stock Exchange and has resigned on 6 June 2019 and 30 September 2020 respectively. Mr. Leung holds a Bachelor of Laws from the University of London, United Kingdom. Mr. Leung joined the Company in September 2001.

WONG Ka Wai, Jeanne, aged 57, is an independent non-executive Director. She is the chairman of the audit committee and one of the members of the remuneration committee and the nomination committee of the Company. Ms. Wong has over 32 years of experience in finance, accounting, taxation and corporate affairs. Ms. Wong is a member of the Institute of Chartered Accountants of Australia, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Taxation Institute of Hong Kong and a member of the Society of Trust and Estate Practitioners. She holds a Bachelor Degree in Economics from the University of Sydney, Australia. Ms. Wong is currently the Managing Director of Wellex Consultancy Limited as well as the Chief Financial Officer of a local law firm. Ms. Wong is also an independent non-executive director of Good Fellow Healthcare Holdings Limited, a company whose shares are listed on GEM of the Stock Exchange. Ms. Wong joined the Company in September 2001.

CHAN Siu Wing, Raymond, aged 57, is an independent non-executive Director. He is one of the members of the audit committee, the remuneration committee and the nomination committee of the Company. Mr. Chan has over 31 years of experience in the field of accounting, taxation, finance and trust. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a founding member of the Macau Society of Certified Practising Accountants. Mr. Chan holds a Bachelor of Economics degree from the University of Sydney. Mr. Chan holds the position of independent non-executive director of each of Hong Kong Finance Group Limited and Quali-Smart Holdings Limited, companies whose shares are listed on the Main Board of the Stock Exchange. Mr. Chan was formerly an independent executive director of Nature Home Holding Company Limited, a company whose shares are listed on the Main Board of the Stock Exchange, and has resigned with effect from 31 October 2021. Mr. Chan joined the Company in February 2007.

Profiles of Directors and Senior Management

SENIOR MANAGEMENT

LAU Ka Chung, aged 49, is the financial controller and the Company Secretary of the Group. Mr. Lau has over 25 years of experience in auditing, accounting & finance, taxation and corporate compliance. Mr. Lau holds a Master degree in Corporate Governance from the Hong Kong Polytechnic University and a Bachelor Degree in Business Administration (majoring in Finance) from the Hong Kong University of Science and Technology. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, as well as a fellow member of The Hong Kong Institute of Chartered Secretaries in Hong Kong. Mr. Lau joined the Group in May 2003.

Directors' Report

The Directors have pleasure in submitting the annual report of the Company together with its audited consolidated financial statements for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services. Details of the principal activities of its subsidiaries are set out in note 33 to the consolidated financial statements.

The revenue of the Group is derived principally from the contract manufacturing and sales of smart cards.

RESULTS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 30.

BUSINESS REVIEW

A business review as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group, can be found in the Management Discussion and Analysis and Corporate Governance Report set out on pages 7 to 9 and page 16 of this annual report, respectively. In addition, an indication of likely future developments in the Group's business can be found in "Chairman's Statement" of this annual report on page 5.

DIVIDEND POLICY

The Company has adopted a general dividend policy that aims to provide shareholders of the Company out of the Group's profit attributable to shareholders in any financial year. In proposing any dividend payout, the Board shall take into account, inter alia, the following factors:

- the Group's actual and expected financial performance;
- shareholders' interests;
- retained earnings and distributable reserves of the Company and each of the other members of the Group;
- the level of the Group's debts to equity ratio, return on equity and financial covenants to which the Group is subject;
- possible effects on the Group's creditworthiness;
- any restrictions on payment of dividends that may be imposed by the Group's lenders;
- the Group's expected working capital requirements and future expansion plans;
- liquidity position and future commitments at the time of declaration of dividend;
- taxation considerations;
- statutory and regulatory restrictions;
- general business conditions and strategies;

Directors' Report

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

- other factors that the Board deems appropriate.

The payment of dividend is also subject to any restrictions under the applicable laws, the Company's Memorandum and Articles of Association.

The Directors do not recommend any payment of a final dividend for the year ended 31 December 2021 (2020: nil).

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 31 to the consolidated financial statements respectively.

DIRECTORS

The Directors who held office during the financial year and up to the date of this report were:

Executive Directors

Lily Wu *(Chairman and Chief Executive Officer)*
Chang Wei Wen
Yang Meng Hsiu

Independent non-executive Directors

Chan Siu Wing, Raymond
Leung Ka Kui, Johnny
Wong Ka Wai, Jeanne

In accordance with Article 87(1) of the Articles of Association, Ms. Wong Ka Wai, Jeanne and Mr. Yang Meng Hsiu retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 18 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2021.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

No transaction, arrangement or contracts of significance (as defined in rule 18.25 of the GEM Listing Rules) to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Report

SHARE CAPITAL AND SHARE OPTIONS

Details of the movement in the Company's authorised and issued share capital and share option scheme during the year are set out in notes 29 and 30 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company's reserve available for distribution represents the contributed surplus, share premium, other reserves and accumulated losses. At the balance sheet date, the Company had no reserves available for distribution.

DIRECTORS' INTERESTS AND CHIEF EXECUTIVES' INTERESTS IN SHARE CAPITAL AND OPTIONS

As at 31 December 2021, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which would have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or which would be required pursuant to section 352 of the SFO or to be entered in the register as referred to therein, or otherwise required to be notified to the Company and the Stock Exchange pursuant to Model Code, were as follows:

Name of Director	Nature of interest	Long/short position	Number of shares of the Company	Number of Underlying shares of the Company	Approximate percentage of interest in the Company's issued share capital
Executive Director					
Lily Wu *(Note 1)*	Beneficial owner	Long	100,000	4,500,000	0.88
Chang Wei Wen *(Note 1)*	Beneficial owner	Long	525,000	4,500,000	0.96
Yang Meng Hsiu *(Note 1)*	Beneficial owner	Long	4,300,000	4,500,000	1.68
Independent non-executive Director					
Chan Siu Wing, Raymond *(Note 2)*	Beneficial owner	Long	–	450,000	0.09
Leung Ka Kui, Johnny *(Note 2)*	Beneficial owner	Long	–	450,000	0.09
Wong Ka Wai, Jeanne *(Note 2)*	Beneficial owner	Long	–	450,000	0.09

Note:

1. These include 4,500,000 Share Options conferring rights to subscribe for 4,500,000 Shares.

2. These include 450,000 Share Options conferring rights to subscribe for 450,000 Shares.

Directors' Report

Save as disclosed above, as at 31 December 2021, none of the Directors nor chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which was required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which was required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2021, as far as is known to the Directors, the persons (other than Directors or chief executive of the Company) or corporations who had interest or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of shareholders	Type of interests	Long/short position	Number of shares of the Company	Approximate percentage of Interests
Golden Dice Co., Ltd *(Note 1)*	Beneficial	Long	63,142,512	12.02
Best Heaven Limited *(Note 1)*	Beneficial	Long	31,586,500	6.01
Mr. Tsai Chi Yuan *(Note 1)*	Interests in controlled company	Long	94,729,012	18.03

Note:

1. Mr. Tsai Chi Yuan is deemed to be a substantial shareholder of the Company by virtue of his 100% beneficial interest in Golden Dice Co., Ltd and Best Heaven Limited.

Save as disclosed above, as at 31 December 2021, the Directors and the chief executive of the Company were not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company which would require to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SENIOR MANAGEMENT

The Group regards the executive Directors, independent non-executive Directors and financial controller of the Company as members of the senior management team.

The emoluments paid or payable to members of senior management were within the following brands:

	Number of individuals	
	2021	2020
Emolument bands		
Nil – HK$1,000,000	**6**	6
HK$1,000,001 – HK$1,500,000	**1**	1

The biographies of members of the senior management team at the date of this annual report are disclosed in the section headed "Profiles of Directors and Senior Management" in this annual report.

Directors' Report

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environmental, Social and Governance Report of the Company prepared in accordance with Appendix 20 to the GEM Listing Rules will be published within three months after the publication of the annual report of the Company.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period of the Group.

EQUITY LINKED AGREEMENTS

Save as disclosed in the section headed "Share Option Scheme", no equity-linked agreements were entered into by the Company at any time during the year ended 31 December 2021 or subsisted at the end of the year.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group recognises the importance of compliance with legal and regulatory requirements and the risk of non-compliance with such requirements. The Group conducts on-going reviews of newly enacted/revised laws and regulations affecting its operations. The Company is not aware of any non-compliance in any material respect with the relevant laws and regulations that have a significant impact on the business and operation of the Group for the year ended 31 December 2021.

RELATIONSHIP WITH EMPLOYEES, SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands that the success of the Group's business depends on the support from its key stakeholders, including employees, customers, suppliers, banks, regulators and shareholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

MAJOR CUSTOMERS AND SUPPLIERS

Information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

Sales

– the largest customer	44%
– five largest customers in aggregate	99%

Purchases

– the largest supplier	49%
– five largest suppliers in aggregate	83%

At no time during the year have the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in the Group's five largest suppliers or customers during the year.

PRE-EMPTIVE RIGHTS

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

Directors' Report

PERMITTED INDEMNITY PROVISIONS

The Articles provide that every Director shall be indemnified out of the assets of the Company against any liability, action, proceeding, claim, demand, costs, damages or expenses, including legal expenses, whatsoever which they or any of them may incur as a result of any act or failure to act in carrying out their functions other than such liability (if any) that they may incur by reason of their own actual fraud or willful defaults.

The Company has arranged for appropriate insurance coverage in respect of potential legal actions against its Directors and senior management.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the past five financial years is set out on page 94 of the annual report.

INDEPENDENT AUDITORS

The consolidated financial statements for the year ended 31 December 2019 was audited by Grant Thornton Hong Kong Limited, Grant Thornton Hong Kong Limited did not seek re-appointment as the auditor of the Company at the Company's annual general meeting held on 30 June 2020. An ordinary resolution was passed at the annual general meeting of the Company on 30 June 2020 to appoint Moore Stephens CPA Limited as auditor of the Company and to hold office until the conclusion of the next annual general meeting.

The consolidated financial statements for the years ended 31 December 2020 and 2021 have been audited by Moore Stephens CPA Limited. A resolution to re-appoint Moore Stephens CPA Limited as auditor of the Company will be proposed at the forthcoming AGM.

For and on behalf of the Board
Lily Wu
Chairman

Hong Kong, 22 March 2022

Independent Auditor's Report

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大華馬施雲
會計師事務所有限公司

Independent Auditor's Report to the Shareholders of Phoenitron Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Phoenitron Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 30 to 93, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR QUALIFIED OPINION

Limitation of scope in respect of corresponding figures of financial performance, cash flows and relevant disclosures

As detailed in our auditor's report dated 25 March 2021, on the consolidated financial statements of the Group for the financial year ended 31 December 2020, the predecessor auditors who were engaged to perform the audit of the consolidated financial statements of the Group for the year ended 31 December 2019 had expressed a qualified opinion as a result of limitation of scope in respect of impairment loss on other receivable from a petroleum company (the "Petroleum Company"). Since the opening balances in consolidated statement of financial position affect the determination of the results of operations and hence cash flows, we were unable to determine whether adjustments to the results of operations and cash flows might be necessary for the financial year ended 31 December 2020. Therefore, our opinion on the consolidated financial statements of the Group for the financial year ended 31 December 2020 was qualified because of the possible effects of these matters.

In respect of the consolidated financial statements of the Group for the financial year ended 31 December 2021, the matters which were the subject matter of the scope limitations referred to above do not have effects on the account balances presented in the consolidated statement of financial position of the Group as at 31 December 2021 and 2020 or the results and cash flows of the Group for the current year ended 31 December 2021, and the related disclosures in the consolidated financial statements. However, any adjustments found to be necessary in respect of these matters may have significant effects on the financial performance and cash flows of the Group for the year ended 31 December 2020, and the related disclosures in the consolidated financial statements, presented as corresponding figures in the consolidated financial statements. Therefore, our opinion on the current year's consolidated financial statements is also qualified because of the possible effects of the matters on the comparability of the current year's figures and the corresponding figures of the Group's financial performance, cash flows and relevant notes.

Independent Auditor's Report

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

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter. In addition to the matter described in the *Basis for qualified opinion* section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Estimation of fair value of investment in TV programmes

Refer to notes 2.16 and 23 to the consolidated financial statements

Key Audit Matter	How our audit addressed the Key Audit Matter
The Group has an investment in TV programmes. Such investment in TV programmes is measured at fair value of HK$33,578,431 as at 31 December 2021. Fair value of the investment in TV programmes is estimated by using an income approach, based on the discounted cash flow of the estimated revenue to be generated by the TV programmes. Significant estimation and judgement are required by the management of the Company to determine the fair value of the investment in TV programmes. To support management's estimation of the fair value, the Group engaged an external valuer to perform valuation on the investment in TV programmes as at 31 December 2021.	Our key procedures to address the matter included: • Evaluated the objectivity, independence and competency of the external valuer; • Assessed the methodologies and assumptions adopted in the valuation for estimating the fair value of the investment in TV programmes; • Challenged the external valuer's key inputs adopted in the valuation for estimating the fair value of the investment in TV programmes and inspected underlying documents or data to support those key inputs; • Appointed an auditor's expert to review the valuation for estimating the fair value of the investment in TV programmes; and • Discussed with the representative of the TV programmes producer in relation to the progress and expected production and broadcast timetable and expected revenue to be generated by the TV programmes.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors of the Company are responsible for the other information. The other information comprises all the information included in the 2021 annual report of the Company, 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.

Independent Auditor's Report

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the *Basis for Qualified Opinion* section above, there is a limitation of scope in respect of the corresponding figures in respect of impairment loss on other receivable from the Petroleum Company. Accordingly, we are unable to conclude the possible effects of the matters on the comparability of the current year's figures and the corresponding figures in respect of impairment loss on other receivables.

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

The audit committee of the Company assists the directors of the Company in discharging their responsibilities 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 solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

Independent Auditor's Report

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

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

From the matters communicated with the audit committee of the Company, we determine the matter that was of most significance in the audit of the consolidated financial statements of the current period and is therefore the key audit matter. We describe this matter 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.

Moore Stephens CPA Limited
Certified Public Accountants

Li Wing Yin
Practising Certificate Number: P05035

Hong Kong, 22 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 HK$	2020 HK$
Revenue	6	72,755,127	76,098,619
Cost of sales		(53,927,051)	(51,934,626)
Gross profit		18,828,076	24,163,993
Other income	7	769,923	1,031,819
Other losses, net	8	(683,182)	(7,220)
Selling and distribution costs		(2,646,997)	(3,023,341)
Administrative expenses		(21,674,705)	(20,816,015)
Impairment loss on other receivables		(6,807)	(266,953)
Change in fair value of investment in TV programmes	23	612,745	3,247,844
Finance costs	9	(387,224)	(394,596)
(Loss)/profit before income tax	10	(5,188,171)	3,935,531
Income tax (expense)/credit	11	(574,887)	20,000
(Loss)/profit for the year		(5,763,058)	3,955,531
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		846,730	728,356
Other comprehensive income for the year, net of income tax		846,730	728,356
Total comprehensive (loss)/income for the year		(4,916,328)	4,683,887
(Loss)/profit for the year attributable to:			
Owners of the Company		(5,762,933)	3,955,709
Non-controlling interests		(125)	(178)
		(5,763,058)	3,955,531
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		(4,916,203)	4,684,065
Non-controlling interests		(125)	(178)
		(4,916,328)	4,683,887
		HK cents	HK cents
(Loss)/earnings per share attributable to owners of the Company	13		
Basic and diluted		(1.097)	0.753

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 HK$	2020 HK$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*18*	**6,629,736**	7,054,871
Intangible asset	*19*	**420,000**	420,000
Right-of-use assets	*20*	**7,285,834**	9,120,384
Deposits	*22*	**977,614**	–
Prepayments for acquisition of property, plant and equipment		**–**	1,017,221
Investment in TV programmes	*23*	**33,578,431**	31,947,743
		48,891,615	49,560,219
Current assets			
Inventories	*21*	**2,323,344**	1,961,774
Trade and other receivables, prepayments and deposits	*22*	**30,321,237**	33,045,573
Tax recoverable		**–**	574,887
Cash and cash equivalents	*24*	**3,682,844**	8,819,535
		36,327,425	44,401,769
Current liabilities			
Trade and other payables	*25*	**31,145,839**	32,799,023
Lease liabilities	*26*	**3,440,083**	2,968,248
Other borrowings	*27*	**–**	276,243
		34,585,922	36,043,514
Net current assets		**1,741,503**	8,358,255
Total assets less current liabilities		**50,633,118**	57,918,474
Non-current liabilities			
Lease liabilities	*26*	**5,149,760**	7,518,788
Deferred tax liabilities	*28*	**4,707**	4,707
		5,154,467	7,523,495
Net assets		**45,478,651**	50,394,979

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	**2021 HK$**	2020 HK$
EQUITY			
Share capital	*29*	**105,069,500**	105,069,500
Reserves	*31*	**(59,821,569)**	(54,905,366)
Equity attributable to owners of the Company		**45,247,931**	50,164,134
Non-controlling interests		**230,720**	230,845
Total equity		**45,478,651**	50,394,979

The consolidated financial statements on the pages 30 to 93 were approved and authorised for issue by the Board of Directors on 22 March 2022 and are signed on its behalf by:

Lily Wu
Director

Chang Wei Wen
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company									
	Share capital HK$ (note 29)	Share premium* HK$ (note 31)	Contributed surplus* HK$ (note 31)	Share option reserve* HK$ (note 31)	Other reserves* HK$	Translation reserve* HK$ (note 31)	Accumulated losses* HK$	Total HK$	Non-controlling interests HK$	Total equity HK$
Balance at 1 January 2020	105,069,500	363,340,792	13,985,669	3,339,000	7	10,022,834	(450,277,733)	45,480,069	231,023	45,711,092
Profit/(loss) for the year	–	–	–	–	–	–	3,955,709	3,955,709	(178)	3,955,531
Other comprehensive income										
– Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	728,356	–	728,356	–	728,356
Total comprehensive income/(loss) for the year	–	–	–	–	–	728,356	3,955,709	4,684,065	(178)	4,683,887
Balance at 31 December 2020 and 1 January 2021	**105,069,500**	**363,340,792**	**13,985,669**	**3,339,000**	**7**	**10,751,190**	**(446,322,024)**	**50,164,134**	**230,845**	**50,394,979**
Loss for the year	–	–	–	–	–	–	(5,762,933)	(5,762,933)	(125)	(5,763,058)
Other comprehensive income										
– Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	846,730	–	846,730	–	846,730
Total comprehensive income/(loss) for the year	–	–	–	–	–	846,730	(5,762,933)	(4,916,203)	(125)	(4,916,328)
Balance at 31 December 2021	**105,069,500**	**363,340,792**	**13,985,669**	**3,339,000**	**7**	**11,597,920**	**(452,084,957)**	**45,247,931**	**230,720**	**45,478,651**

* The total of these accounts as at the reporting date represents reserves of HK$$59,821,569 (2020: HK$54,905,366) in deficit in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 HK$	2020 HK$
Cash flows from operating activities			
(Loss)/profit before income tax		(5,188,171)	3,935,531
Adjustments for:			
Depreciation of property, plant and equipment	10	2,850,997	2,533,599
Depreciation of right-of-use assets	10	3,185,820	3,009,768
Finance costs	9	387,224	394,596
Loss on disposal of property, plant and equipment	8	96,783	6,863
Written down of inventory	10	–	9,400
Interest income	7	(7,342)	(8,163)
Impairment loss on other receivables	10	6,807	266,953
(Reversal of)/provision for impairment loss on trade receivables	10	(9,163)	25,243
Change in fair value of investment in TV programmes	23	(612,745)	(3,247,844)
Net foreign exchange gain arising from translation of investment in TV programmes	23	(1,017,943)	(1,849,899)
Provision for unused annual leave		4,842	272,381
Operating (loss)/profit before working capital changes		(302,891)	5,348,428
(Increase)/decrease in inventories		(295,410)	259,554
Decrease/(increase) in trade and other receivables, prepayments and deposits		399,053	(2,988,865)
Decrease in contract assets		–	624,000
(Decrease)/increase in trade and other payables		(1,055,589)	4,165,391
Decrease in contract liabilities		–	(783,900)
Cash (used in)/generated from operations		(1,254,837)	6,624,608
Income tax paid		–	(161,097)
Net cash (used in)/generated from operating activities		(1,254,837)	6,463,511
Cash flows from investing activities			
Interest received		7,342	8,163
Prepayment for investment in micro film right		–	(6,070,000)
Proceeds on disposal of assets classified as held for sales		1,134,311	669,165
Proceeds on disposal of property, plant and equipment		14,651	7,567
Prepayment for acquisition of property, plant and equipment		–	(1,017,221)
Purchase of property, plant and equipment		(1,292,136)	(3,121,589)
Net cash inflow on disposal of subsidiaries		–	6,000,000
Net cash used in investing activities		(135,832)	(3,523,915)

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 HK$	2020 HK$
Cash flows from financing activities		
Repayments of shareholders' loans	–	(1,715,385)
Proceeds from other loans	–	777,963
Repayments of other loans	(276,243)	(521,052)
Payment of capital element of lease liabilities	(3,288,572)	(2,981,075)
Payment of interest element of lease liabilities	(387,224)	(394,596)
Net cash used in financing activities	(3,952,039)	(4,834,145)
Net decrease in cash and cash equivalents	(5,342,708)	(1,894,549)
Cash and cash equivalents at 1 January	8,819,535	10,270,969
Effect of foreign exchange rate changes	206,017	443,115
Cash and cash equivalents at 31 December	3,682,844	8,819,535

Non-cash transaction:

During the year, additions of property, plant and equipment of HK$1,017,221 (2020: nil) were prepaid in prior year and the amounts were transferred from prepayments for acquisition of property, plant and equipment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

1. GENERAL INFORMATION

Phoenitron Holdings Limited (the "Company") is a public limited company incorporated in the Cayman Islands and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business of the Company is located at Suite 710, 7th Floor, North Tower, World Finance Centre, Harbour City, Tsimshatsui, Kowloon, Hong Kong.

The principal activities of the Company and its subsidiaries (the "Group") are manufacturing and sales of smart cards, provision of customised smart card application systems, provision of financial and management consultancy services, sales and trading of scrap metals and investment in media and entertainment industry.

The consolidated financial statements for the year ended 31 December 2021 were approved for issue by the Board of Directors on 22 March 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collectively includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the accounting principles generally accepted in Hong Kong. The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's consolidated financial statements, if any, are disclosed in note 3.

The consolidated financial statements have been prepared on the historical cost basis except for investment in TV programmes, which is measured at fair value. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates and assumptions are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation (Continued)

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on sales of intra-group asset are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to accumulated losses).

In the Company's statement of financial position (see note 32), subsidiaries are carried at cost less any impairment loss. Cost also includes direct attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre- or post-acquisition profits are recognised in the Company's profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Foreign currency translation

The consolidated financial statements are presented in Hong Kong dollar ("HK$"), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rates at the transaction date).

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the reporting date. Income and expenses have been converted into the HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity.

On the disposal of a foreign operation (i.e., a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a joint venture that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

2.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation on property, plant and equipment is provided to write off the costs less their residual values over their estimated useful lives, using the straight-line method, at the rate of 20% per annum.

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

The gain or loss arising on retirement or disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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 costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Intangible assets

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

The assets' amortisation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Intangible assets, with indefinite useful lives, are tested for impairment annually as described below in note 2.17.

2.6 Leases

The Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

– the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

– the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

– the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

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

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

The right-of-use asset is adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Leases (Continued)

Measurement and recognition of leases as a lessee (Continued)

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less.

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

Lease modifications

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Leases (Continued)

Covid-19-related rent concessions

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

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

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

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

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

2.7 Financial instruments

Recognition and derecognition

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15, all financial assets are initially measured at fair value, in case of a financial asset not at fair value through profit or loss ("FVTPL"), plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the consolidated statement of profit or loss and other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Financial instruments (Continued)

Financial assets (Continued)

Classification and initial measurement of financial assets (Continued)

Financial assets are classified into the following categories:

– amortised cost;

– FVTPL; or

– fair value through other comprehensive income ("FVTOCI").

The classification is determined by both:

– the entity's business model for managing the financial asset; and

– the contractual cash flow characteristics of the financial asset.

Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within other income and finance costs, respectively.

Subsequent measurement of financial assets

<u>Debt investments – Financial assets at amortised cost</u>

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

– they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

– the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in other income in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group's trade and other receivables and deposits and cash and cash equivalents, fall into this category of financial instruments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Financial instruments (Continued)

Financial assets (Continued)

Subsequent measurement of financial assets (Continued)

Debt investments – Financial assets at FVTPL

Financial assets that are held within a different business model other than “hold to collect” or “hold to collect and sell” are categorised at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

Financial liabilities

Classification and measurement of financial liabilities

The Group’s financial liabilities include trade and other payables, lease liabilities and other borrowings.

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at FVTPL.

Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument’s fair value that are reported in profit or loss are included within finance costs or other loss, net.

Accounting policies of lease liabilities are set out in note 2.6.

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Other borrowings

Other borrowings are recognised initially at fair value, net of transaction costs incurred. Other borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Other borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Impairment of financial assets

HKFRS 9's impairment requirements use forward-looking information to recognise ECL – the "ECL model". Instruments within the scope included loans and other debt-type financial assets measured at amortised cost and trade receivables recognised and measured under HKFRS 15.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Trade receivables

For trade receivables, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Other financial assets measured at amortised cost

The Group measures the loss allowance for other receivables and deposits and bank balances equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition.

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Impairment of financial assets (Continued)

Other financial assets measured at amortised cost (Continued)

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Detailed analysis of the ECL assessment of trade receivables, contract assets and other financial assets measured at amortised cost are set out in note 37.2.

2.9 Inventories

Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses. Cost is determined using the weighted average basis and, in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. It excludes borrowing costs.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2.11 Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2.14) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 2.8 (applicable to trade receivables and contract assets) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2.14). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2.7).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. All provisions are reviewed at each reporting period and adjusted to reflect the current best estimate.

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

2.13 Share capital

Ordinary shares of the Company are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.14 Revenue recognition

Revenue arises mainly from sales of smart cards and related application systems and sales and trading of scrap metals.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer.

2. Identifying the performance obligations.

3. Determining the transaction price.

4. Allocating the transaction price to the performance obligations.

5. Recognising revenue when/as performance obligation(s) are satisfied.

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Revenue recognition (Continued)

Further details of the Group's revenue and other income recognition policies are as follows:

Revenue from contracts with customers

Revenue from sales of smart cards and related application systems and sales and trading of scrap metals for which control of assets is transferred at a point in time is recognised when the goods are delivered to customers. The Group does not provide any sales-related warranties. There is no right of return by customers under the Group's standard contract terms.

Revenue from other source

Interest income is recognised on a time proportion basis using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

2.15 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate.

Government grants relating to income is presented in gross under other income in the consolidated statement of profit or loss and other comprehensive income.

2.16 Investment in TV programmes

The Group's investment in TV programmes which entitles the Group to share certain percentage of income to be generated from the related TV programmes based on the Group's investment portion as specified in respective TV programmes investment agreement but the Group has no control, significant influence or joint control over the investment. Investment in TV programmes are carried at fair value and recognised as financial asset at FVTPL.

2.17 Impairment of non-financial assets

Intangible asset with indefinite useful live is tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. Property, plant and equipment, intangible asset, right-of-use assets, prepayment for acquisition of property, plant and equipment, interests in subsidiaries (recognised in the Company's statement of financial position) are subject to impairment testing whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Impairment of non-financial assets (Continued)

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment losses is charged pro rata to the assets in the cash generating unit, except that the carrying amount of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of such impairment is credited to profit or loss in the period in which it arises unless that asset is carried at revalued amount, in which case the reversal of impairment loss is accounted for in accordance with the relevant accounting policy for the revalued amount.

2.18 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in the People's Republic of China (the "PRC") and Taiwan are required to participate in various defined contribution plans operated by the relevant authorities. These subsidiaries are required to contribute specified percentage of its payroll costs in accordance with the local practice and regulations.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

There were no forfeited contributions utilised by the Group to reduce existing level of contributions for each of the years.

Short-term employee benefits

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 end of the reporting period.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Share-based employee compensation

The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in the share option reserve in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share capital and share premium. When the vested share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

2.20 Borrowing costs

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

2.21 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Accounting for income taxes (Continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable income of the periods in which the temporary differences are expected to reverse.

The determination of the average tax rates requires an estimation of (1) when the existing temporary differences will reverse and (2) the amount of future taxable profit in those years. The estimate of future taxable profit includes:

– income or loss excluding reversals of temporary differences; and

– reversals of existing temporary differences.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

    (i) the same taxable entity; or

    (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision markers (i.e. executive directors of the Company) for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

In respect of geographical information, revenue is based on shipment destination instructed by customers and non-current assets are based on where the assets are located.

2.23 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

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

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

(ii) has significant influence over the Group; or

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

(b) an entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group.

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

(iii) the entity and the Group are joint ventures of the same third party.

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. ADOPTION OF NEW AND AMENDED HKFRSs

(a) Amended HKFRSs

In the preparation of the consolidated financial statements for the year ended 31 December 2021, the Group has applied the following amendments to HKFRSs, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021:

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

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

(b) New and revised HKFRSs not yet adopted

The Group has not applied the following new and amended HKFRSs, which have been issued but are not yet effective, in these consolidated financial statements.

Amendments to HKFRS 3 (Revised)	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
HKFRS 17	Insurance Contracts and the related amendments[3]
Amendments to HKAS 1 (Revised)	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1 (Revised) and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[2]

1 Effective for annual periods beginning on or after 1 April 2021

2 Effective for annual periods beginning on or after 1 January 2022

3 Effective for annual periods beginning on or after 1 January 2023

4 Effective date not yet determined

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Estimation uncertainty

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 discussed below:

Provision for impairment of trade and other receivables and deposits within the scope of ECL under HKFRS 9

The Group makes allowances on items subjects to ECL (including trade and other receivables and deposits) based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period as set out in note 2.8. As at 31 December 2021, the carrying amounts of (i) trade receivables amounted to HK$18,603,509 (net of ECL allowance of HK$20,027) (2020: HK$17,273,855 (net of ECL allowance of HK$29,190)) and (ii) other receivables and deposits (excluding prepayments) amounted to HK$11,110,702 (net of ECL allowance of HK$597,585) (2020: HK$13,738,852 (net of ECL allowance of HK$26,054,927)).

Impairment of non-financial assets

If circumstances indicate that the net carrying amount of non-financial assets may not be recoverable, the asset may be considered "impaired" and an impairment loss may be recognised in accordance with HKAS 36 *Impairment of Assets*. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. In assessing whether there is an indication that non-financial assets may be impaired, the Group considers indications from both internal and external sources of information such as evidence of obsolescence or decline in economic performance of the assets, changes in market conditions and economic environment. These assessments are subjective and require management's judgement and estimations.

The recoverable amount is the higher of its fair value less costs of disposal and its value in use. It is difficult to precisely estimate fair value less costs of disposal because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant estimation relating to the level of sales volume, selling prices and the amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, selling prices and the amount of operating costs. As at 31 December 2021, the net carrying amounts of (i) property, plant and equipment amounted to HK$6,629,736 (2020: HK$7,054,871), (ii) intangible asset amounted to HK$420,000 (2020: HK$420,000) and (iii) right-of-use assets amounted to HK$7,285,834 (2020: HK$9,120,384).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Estimation uncertainty (Continued)

Estimation of fair value of investment in TV programmes

As at 31 December 2021, the Group's investment in TV programmes is stated at fair value of HK$33,578,431 (2020: HK$31,947,743) based on the valuation performed by an independent qualified professional valuer. It is measured at fair value and determined based on unobserved inputs using valuation techniques as set out in note 23. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair value.

4.2 Critical accounting judgements

Determination of the lease term in lease contracts and discount rate

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Factors considered include:

- contractual terms and conditions for the optional periods compared with market rates (e.g. whether the amount of payments in the optional periods is below the market rates);
- the extent of leasehold improvements undertaken by the Group; and
- costs relating to termination of the lease (e.g. relocation costs, costs of identifying another underlying asset suitable for the Group's needs).

Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated), which in turn affect the carrying amounts of lease liabilities and corresponding right-of-use assets.

During the year ended 31 December 2021, all extension options in leases of properties have not been included in the lease liabilities because the Group could replace the assets without significant cost or business disruption.

In determining the discount rate, the Group is required to determine by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. The Group exercises considerable judgement in relation to determining the incremental borrowing rate taking into account the nature of the underlying assets and the terms and conditions of the leases, at both the commencement date and effective date of the modification. The weighted average incremental borrowing rates applied to the lease liabilities range from 2.1% to 4.9% (2020: 2.4% to 4.9%) per annum.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5. SEGMENT INFORMATION

The operating segments are reported in a manner consistent with the way in which information is reported internally to the executive directors of the Company for the purposes of resources allocation and assessment of segment performance. The business components in the internal reporting to the executive directors of the Company, the chief operating decision makers, are determined following the Group's major product and service lines. The Group is currently organised into the following five operating segments:

- Sales of smart cards;
- Sales of smart card application systems;
- Financial and management consultancy services;
- Sales and trading of scrap metals; and
- Media and entertainment.

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches.

Revenue and expenses are allocated to the reportable segments with reference to sales generated and the expenses incurred by those segments. The measurement of segment profit/(loss) before income tax is the same as those used in preparing these consolidated financial statements under HKFRSs except that finance costs, impairment loss on other receivables, exchange losses, net and corporate expenses, net not directly attributable to business activities of the operating segments are not included in arriving at the operating results of the operating segments.

Segment assets include all assets with the exception of intangible asset, tax recoverable, assets which are not attributable to the business activities of the operating segments and other assets which are managed on a group basis such as cash and cash equivalents.

Segment liabilities include all liabilities except for deferred tax liabilities, liabilities which are not attributable to the business activities of the operating segments and other liabilities which are managed on a group basis such as other borrowings.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5. SEGMENT INFORMATION (Continued)

Segment results, segment assets and segment liabilities

Information regarding the Group's reportable segments including the reconciliation to revenue, (loss)/profit before income tax, total assets, total liabilities and other segment information are as follows:

2021

	Sales of smart cards HK$	Sales of smart card application systems HK$	Financial and management consultancy services HK$	Sales and trading of scrap metals HK$	Media and entertainment HK$	Unallocated HK$	Consolidated HK$
Reportable segment revenue	72,740,567	14,560	–	–	–	–	72,755,127
Reportable segment profit/(loss)	3,886,156	(10,838)	(80,650)	(3,249,522)	612,195	–	1,157,341
Finance costs							(387,224)
Impairment loss on other receivables							(6,807)
Exchange losses, net							(586,399)
Corporate expenses, net							(5,365,082)
Loss before income tax							(5,188,171)
Reportable segment assets	38,817,143	3,000	–	104,122	39,648,431	2,543,500	81,116,196
Intangible asset							420,000
Cash and cash equivalents							3,682,844
Total consolidated assets							85,219,040
Reportable segment liabilities	35,773,384	12,000	–	315,514	–	3,634,784	39,735,682
Deferred tax liabilities							4,707
Total consolidated liabilities							39,740,389
Other information							
Depreciation of property, plant and equipment	2,839,742	–	–	327	–	10,928	2,850,997
Depreciation of right-of-use assets	2,277,870	–	–	–	–	907,950	3,185,820
Interest income	6,728	–	–	614	–	–	7,342
Additions to non-current segment assets during the year	3,509,648	–	–	–	–	–	3,509,648

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5. SEGMENT INFORMATION (Continued)

Segment results, segment assets and segment liabilities (Continued)

2020

	Sales of smart cards HK$	Sales of smart card application systems HK$	Financial and management consultancy services HK$	Sales and trading of scrap metals HK$	Media and entertainment HK$	Unallocated HK$	Consolidated HK$
Reportable segment revenue	76,098,019	600	–	–	–	–	76,098,619
Reportable segment profit/(loss)	10,260,192	(9,288)	(128,231)	(3,305,991)	3,246,889	–	10,063,571
Finance costs							(394,596)
Impairment loss on other receivables							(266,953)
Exchange losses, net							(357)
Corporate expenses, net							(5,466,134)
Profit before income tax							3,935,531
Reportable segment assets	39,286,967	3,000	–	3,205,113	38,017,743	3,634,743	84,147,566
Intangible asset							420,000
Tax recoverable							574,887
Cash and cash equivalents							8,819,535
Total consolidated assets							93,961,988
Reportable segment liabilities	38,701,894	12,000	–	230,573	–	4,341,592	43,286,059
Other borrowings							276,243
Deferred tax liabilities							4,707
Total consolidated liabilities							43,567,009
Other information							
Depreciation of property, plant and equipment	2,521,431	–	–	1,240	–	10,928	2,533,599
Depreciation of right-of-use assets	2,029,380	–	–	–	–	980,388	3,009,768
Interest income	7,723	–	–	439	–	1	8,163
Additions to non-current segment assets during the year	4,605,779	–	–	–	–	2,704,085	7,309,864

There has been no inter-segment sales between different business segments during the years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5. SEGMENT INFORMATION (Continued)

Geographical information

The following table presents the revenue from external customers for the reporting period and the specified non-current assets by geographical locations as at the reporting date.

	Revenue from external customers		Specified non-current assets	
	2021	2020	**2021**	2020
	HK$	HK$	**HK$**	HK$
The PRC	**9,044,713**	5,920,112	**10,941,020**	13,720,232
Europe	**32,711,223**	39,827,024	**–**	–
Africa	**30,906,869**	28,041,214	**–**	–
Asia, excluding the PRC, Hong Kong and Taiwan	**17,529**	2,241,824	**–**	–
Hong Kong	**74,793**	68,445	**3,394,550**	3,891,917
Taiwan	**–**	–	**–**	327
	72,755,127	76,098,619	**14,335,570**	17,612,476

The Company is an investment holding company incorporated in the Cayman Islands where the Company does not have activities. Since the major operations of the Group are conducted in the PRC, which is considered as the Group's country of domicile for the disclosure purpose of HKFRS 8 *Operating Segments*.

Specified non-current assets include property, plant and equipment, intangible asset, right-of-use assets and prepayment for acquisition of property, plant and equipment only.

The geographical location of customers is based on the principal place of business of the customers. The geographical location of the specified non-current assets is based on the location of assets.

Information about major customers

Revenue from each of the major customers during the reporting period is as follows:

	2021	2020
	HK$	HK$
Customer A – Sales of smart cards	**32,293,918**	39,016,344
Customer B – Sales of smart cards	**30,803,948**	27,799,413

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For the year ended 31 December 2021

6. REVENUE

The Group's principal activities are disclosed in note 1. The Group's revenue for goods transferred at a point in time from external customers is as follows:

	2021 HK$	2020 HK$
By product lines		
Sales of smart cards	72,740,567	76,098,019
Sales of smart card application systems	14,560	600
	72,755,127	76,098,619

	2021	
	Sales of smart cards HK$	Sales of smart card application systems HK$
Geographical markets		
The PRC	9,044,713	–
Europe	32,711,223	–
Africa	30,906,869	–
Asia, excluding the PRC, Hong Kong and Taiwan	17,529	–
Hong Kong	60,233	14,560
Total	72,740,567	14,560

	2020	
	Sales of smart cards HK$	Sales of smart card application systems HK$
Geographical markets		
The PRC	5,920,112	–
Europe	39,827,024	–
Africa	28,041,214	–
Asia, excluding the PRC, Hong Kong and Taiwan	2,241,824	–
Hong Kong	67,845	600
Total	76,098,019	600

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

7. OTHER INCOME

	2021 HK$	2020 HK$
Bank interest income	7,342	8,163
Government subsidies *(note (i))*	277,098	747,000
Rent concession in relation to COVID-19 *(note (ii))*	–	26,998
Sundry income	485,483	249,658
	769,923	1,031,819

Notes:

(i) The government subsidies recognised for the year ended 31 December 2021 were the approved subsidies from the PRC government (2020: from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme as promulgated by the Government of the Hong Kong Special Administrative Region of the PRC). There are no unfulfilled conditions or other contingencies attached to these subsidies.

(ii) The Group was granted a rent concession in relation to COVID-19 for a factory during the year ended 31 December 2020. The Group applied the practical expedient in paragraph 46A of HKFRS 16 for its rent concession in relation to COVID-19, such that the Group elects not to assess whether the rent concession that meets the conditions in paragraph 46B of HKFRS 16 is a lease modification. The Group was not granted any rent concession in relation to COVID-19 during the year ended 31 December 2021.

8. OTHER LOSSES, NET

	2021 HK$	2020 HK$
Loss on disposal of property, plant and equipment	(96,783)	(6,863)
Exchange losses, net	(586,399)	(357)
	(683,182)	(7,220)

9. FINANCE COSTS

	2021 HK$	2020 HK$
Finance charges on lease liabilities	387,224	394,596

Notes to the Consolidated Financial Statements

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10. (LOSS)/PROFIT BEFORE INCOME TAX

	2021 HK$	2020 HK$
(Loss)/profit before income tax is arrived at after charging/(crediting):		
Auditor's remuneration	680,000	650,000
Short-term leases	293,729	944,204
Variable lease payments not included in the measurement of lease liabilities *(note 26)*	2,007,922	1,524,737
Costs of inventories recognised as an expense *(note)*	53,927,051	51,934,626
(Reversal of)/provision for impairment loss on trade receivables *(note 37.2(i))*	(9,163)	25,243
Impairment loss on other receivables *(note 37.2(ii))*	6,807	266,953
Depreciation		
– Property, plant and equipment *(note 18)*	2,850,997	2,533,599
– Right-of-use assets *(note 20)*	3,185,820	3,009,768
Employee benefit expenses *(note 14)*	23,952,627	22,578,430

Note:

Cost of inventories includes HK$18,787,936 (2020: HK$16,415,057) relating to depreciation of property, plant and equipment, depreciation of right-of-use assets, employee benefit expenses and lease charges, which amount is also included in the respective total amounts disclosed above and in note 14 for these expenses. There was no written down of inventories under cost of inventories (2020: HK$9,400) during the year.

11. INCOME TAX EXPENSE/(CREDIT)

	2021 HK$	2020 HK$
Current tax		
Hong Kong Profits Tax:		
Under/(over)-provision in prior year	574,887	(20,000)
Total income tax expense/(credit)	574,887	(20,000)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

11. INCOME TAX EXPENSE/(CREDIT) (Continued)

Reconciliation between income tax expense/(credit) and (loss)/profit before income tax at applicable tax rates is as follows:

	2021 HK$	2020 HK$
(Loss)/profit before income tax	**(5,188,171)**	3,935,531
Income tax at Hong Kong Profits Tax rate of 16.5% (2020: 16.5%)	**(856,048)**	649,362
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(136,908)**	916,538
Tax effect of non-deductible expenses	**494,593**	504,147
Tax effect of non-taxable income	**(270,188)**	(964,650)
Tax effect of tax losses not recognised	**797,362**	1,758,832
Utilisation of tax losses previously not recognised	**(26,001)**	(2,864,414)
Tax effect of other temporary differences not recognised	**(2,810)**	185
Under/(over)-provision in prior year	**574,887**	(20,000)
Income tax expense/(credit)	**574,887**	(20,000)

Notes:

(a) Hong Kong

Under the two-tiered profits tax rates regime in Hong Kong, the first HK$2,000,000 of profits of qualifying group entity will be taxed at 8.25%, and the profits above HK$2,000,000 will be taxed at 16.5%. The profits of entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. No Hong Kong Profits Tax has been provided for the year as the Group has sufficient tax losses brought forward to set off against assessable profits in Hong Kong (2020: did not generate any estimated assessable profits in Hong Kong).

(b) PRC

The PRC Enterprise Income Tax has been calculated at 25% (2020: 25%) on the estimated assessable profits for the year based on the existing legislation, interpretations and practices in respect thereof. No PRC Enterprise Income Tax has been provided for the year as the Group did not generate any estimated assessable profits in PRC during the year (2020: has sufficient tax losses brought forward to set off against assessable profits in the PRC).

(c) Other jurisdictions

Pursuant to the rules and regulations of the Cayman Islands, the British Virgin Islands (the "BVI") and Taiwan, the Group is not subject to any income tax in the Cayman Islands, the BVI and Taiwan (2020: nil).

12. DIVIDENDS

The Board of Directors does not recommend the payment of any dividend in respect of the year ended 31 December 2021 (2020: nil).

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For the year ended 31 December 2021

13. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculations of basic (loss)/earnings per share are based on the (loss)/profit for the year attributable to owners of the Company and the weighted average number of respective ordinary shares in issue of 525,347,500 (2020: 525,347,500) during the year.

The calculations of diluted (loss)/earnings per share are based on the respective adjusted (loss)/profit for the years attributable to owners of the Company and the adjusted weighted average number of ordinary shares outstanding both of which are adjusted to assume exercise or conversion of all dilutive potential ordinary shares.

As at 31 December 2021 and 2020, the Company has outstanding share options. For the outstanding share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted (loss)/earnings per share.

As the Company's outstanding share options had an anti-dilutive effect to the basic (loss)/earnings per share calculation for the year ended 31 December 2021 and 2020, the exercise of the above potential ordinary shares is not assumed in the computation of diluted (loss)/earnings per share. Therefore, the diluted (loss)/earnings per share attributable to owners of the Company for the years ended 31 December 2021 and 2020 is the same as the basic (loss)/earnings per share.

14. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' REMUNERATION)

	2021 **HK$**	2020 HK$
Salaries, wages and other benefits	**23,227,983**	22,266,282
Contributions to defined contribution retirement plans	**724,644**	312,148
	23,952,627	22,578,430

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

15. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' remuneration for the years ended 31 December 2021 and 2020 are as follows:

2021

	Fee HK$	Salaries, allowances and benefits in kind HK$	Discretionary bonus HK$	Retirement scheme contributions HK$	Total HK$
Executive directors:					
Lily Wu *(note)*	–	338,613	–	16,931	355,544
Chang Wei Wen	–	956,559	50,000	45,759	1,052,318
Yang Meng Hsiu	–	296,559	–	24,759	321,318
	–	1,591,731	50,000	87,449	1,729,180
Independent non-executive directors:					
Chan Siu Wing, Raymond	168,000	–	–	–	168,000
Leung Ka Kui, Johnny	168,000	–	–	–	168,000
Wong Ka Wai, Jeanne	168,000	–	–	–	168,000
	504,000	–	–	–	504,000
	504,000	1,591,731	50,000	87,449	2,233,180

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

15. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

2020

	Fee HK$	Salaries, allowances and benefits in kind HK$	Discretionary bonus HK$	Retirement scheme contributions HK$	Total HK$
Executive directors:					
Lily Wu *(note)*	–	340,798	–	17,040	357,838
Chang Wei Wen	–	1,211,909	108,000	46,720	1,366,629
Yang Meng Hsiu	–	294,401	–	23,420	317,821
	–	1,847,108	108,000	87,180	2,042,288
Independent non-executive directors:					
Chan Siu Wing, Raymond	168,000	–	–	–	168,000
Leung Ka Kui, Johnny	168,000	–	–	–	168,000
Wong Ka Wai, Jeanne	168,000	–	–	–	168,000
	504,000	–	–	–	504,000
	504,000	1,847,108	108,000	87,180	2,546,288

Note:

Ms. Lily Wu is also the chief executive of the Company and her emoluments disclosed above include those for services rendered by her as the chief executive for the years ended 31 December 2021 and 2020.

Salaries, allowances and benefits in kind paid to or for the executive directors of the Company are generally emoluments paid or payable in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

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

During the years ended 31 December 2021 and 2020, no remuneration has been paid by the Group to the directors of the Company as an inducement to join or upon joining the Group, or as compensation for loss of office. There were no directors have waived any remuneration during the years ended 31 December 2021 and 2020.

During the year, no share options were granted to the directors or chief executive of the Company in respect of their services to the Group (2020: nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

16. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals include one (2020: one) director whose remuneration is disclosed in note 15. The aggregate emoluments of the remaining four (2020: four) highest paid individuals are as follows:

	2021 HK$	2020 HK$
Salaries and allowances	2,533,479	2,715,263
Discretionary bonus	132,500	–
Contributions to retirement scheme	74,740	56,978
	2,740,719	2,772,241

The emoluments fell within the following band:

	Number of individuals 2021	2020
Emolument band		
Nil – HK$1,000,000	4	4

During the years ended 31 December 2021 and 2020, no remuneration has been paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

17. RETIREMENT SCHEMES

Under the Mandatory Provident Fund Schemes Ordinance regulated by the Mandatory Provident Fund Schemes Authority in Hong Kong, the Group participates in a MPF Scheme operated by an approved trustee in Hong Kong and makes contributions for its eligible employees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income. The cap of monthly relevant income is HK$30,000 (2020: HK$30,000) during the year. Contributions to the scheme vest immediately.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefits scheme being operated by the local PRC government. The subsidiaries are required to contribute specified percentage of the average basic salary to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

Pursuant to the labour regulations of Taiwan, the Group joined defined contribution retirement plans for its employees. The Group is required to make contributions to the retirement plans at the applicable rates of 6% (2020: 6%) based on the eligible employees' salaries.

During the year ended 31 December 2021, the aggregate amount of employer's contribution made by the Group is HK$724,644 (2020: HK$312,148).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

18. PROPERTY, PLANT AND EQUIPMENT

	Printing and testing equipment HK$	Office equipment HK$	Furniture and fixtures HK$	Leasehold improvement HK$	Motor vehicles HK$	Total HK$
At 1 January 2020						
Cost	29,975,097	1,242,587	2,089,429	2,876,477	2,430,495	38,614,085
Accumulated depreciation	(25,435,905)	(1,151,315)	(1,909,019)	(1,709,253)	(2,430,495)	(32,635,987)
Net carrying amount	4,539,192	91,272	180,410	1,167,224	–	5,978,098
Year ended 31 December 2020						
Opening net carrying amount	4,539,192	91,272	180,410	1,167,224	–	5,978,098
Additions	3,095,137	26,452	–	–	–	3,121,589
Disposals	(14,430)	–	–	–	–	(14,430)
Depreciation	(1,988,926)	(52,197)	(26,187)	(466,289)	–	(2,533,599)
Exchange realignment	445,452	3,896	2,210	51,655	–	503,213
Closing net carrying amount	6,076,425	69,423	156,433	752,590	–	7,054,871
At 31 December 2020 and 1 January 2021						
Cost	23,663,168	1,237,629	1,708,290	3,033,454	2,093,300	31,735,841
Accumulated depreciation	(17,586,743)	(1,168,206)	(1,551,857)	(2,280,864)	(2,093,300)	(24,680,970)
Net carrying amount	6,076,425	69,423	156,433	752,590	–	7,054,871
Year ended 31 December 2021						
Opening net carrying amount	**6,076,425**	**69,423**	**156,433**	**752,590**	**–**	**7,054,871**
Additions	**2,264,483**	**44,874**	**–**	**–**	**–**	**2,309,357**
Disposals	**(111,434)**	**–**	**–**	**–**	**–**	**(111,434)**
Depreciation	**(2,285,005)**	**(38,383)**	**(28,172)**	**(499,437)**	**–**	**(2,850,997)**
Exchange realignment	**211,755**	**2,014**	**461**	**13,709**	**–**	**227,939**
Closing net carrying amount	**6,156,224**	**77,928**	**128,722**	**266,862**	**–**	**6,629,736**
At 31 December 2021						
Cost	**26,025,050**	**1,284,338**	**1,720,219**	**3,111,066**	**1,239,745**	**33,380,418**
Accumulated depreciation	**(19,868,826)**	**(1,206,410)**	**(1,591,497)**	**(2,844,204)**	**(1,239,745)**	**(26,750,682)**
Net carrying amount	**6,156,224**	**77,928**	**128,722**	**266,862**	**–**	**6,629,736**

As at 31 December 2021, certain items of property, plant and equipment were fully depreciated but are still in use, the gross carrying amounts before deducting accumulated depreciation of those assets amounted to HK$13,567,819 (2020: HK$13,323,410).

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19. INTANGIBLE ASSET

	PRC driving licence HK$
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	
Cost and net carrying amount	**420,000**

The intangible asset represents the acquisition cost of a driving licence in the PRC. The PRC driving licence is considered to have an indefinite economic life as there is no foreseeable limit on the period of time over which the driving licence is expected to generate economic benefit to the Group and the licence is renewable at minimal cost. Accordingly, it is not amortised.

20. RIGHT-OF-USE ASSETS

	HK$
Net carrying amount at 1 January 2020	8,580,851
Additions	3,171,054
Depreciation	(3,009,768)
Exchange realignment	378,247
Net carrying amount at 31 December 2020 and 1 January 2021	**9,120,384**
Additions	**1,200,291**
Depreciation	**(3,185,820)**
Exchange realignment	**150,979**
Net carrying amount at 31 December 2021	**7,285,834**

The Group leases a factory, certain offices, warehouse and staff quarter. Rental contracts are typically made for fixed periods of 2 to 8 years (2020: 2 to 8 years). 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.

	Net carrying amount at 31 December		Depreciation for the year ended 31 December	
	2021 HK$	2020 HK$	**2021 HK$**	2020 HK$
Factory	**3,106,493**	4,073,122	**1,074,742**	1,002,445
Offices	**3,109,500**	4,400,697	**1,334,063**	1,377,836
Warehouse	**364,645**	62,336	**149,626**	149,628
Staff quarter	**705,196**	584,229	**627,389**	479,859
Total	**7,285,834**	9,120,384	**3,185,820**	3,009,768

The details in relation to these leases are set out in note 26.

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21. INVENTORIES

	2021 HK$	2020 HK$
Raw materials	544,638	501,714
Work-in-progress	1,220,531	1,267,724
Finished goods	558,175	192,336
	2,323,344	1,961,774

22. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2021 HK$	2020 HK$
Trade receivables	18,623,536	17,303,045
Less: ECL allowance *(note 37.2(i))*	(20,027)	(29,190)
Trade receivables, net *(note (a))*	18,603,509	17,273,855
Other receivables, prepayments and deposits	13,292,927	41,826,645
Less: ECL allowance *(note 37.2(ii))*	(597,585)	(26,054,927)
Other receivables, prepayments and deposits, net *(note (b))*	12,695,342	15,771,718
Total trade and other receivables, prepayment and deposits	31,298,851	33,045,573
Less: Non-current rental deposits	(977,614)	–
Current trade and other receivables, prepayment and deposits	30,321,237	33,045,573

Notes:

(a) The credit term granted by the Group to its trade customers normally ranges from 30 days to 90 days (2020: 30 days to 90 days). Based on the invoice dates, the ageing analysis of the Group's trade receivables (net of ECL allowance) is as follows:

	2021 HK$	2020 HK$
0 – 30 days	6,818,619	8,066,579
31 – 90 days	10,090,661	8,929,348
Over 90 days	1,714,256	307,118
Less: ECL allowance	(20,027)	(29,190)
	18,603,509	17,273,855

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22. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (Continued)

Notes: (Continued)

(b) Included in the Group's and the Company's other receivables as at 31 December 2019 is receivable from a Petroleum Company (the "Petroleum Company") of Renminbi ("RMB") 24,375,000 (equivalent to HK$27,083,333).

As at 31 December 2019, based on the repayment history over the past 18 months, available financial information, discussions with PRC lawyer and taking into account of the current market situation, the Group and the Company assessed the credit risk on the receivable from the Petroleum Company and recognised a lifetime expected credit loss allowance of RMB22,917,734 (equivalent to HK$25,464,149) on the receivable from the Petroleum Company after considered the discounting effect of RMB1,457,266 (equivalent to HK$1,619,184) during the year ended 31 December 2019.

On 30 December 2020, the Company issued a notice to the Petroleum Company in which the Company had assigned its outstanding other receivables from the Petroleum Company of RMB24,375,000 (equivalent to HK$27,083,333) to Top Wise Technology (Shenzhen) Limited, a wholly-owned subsidiary of the Company.

During the year ended 31 December 2020, the Petroleum Company did not repay to the Group according to the repayment agreement and the other receivables were past due as at 31 December 2020. During the year ended 31 December 2020, the Group lost contact with the Petroleum Company and failed to reach them in their registered office. During the year ended 31 December 2020, the Group had already taken legal proceeding against the Petroleum Company and requested for immediately repayment.

The impairment assessment was performed based on credit reviews of the outstanding receivable balances, taking into account the overdue date, historical payment records, breach of repayment agreement with the Group and credit information of the Petroleum Company, including information of the Petroleum Company's wealth and financial resources and performance of the industry that the Petroleum Company operates. The directors of the Company considered that the Petroleum Company was default in payment and the other receivables from the Petroleum Company were credit-impaired, thus the probabilities of recovery of such balance was remote. ECL allowance was fully provided for the receivable from the Petroleum Company in prior year.

During the year ended 31 December 2021, the Petroleum Company was dissolved. The directors of the Company considered that such other receivables, which have been fully impaired previously, amounting to HK$25,464,149 were irrecoverable and individually determined to be written off.

Included in the Group's other receivables, prepayments and deposits, net of ECL allowance is prepayment for investment in micro film right of RMB5,500,000 (equivalent to HK$6,070,000)) (2020: RMB5,500,000 (equivalent to HK$6,070,000)), other tax recoverable of HK$3,830,351 (2020: HK$3,703,797) and rental and utilities deposits of HK$1,096,803 (2020: HK$1,101,926), respectively.

In May 2020, the Group prepaid to an independent micro film producer company (the "Micro Film Producer") for investment, amounted to RMB5,500,000 (equivalent to HK$6,070,000)). According to the memorandum of understanding entered between the Group and the Micro Film Producer, the Group can invest in the micro film projects held by the Micro Film Producer, at the option of the Group. The prepayment will be refunded to the Group in 12 months since the date of memorandum of understanding (subject to further extension of both parties agree), if no projects will be invested by the Group. In May 2021, the Group entered into a supplemental agreement to extend the investment period for further 12 months. Up to the date of authorisation of these consolidated financial statements, the Group has not decided whether to invest in any micro film projects.

The production period for the micro film is short. In the opinion of the directors of the Company, the Group expected to realise the investment within twelve months after the reporting date. Therefore, the prepayment for investment in micro film right is classified as current assets as at 31 December 2021 and 2020.

As at 31 December 2021 and 2020, the abovementioned prepayment was guaranteed by Mr. Tsai Chi Yuan ("Mr. Tsai"), a substantial shareholder of the Company. If no investment opportunities are identified in or before May 2022, in the opinion of the directors of the Company, the prepayment will be either refunded from the Micro Film Producer or Mr. Tsai by May 2022.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

23. INVESTMENT IN TV PROGRAMMES

	HK$
As at 1 January 2020	26,850,000
Total gains included in profit or loss:	
Fair value change	3,247,844
Exchange difference arising from translation, included in other losses, net	1,849,899
As at 31 December 2020 and 1 January 2021	**31,947,743**
Total gains included in profit or loss:	
Fair value change	**612,745**
Exchange difference arising from translation, included in other losses, net	**1,017,943**
As at 31 December 2021	**33,578,431**

During the year ended 31 December 2019, the Group entered into a joint production agreement and supplemental agreement (collectively, the "Joint Production Agreement") with 浙江優盛影視文化有限公司 (Zhe Jiang You Sheng Ying Shi Wen Hua Company Limited*) ("Zhe Jiang You Sheng"), an independent TV programmes producer, pursuant to which the Group agreed to invest RMB24,000,000 (equivalent to HK$26,850,000) in the production of TV programmes "Snow Leopard II", representing 30% of the budgeted production costs. In accordance with the Joint Production Agreement, the Group has no control, significant influence or joint control over the investment.

Pursuant to the Joint Production Agreement, if the actual production costs exceed the budgeted production costs, Zhe Jiang You Sheng would bear all addition costs. The Group is not liable and does not bear any additional costs and the interests in the investment in TV programmes would still be maintained at 30%.

The Group is entitled to 30% of net profit generated by the TV programmes for five years, after obtained broadcasting approval from the PRC government authority. Up to the date of authorisation of these consolidated financial statements, the TV programmes are still under production.

As at 31 December 2020, with reference to the revised production progress provided by Zhe Jiang You Sheng, the directors of the Company were tentatively expected the TV programmes to be released in the PRC during the year ended 31 December 2021 and would receive the net profit distribution before June 2022. Therefore, the investment in TV programmes was classified as non-current assets as at 31 December 2020.

During the year ended 31 December 2021, due to the unstable environment under the COVID-19 pandemic in the PRC, the TV programmes could not be produced as planned in prior year. As at 31 December 2021, with reference to the production progress provided by Zhe Jiang You Sheng, the directors of the Company further revisited the production timetable with Zhe Jiang You Sheng and tentatively expected the TV programmes to be released in the PRC and the net profit distribution to be received during the year ending 31 December 2023. Therefore, the investment in TV programmes was classified as non-current assets as at 31 December 2021.

* The English translation of the Chinese name is for information purpose only, and should not be regarded as the official English translation of such name.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

23. INVESTMENT IN TV PROGRAMMES (Continued)

The Group's investment in TV programmes is measured at fair value in the consolidated statement of financial position on a recurring basis, categorised into three levels of a fair value hierarchy. The levels are based on the observability of significant inputs to the measurements, as follows:

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

The level in the fair value hierarchy within which the investment in TV programmes is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The fair value of the investment in TV programmes is level 3 (2020: level 3) fair value measurement. There were no transfers between Levels 1, 2 and 3 during the year (2020: nil).

Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments by adopting an income approach based on the discounted cash flow.

Fair value measurements using significant unobservable inputs (level 3)

The above movement presents the changes in level 3 item for the years ended 31 December 2021 and 2020.

Significant unobservable inputs	Unobservable inputs	Relationship of unobservable inputs to fair value
Discount rate	20.11% (2020: 21.44%)	The higher/lower the discount rate, the lower/higher the fair value.
Estimated revenue generated by the TV programmes	RMB210,000,000 (2020: RMB200,000,000)	The higher/lower the estimated revenue generated by the TV programmes, the higher/lower the fair value.

Should the discount rate increase or decrease by 3% respectively, the fair value of the investment in TV programmes would be decreased by HK$1,419,375 (2020: HK$1,145,469) or increased by HK$1,520,244 (2020: HK$1,128,296), respectively. Should the estimated revenue generated by the TV programmes increase or decrease by 10% respectively, the fair value of the investment in TV programmes would be increased or decreased by HK$3,362,925 (2020: HK$3,194,774).

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For the year ended 31 December 2021

24. CASH AND CASH EQUIVALENTS

	2021 HK$	2020 HK$
Cash at banks and in hand	**3,682,844**	8,819,535
Denominated in:		
RMB	**578,307**	5,581,794
HK$	**828,871**	583,004
USD	**604,311**	1,226,304
New Taiwan Dollar ("NTD")	**1,671,355**	1,428,433
	3,682,844	8,819,535

As at the reporting date, bank balances of the Group denominated in RMB amounted to HK$564,830 (2020: HK$5,581,749) and deposits with banks in the PRC. RMB is not a freely convertible currency. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

25. TRADE AND OTHER PAYABLES

	2021 HK$	2020 HK$
Trade payables *(note)*	**23,064,740**	24,191,397
Other payables and accrual	**8,081,099**	8,607,626
	31,145,839	32,799,023

Included in other payables and accrual of the Group are mainly legal and professional fee payables of HK$1,001,662 (2020: HK$572,005), variable lease payable of HK$870,092 (2020: HK$943,037), salaries and wages payables of HK$2,008,022 (2020: HK$2,833,270) and other tax payables of HK$1,035,703 (2020: HK$1,057,438).

Note:

Credit periods granted by suppliers normally range from 30 days to 90 days (2020: 30 days to 90 days). Based on the invoice date, the ageing analysis of the trade payables is as follows:

	2021 HK$	2020 HK$
0 – 30 days	**3,125,239**	4,197,731
31 – 60 days	**2,912,832**	3,041,264
61 – 90 days	**2,263,557**	2,970,129
Over 90 days	**14,763,112**	13,982,273
	23,064,740	24,191,397

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26. LEASE LIABILITIES

	2021 HK$	2020 HK$
Total minimum lease payments:		
Due within one year	**3,731,175**	3,341,356
Due over one year but within five years	**5,348,269**	7,977,941
	9,079,444	11,319,297
Future finance charges on leases liabilities	**(489,601)**	(832,261)
Present value of leases liabilities	**8,589,843**	10,487,036
Present value of minimum lease payments:		
Due within one year	**3,440,083**	2,968,248
Due over one year but within five years	**5,149,760**	7,518,788
	8,589,843	10,487,036
Less: Portion due within one year included under current liabilities	**(3,440,083)**	(2,968,248)
Portion due after one year included under non-current liabilities	**5,149,760**	7,518,788

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26. LEASE LIABILITIES (Continued)

During the year, the total cash outflows for the leases including short-term leases are HK$6,050,392 (2020: HK$6,993,816).

The weighted average incremental borrowing rates applied to lease liabilities range from 2.1% to 4.9% (2020: 2.4% to 4.9%) per annum.

During the years ended 31 December 2021 and 2020, the Group has lease contracts for printing and testing equipment that contain variable payments based on the number of smart card produced. The following provides information on the Group's variable lease payments, included the magnitude in relation to fixed payments:

	Fixed payments HK$	Variable payments HK$	Total HK$
Variable rent with minimum payment			
For the year ended 31 December 2021	**–**	**2,007,922**	**2,007,922**
For the year ended 31 December 2020	–	1,524,737	1,524,737

The Group has several lease contracts that include extension and termination options. In opinion of the directors of the Company, these options would provide with the Group flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised and these termination options are reasonably certain not to be exercised, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended 31 December 2021, there is no such triggering event (2020: nil).

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26. LEASE LIABILITIES (Continued)

Extension and termination options

As at 31 December 2021, the Group has entered into leases for a factory, certain offices, warehouse and certain staff quarters.

Types of right-of-use assets	Number of leases	Range of remaining lease term	Particulars
Factory	1 (2020: 1)	2.82 years (2020: 3.82 years)	• Contains an option to renew the lease after the end of the contract by giving a two months' notice to landlord before the end of the contract. • Contains an option to terminate the lease by giving a two months' notice to landlord.
Offices	2 (2020: 3)	2.12 to 2.84 years (2020: 0.12 to 3.84 years)	• One of the contract contains an option to renew the lease after the end of the contract by giving a two months' notice to landlord before the end of the contract. • One of the contract contains an option to terminate the lease by giving a two months' notice to landlord.
Warehouse	1 (2020: 1)	1.90 years (2020: 0.46 years)	• No option to renew and terminate.
Staff quarters	2 (2020: 2)	0.75 to 1.40 years (2020: 0.39 to 1.75 years)	• Contains an option to terminate the lease by giving an one month notice to landlord after 1 year of the lease terms.

The Group considered that no extension option or termination option would be exercised at the lease commencement date.

27. OTHER BORROWINGS

	2021 HK$	2020 HK$
Other borrowings from an independent third party, unsecured	–	276,243

As at 31 December 2020, the amount due to an independent third party of HK$276,243 was unsecured, interest-free and repayable on demand. The amount was fully settled during the year.

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28. DEFERRED TAX

At at 31 December 2021, the Group's recognised deferred tax liabilities of HK$4,707 (2020: HK$4,707) arisen from depreciation allowance in excess of accounting depreciation.

The Group has not recognised deferred tax assets in respect of tax losses of HK$77,051,222 (2020: HK$77,827,350) as at 31 December 2021. Deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which the Group can utilise benefits therefrom. Under the current tax legislation in Hong Kong, the tax losses amounting to HK$37,807,951 (2020: HK$35,915,465) do not have expiry period. Under the current tax legislation in the PRC, the tax losses amounting to HK$25,445,186 (2020: HK$28,702,272) can be carried forward for five years from the year when the corresponding loss was incurred. Under the current tax legislation in Taiwan, the tax losses amounting to HK$13,798,085 (2020: HK$13,209,613) can be carried forward for ten years from the year when the corresponding loss was incurred.

As at 31 December 2021, deferred tax liabilities have not been established for the withholding tax that would be payable on the undistributed earnings of HK$12,876,330 (2020: HK$12,626,317) of certain PRC subsidiaries because the Company controls the dividend policy of these subsidiaries and it is not probable that these subsidiaries will distribute such earnings in foreseeable future.

29. SHARE CAPITAL

	2021		2020	
	Number of shares	**Nominal value HK$**	Number of shares	Nominal value HK$
Authorised:				
Ordinary shares of HK$0.20 each				
At 1 January and 31 December	**1,500,000,000**	**300,000,000**	1,500,000,000	300,000,000
Issued and fully paid:				
Ordinary shares of HK$0.20 each				
At 1 January and 31 December	**525,347,500**	**105,069,500**	525,347,500	105,069,500

All shares are equally eligible to receive dividends and to the repayment of capital and each of the shares are entitled to one vote at shareholders' meeting of the Company.

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30. SHARE OPTIONS

Pursuant to the resolution passed by the shareholders of the Company at the extraordinary general meeting of the Company dated 8 January 2008, a new share option scheme (the "New Share Option Scheme") was approved and adopted. The summary of the terms of the share option scheme is set out below.

The purpose of the New Share Option Scheme is to recognise and motivate the contribution of employees to the growth of the Group. Under the New Share Option Scheme, the Board of Directors which shall include the independent non-executive directors may, at its discretion, invite any employees including any executive directors of any companies in the Group to take up options at HK$1.00 to subscribe for shares in the Company at the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediate preceding the date of grant; and (iii) the nominal value of a share.

The total number of shares which may be issued upon exercise of all options which may be granted under the New Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the total number of shares in issue as at the date of approval of the New Share Option Scheme.

Under the New Share Option Scheme, any employee of the Group is eligible to participate as grantee in and receive share options. Unless approved by the shareholders in the manner set out below, the total number of shares issued and to be issued upon exercise of the share options granted to each participant (including both exercised and outstanding share options) in any 12-month period must not exceed 1 percent of the shares in issue ("Individual Limit"). Where any further grant of share options to a participant would result in the shares issued and to be issued upon exercise of all share options granted and to be granted to such participant (including exercised, cancelled and outstanding share options) exceeding his or her Individual Limit, such further grant must be separately approved by the shareholders in general meeting with such participant and his or her associates abstaining from voting.

The option period in respect of any particular option shall be determined by the Board of Directors, provided that no option shall be exercisable after ten years from the date of its grant.

The share options are fully vested at the date of grant. All share-based employee compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

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30. SHARE OPTIONS (Continued)

Summary of the share options outstanding during the years ended 31 December 2021 and 2020 are as follows:

For the year ended 31 December 2021

Name of participant	As at 1 January 2021	Granted during the year	As at 31 December 2021	Date of grant	Exercisable period	Exercise price HK$
Executive directors						
Lily Wu	4,500,000	–	4,500,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Chang Wei Wen	4,500,000	–	4,500,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Yang Meng Hsiu	4,500,000	–	4,500,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Independent non-executive directors						
Chan Siu Wing, Raymond	450,000	–	450,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Leung Ka Kui, Johnny	450,000	–	450,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Wong Ka Wai, Jeanne	450,000	–	450,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
	14,850,000	–	14,850,000			
Other employees						
In aggregate	22,779,250	–	22,779,250	3 January 2018	3 January 2018 to 2 January 2028	0.20
	37,629,250	–	37,629,250			

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30. SHARE OPTIONS (Continued)

For the year ended 31 December 2020

Name of participant	As at 1 January 2020	Granted during the year	As at 31 December 2020	Date of grant	Exercisable period	Exercise price HK$
Executive directors						
Lily Wu	4,500,000	–	4,500,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Chang Wei Wen	4,500,000	–	4,500,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Yang Meng Hsiu	4,500,000	–	4,500,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Independent non-executive directors						
Chan Siu Wing, Raymond	450,000	–	450,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Leung Ka Kui, Johnny	450,000	–	450,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Wong Ka Wai, Jeanne	450,000	–	450,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
	14,850,000	–	14,850,000			
Other employees						
In aggregate	22,779,250	–	22,779,250	3 January 2018	3 January 2018 to 2 January 2028	0.20
	37,629,250	–	37,629,250			

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30. SHARE OPTIONS (Continued)

	As at 1 January 2021 HK$	Granted during the year HK$	As at 31 December 2021 HK$
Weighted average exercise price per share	**0.20**	**–**	**0.20**
Weighted average remaining contractual life of options outstanding as at 31 December 2021			**6.01 years**
Number of options exercisable as at 31 December 2021			**37,629,250**
Weighted average exercise price per share of options exercisable as at 31 December 2021			**HK$0.20**

	As at 1 January 2020 HK$	Granted during the year HK$	As at 31 December 2020 HK$
Weighted average exercise price per share	0.20	–	0.20
Weighted average remaining contractual life of options outstanding as at 31 December 2020			7.01 years
Number of options exercisable as at 31 December 2020			37,629,250
Weighted average exercise price per share of options exercisable as at 31 December 2020			HK$0.20

The Company did not grant any share options during the years ended 31 December 2021 and 2020. No share options were exercised, lapsed or forfeited during the years ended 31 December 2021 and 2020.

31. RESERVES

The Group

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

Share premium represents the excess of the net proceeds from issuance of the shares of the Company over its par value, less any dividends paid out of the share premium account and any premium paid for the repurchase of shares of the Company.

Contributed surplus of the Group represents the difference between the nominal value of the share capital and share premium of the subsidiaries acquired pursuant to a group reorganisation conducted in previous years over the nominal value of the share capital of the Company issued in exchange therefore, less share issue expenses.

Share option reserve is set up in accordance with the accounting policy set out in note 2.19.

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31. RESERVES (Continued)

The Group (Continued)

Translation reserve of the Group represents the exchange differences on translation of the financial statements of the PRC subsidiaries and a Taiwan subsidiary.

Certain portion of the retained earnings of the Company's PRC subsidiaries is restricted for distribution. Under the relevant PRC laws and regulations, the PRC subsidiaries are required to appropriate at least 10% of profit after tax to general reserve fund until reaching 50% of the registered capital. The general reserve fund can be applied to set-off accumulated losses and to convert into paid-in capital. Such restricted profits included in the Group's accumulated losses amounted to HK$13,197,324 (2020: HK$12,789,806).

The Company

	Share premium HK$	Contributed surplus HK$	Share option reserve HK$	Other reserves HK$	Accumulated losses HK$	Total HK$
Balance at 1 January 2020	363,340,792	24,190,659	3,339,000	7	(450,332,249)	(59,461,791)
Loss for the year and total comprehensive loss for the year	–	–	–	–	(282,983)	(282,983)
Balance at 31 December 2020 and 1 January 2021	363,340,792	24,190,659	3,339,000	7	(450,615,232)	(59,744,774)
Loss for the year and total comprehensive loss for the year	–	–	–	–	(6,559,479)	(6,559,479)
Balance at 31 December 2021	**363,340,792**	**24,190,659**	**3,339,000**	**7**	**(457,174,711)**	**(66,304,253)**

Share premium represents the excess of the net proceeds from issuance of the shares of the Company over its par value, less any dividends paid out of the share premium account and any premium paid for the repurchase of shares of the Company.

Contributed surplus of the Company represents the difference between the combined net assets value of the subsidiaries acquired pursuant to a group reorganisation conducted in previous years over the nominal value of the share capital of the Company issued in exchange therefore, less share issue expenses.

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32. COMPANY LEVEL STATEMENT OF FINANCIAL POSITION

	Notes	**2021 HK$**	2020 HK$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**10,623**	21,551
Right-of-use assets		**1,877,842**	2,785,792
Interests in subsidiaries		**40,557,437**	47,042,866
Deposits		**291,140**	–
		42,737,042	49,850,209
Current assets			
Prepayments and deposits		**353,015**	827,400
Cash and cash equivalents		**328,464**	193,053
		681,479	1,020,453
Current liabilities			
Other payables		**1,697,290**	1,553,737
Lease liabilities		**898,153**	850,359
Amounts due to subsidiaries		**1,018,489**	1,204,345
		3,613,932	3,608,441
Net current liabilities		**(2,932,453)**	(2,587,988)
Total assets less current liabilities		**39,804,589**	47,262,221
Non-current liability			
Lease liabilities		**1,039,342**	1,937,495
Net assets		**38,765,247**	45,324,726
EQUITY			
Share capital	*29*	**105,069,500**	105,069,500
Reserves	*31*	**(66,304,253)**	(59,744,774)
Total equity		**38,765,247**	45,324,726

The financial statements of the Company were approved and authorised for issue by the Board of Directors on 22 March 2022 and are signed on its behalf by:

Lily Wu	**Chang Wei Wen**
Director	*Director*

Notes to the Consolidated Financial Statements

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33. INTERESTS IN SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2021 and 2020 are as follows:

Name of company	Place of incorporation/ establishment and operation and kind of legal entity	Particulars of issued capital/paid-up registered capital	Percentage of interest held by the Company 2021	2020	Principal activities
Directly held:					
Waystech Group Limited	BVI, limited liability company	USD10,000	100%	100%	Investment holding
Indirectly held:					
Cardlink Technology (HK) Limited	Hong Kong, limited liability company	HK$10,000	100%	100%	Investment holding
Elegant Future (Hong Kong) Limited	Hong Kong, limited liability company	HK$1	100%	100%	Investment holding and trading of scrap vehicles
Elegant Future (Taiwan) Company Limited	Taiwan, limited liability company	NTD72,166,000	100%	100%	Sales and trading of scrap metals
Intercard Limited	Hong Kong, limited liability company	HK$10,666,667	100%	100%	Sales of smart cards, system development and provision of research and development, marketing and sales
Kartop (Hong Kong) Limited	Hong Kong, limited liability company	HK$10,000	100%	100%	Investment in media and entertainment industry
PMIS Limited	Hong Kong, limited liability company	HK$10,000	100%	100%	Development and provision of smart card application systems
Top Wise Technology (Shenzhen) Limited	The PRC, wholly-foreign-owned enterprises	HK$10,000,000	100%	100%	Smart cards manufacturing and sales

None of the subsidiaries has issued any debt securities at the end of the year (2020: nil).

The non-controlling interest of all subsidiaries that are not 100% owned by the Group are considered to be immaterial and hence no summarised financial information are presented.

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34. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the consolidated financial statements, the following transactions were carried out by the Group in the ordinary course of business with related parties.

(a) Transactions with related parties

Related party relationship	Type of transactions	2021 HK$	2020 HK$
Mr. Tsai, the substantial shareholder of the Company	Consultancy fee expense	**1,320,000**	1,320,000
	Salaries and allowances	**271,977**	255,367
	Rental expense relating to short-term leases	**293,729**	275,583

(b) Guarantee provided by the substantial shareholder

	2021 HK$	2020 HK$
Guarantee on prepayment provided by Mr. Tsai	**6,070,000**	6,070,000

(c) Compensation of key management personnel

Members of key management during the year comprised the directors of the Company whose remunerations are set out in note 15.

35. COMMITMENTS

As at the end of the reporting period, the Group had other significant commitments as follows:

(a) Capital commitments

	2021 HK$	2020 HK$
Contracted but not provided for:		
– Acquisition of property, plant and equipment	**–**	1,036,527

(b) Short-term lease commitments

As lessee

At the reporting date, the lease commitments for short-term leases are as follows:

	2021 HK$	2020 HK$
Within one year	**49,690**	48,729

As at 31 December 2021, the Group leases an office (2020: an office) with a lease period of 12 months, which is qualified to be accounted for under short-term lease exemption under HKFRS 16.

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36. CASH FLOW INFORMATION

Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Other borrowings – shareholders loans HK$	Other borrowings – other loans HK$	Lease liabilities HK$
At 1 January 2020	1,715,385	–	9,830,793
Changes from financing cash flows:			
– Proceeds	–	777,963	–
– Repayments	(1,715,385)	(521,052)	–
– Payment of capital element	–	–	(2,981,075)
– Payment of interest element	–	–	(394,596)
Other changes:			
– Exchange realignment	–	19,332	466,264
– Entering into new leases	–	–	3,171,054
– Interest expense	–	–	394,596
At 31 December 2020 and 1 January 2021	**–**	**276,243**	**10,487,036**
Changes from financing cash flows:			
– Repayments	**–**	**(276,243)**	**–**
– Payment of capital element	**–**	**–**	**(3,288,572)**
– Payment of interest element	**–**	**–**	**(387,224)**
Other changes:			
– Exchange realignment	**–**	**–**	**191,088**
– Entering into new leases	**–**	**–**	**1,200,291**
– Interest expense	**–**	**–**	**387,224**
At 31 December 2021	**–**	**–**	**8,589,843**

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37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk and foreign currency 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.

In light of the simplicity of the operations, the risk management of the Group is carried out by the Board of Directors directly. The Board of Directors discusses both formally and informally principles for overall risk management, as well as policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk, liquidity risk and use of financial instruments.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

37.1 Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities:

	2021 HK$	2020 HK$
Financial assets		
Financial assets at FVTPL		
– Investment in TV programmes	33,578,431	31,947,743
Financial assets at amortised cost		
– Trade and other receivables and deposits	29,714,211	31,012,707
– Cash and cash equivalents	3,682,844	8,819,535
	66,975,486	71,779,985
Financial liabilities		
Financial liabilities at amortised cost		
– Trade and other payables	30,110,136	31,741,585
– Lease liabilities	8,589,843	10,487,036
– Other borrowings	–	276,243
	38,699,979	42,504,864

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

37.2 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position at 31 December 2021 and 2020 is the carrying amount as disclosed in note 37.1.

(i) Trade receivables

The Group's policy is to deal only with credit worthy counterparties. Credit terms are granted to new customers after a credit worthiness assessment. When considered appropriate, customers may be requested to provide proof as to their financial position. Where available at reasonable cost, external credit ratings and/or reports on customers are obtained and used. Customers who are not considered creditworthy are required to pay in advance or on delivery of goods. Payment record of customers is closely monitored. It is not the Group's policy to request collateral from its customers.

In addition, as set out in note 2.8, the Group assesses ECL under HKFRS 9 on trade receivables based on provision matrix, the expected loss rates are based on the payment profile for sales in the past 36 months as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forward looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 90 days from the due date and failure to engage with the Company on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

37.2 Credit risk (Continued)

(i) Trade receivables (Continued)

On the above basis, the ECL for trade receivables as at 31 December 2021 and 2020 was determined as follows:

	Current HK$	1-30 days past due HK$	31-90 days past due HK$	Over 90 days past due HK$	Total HK$
Ageing based on the due date					
31 December 2021					
ECL rate	**0.10%**	**0.12%**	**0.00%**	**0.16%-100%**	
Gross carrying amount					
– trade receivables	**13,904,700**	**3,005,615**	**1,483,413**	**229,808**	**18,623,536**
Lifetime ECL	**14,289**	**3,651**	**55**	**2,032**	**20,027**
31 December 2020					
ECL rate	0.19%	0.00%	0.00%	1.24%-100%	
Gross carrying amount					
– trade receivables	13,723,914	3,259,532	171,860	147,739	17,303,045
Lifetime ECL	25,666	47	2	3,475	29,190

The movement in the ECL allowance of trade receivables is as follows:

	2021 HK$	2020 HK$
Balance at 1 January	**29,190**	3,947
ECL allowance (reversed)/recognised during the year	**(9,163)**	25,243
Balance at 31 December	**20,027**	29,190

During the year ended 31 December 2021, management has determined none (2020: none) of the trade receivables as individually impaired and written off as bad debts.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

37.2 Credit risk (Continued)

(ii) Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables and deposits and bank balances and cash. In order to minimise the credit risk of other receivables, the management would make periodic collective and individual assessment on the recoverability of other receivables based on historical settlement records and past experience as well as current external information. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In these regards, the credit risk of other receivables is considered to be low. It is not the Group's policy to request collateral from its other debtors.

Except for the matters as described in note 22(b) in relation to the other receivables from the Petroleum Company, the management is of opinion that there is no significant increase in credit risk on these other receivables since initial recognition as the risk of default is low after considering the factors as set out in note 2.8 and, thus, ECL recognised is based on 12-month ECL and the impact of ECL is insignificant for the year ended 31 December 2021 and 2020.

As at 31 December 2021 and 2020, the ECL of other receivables from the Petroleum Company was based on an individual assessment as described in note 22(b).

The credit risks on bank balance and cash are considered to be insignificant because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

The policy to manage credit risk has been followed by the Group since prior years is considered to be effective.

The movement in the ECL allowance of other receivables and deposits is as follows:

	2021 **HK$**	2020 HK$
Balance at 1 January	**26,054,927**	25,787,974
ECL allowance recognised during the year	**6,807**	266,953
Bad debts written off	**(25,464,149)**	–
Balance at 31 December	**597,585**	26,054,927

At 31 December 2021, other receivables, which have been fully impaired previously, amounting to HK$25,464,149 were individually determined to be written off. The respective debtor was dissolved and the management assessed them to be irrecoverable.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

37.3 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management.

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants by reviewing each operating entity's cash flow forecast, to ensure that the Group maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions and related parties to meet its liquidity requirements in the short and longer term. The liquidity policy has been followed by the Group since prior years and is considered to have been effective in managing liquidity risks.

	Within 1 year or on demand HK$	Over 1 year but within 5 years HK$	Total undiscounted amount HK$	Carrying amount HK$
At 31 December 2021				
Trade and other payables	**30,110,136**	**–**	**30,110,136**	**30,110,136**
Lease liabilities	**3,731,175**	**5,348,269**	**9,079,444**	**8,589,843**
	33,841,311	**5,348,269**	**39,189,580**	**38,699,979**
At 31 December 2020				
Trade and other payables	31,741,585	–	31,741,585	31,741,585
Lease liabilities	3,341,356	7,977,941	11,319,297	10,487,036
Other borrowings	276,243	–	276,243	276,243
	35,359,184	7,977,941	43,337,125	42,504,864

37.4 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk mainly arises from bank balances.

The Group conducts periodical review to determine preferred interest rates mix appropriate for the business profile. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

The policy to manage interest rate risk has been followed by the Group since prior years is considered to be effective.

The Group has no significant exposure to interest rates risk as the Group currently has no material financial assets and liabilities with floating interest rates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

37.5 Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposures to currency risk arise from its overseas sales and purchases and investment in TV programmes, which are primarily denominated in RMB and USD. These are not the functional currencies of the group entities to which these transactions relate.

To mitigate the Group's exposure to foreign currency risk, cash flows in foreign currencies are monitored into in accordance with the Group's risk management policies. Generally, the Group's risk management procedures distinguish short term foreign currency cash flows (due within 6 months) from longer term cash flows. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken. The policy to manage foreign currency risk has been followed by the Group since prior years and is considered to be effective.

Summary of exposure

The carrying amounts of the Group's financial assets and liabilities denominated in a currency other than functional currency of the respective group entities at the end of each year are as follows:

	2021		2020	
	Exposure of RMB HK$	Exposure of USD HK$	Exposure of RMB HK$	Exposure of USD HK$
Trade and other receivables and deposits	–	14,299,624	–	14,392,908
Investment in TV programmes	33,578,431	–	31,947,743	–
Cash and cash equivalents	47	604,311	45	1,226,304
Trade and other payables	(18,174)	(1,322,463)	(17,613)	(1,322,463)
Gross exposure arising from recognised financial assets and liabilities	33,560,304	13,581,472	31,930,175	14,296,749

Sensitivity analysis

As HK$ is pegged to USD, the directors consider that the Group's exposure on foreign currency risk in respect of USD is not significant. The following table illustrates the sensitivity of the Group's (loss)/profit for the year and accumulated losses in regards to a 5% (2020: 5%) appreciation in the group entities' functional currencies against other foreign currencies. The 5% (2020: 5%) is the rate used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

37.5 Foreign currency risk (Continued)

Sensitivity analysis (Continued)

The sensitivity analysis of the Group's exposure to foreign currency risk at the end of the reporting period has been determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the financial year and held constant throughout the year.

	2021 Increase/ (decrease) in loss for the year and accumulated losses HK$	2020 Decrease/ (increase) in profit for the year and increase/(decrease) in accumulated losses HK$
Changes in exchange rate:		
HK$ appreciate by 5% (2020: 5%) against RMB	**1,678,015**	1,596,509
HK$ depreciate by 5% (2020: 5%) against RMB	**(1,678,015)**	(1,596,509)

The sensitivity analysis for the year ended 31 December 2020 has been prepared on the same basis. Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions.

37.6 Fair value measurements of financial instruments

The Group's financial instruments classified within Level 3 of the fair value hierarchy represent the investment in TV programmes, the valuation process and the reconciliation of its carrying amounts as at 31 December 2021 and 2020 are disclosed in notes 23. Except as disclosed above, all other financial instruments are carried at amortised cost with amounts not materially different from their fair values as at 31 December 2021 and 2020.

38. CAPITAL MANAGEMENT

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 or sell assets to reduce debts.

The capital structure of the Group consists of debt, which included other borrowings as disclosed in note 27, and equity attributable to the owners of the Company, comprising share capital and deficits disclosed in the consolidated statement of changes in equity. No changes in the objectives, policies or processes for managing capital were made during the year.

The Group monitors capital on the basis of gearing ratio. The ratio defined and calculated by the Group as total borrowings including lease liabilities expressed as a percentage of total assets, was 10.1% as at 31 December 2021 (2020: 11.5%).

Financial Summary

For the year ended 31 December 2021

The following is a summary of the consolidated results and consolidated assets and liabilities of the Group for each of the five years ended 31 December 2021:

CONSOLIDATED RESULTS

	2017 HK$ (Restated)	2018 HK$ (Restated)	2019 HK$	2020 HK$	**2021 HK$**
Continuing operations					
Revenue	46,235,468	50,204,122	67,612,736	76,098,619	**72,755,127**
(Loss)/profit from operations	(18,486,614)	2,976,392	(25,279,757)	4,330,127	**(4,800,947)**
Finance costs	(786,638)	(1,092,964)	(589,573)	(394,596)	**(387,224)**
(Loss)/profit before income tax	(19,273,252)	1,883,428	(25,869,330)	3,935,531	**(5,188,171)**
Income tax credit/(expense)	19,802	(240,309)	–	20,000	**(574,887)**
(Loss)/profit for the year from continuing operations	(19,253,450)	1,643,119	(25,869,330)	3,955,531	**(5,763,058)**
Discontinued operation					
Loss for the year from discontinued operation	(689,113)	(224,986)	(16,361,773)	–	**–**
(Loss)/profit for the year	(19,942,563)	1,418,133	(42,231,103)	3,955,531	**(5,763,058)**

CONSOLIDATED ASSETS AND LIABILITIES

	2017 HK$	2018 HK$	2019 HK$	2020 HK$	**2021 HK$**
Non-current assets	10,224,732	8,578,438	14,978,949	49,560,219	**48,891,615**
Current assets	237,062,415	132,833,817	71,307,267	44,401,769	**36,327,425**
Current liabilities	153,870,064	52,301,325	33,651,104	36,043,514	**34,585,922**
Non-current liabilities	4,707	4,707	6,924,020	7,523,495	**5,154,467**