M-Resources Group Limited
脈資資源集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 08186)

2021
Annual Report

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED

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.

This report, for which the board (the "Board") of directors (the "Directors") of M-Resources Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars in compliance with the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") for giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive and there is no other matter the omission of which would make any statement in this report misleading.

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BOARD OF DIRECTORS

Executive Director

CHAN Ho Yee

Independent Non-Executive Directors

PANG King Sze, Rufina
HONG Bingxian
HUANG Zhe

AUDIT COMMITTEE

PANG King Sze, Rufina *(Chairperson)*
HONG Bingxian
HUANG Zhe

NOMINATION COMMITTEE

PANG King Sze, Rufina *(Chairperson)*
HONG Bingxian
HUANG Zhe

REMUNERATION COMMITTEE

PANG King Sze, Rufina *(Chairperson)*
HONG Bingxian
HUANG Zhe

COMPLIANCE OFFICER

CHAN Ho Yee

COMPANY SECRETARY

LEUNG Ka Ho

INDEPENDENT AUDITOR

BDO Limited
Certified Public Accountants
Registered Public Interest Entity Auditor

LEGAL ADVISERS

Robertsons Solicitors

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

11/F., China United Plaza
1008 Tai Nan West Street
Lai Chi Kok, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Ocorian Services (Bermuda) Limited
Victoria Place, 5th Floor, 31 Victoria Street
Hamilton HM 10, Bermuda

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Ltd.
17th Floor, Hopewell Centre
183 Queen's Road East, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Bank of East Asia Limited

STOCK CODE

08186

WEBSITE ADDRESS

www.m-resources.com.hk

The Board of Directors' Statement

Dear Shareholders,

Year 2021 is another challenging year for all businesses in the world. The COVID-19 pandemic has resulted in short-term disruptions and provoked long-term changes in how the world lives and does business. The Company's experience in 2020 has shown that prompt response to changes in business landscape is the key factor in withstanding major disruptions and uncertainties. In view of the deepening of the structural changes to the business environment and business activities globally and locally, the Group has continued to adjust its business strategies and extended its businesses through widening product offerings and customer base in 2021. As a result, the Group recorded an increase of 28% in revenue in 2021 from 2020.

In response to the debt crisis resulted from a petition filed by a creditor of the Company in May 2021, the Company has been pursuing a debt restructuring by way of scheme of arrangement in order to reduce the liabilities of the Company and restore its financial position to normality. We are pleased to report that the scheme was approved by the requisite statutory majorities of creditors at the creditors meeting held in April 2022. Implementation of the scheme is subject to the sanctioning by the court which is scheduled to be July 2022.

Looking ahead, the outlook for the global economy is still uncertain. The challenges arising from the continuing Sino-United States conflict, the drastic changes in the business environment and disruption of global and regional supply chains in the midst of the emergence of new COVID-19 variants, elevated inflation concerns and tightening of monetary policies will continue to impact on the global and local economy and may inevitably affect the Group's business operations. The Group, leveraging on its experience in 2020 and 2021 in withstanding major disruptions and uncertainties, will proactively respond to the evolving market dynamics and is confident that, after the scheme is successfully implemented and its financial position returns to normality, its businesses will progress steadily and deliver solid performances in the coming years.

Taking this opportunity, the Board would like to express its sincere gratitude to our shareholders, creditors and business partners for your support and commitment, particularly in this difficult time for the world and the Group, and looks forward to your continuing support and trust in the years to come.

The Board of Directors

Hong Kong, 13 May 2022

Management Discussion and Analysis

FINANCIAL PERFORMANCE

During the year ended 31 December 2021, the revenue of the Group was increased by 28.0% to HK$27.1 million (2020: HK$21.2 million). The Group's gross profit was increased to HK$3.3 million (2020: HK$2.9 million) but the gross profit margin was slightly decreased to 12.1% (2020: 13.7%) due to increase in sales of plantation products in the Group's product offerings which commanded lower gross profit margin. The Group recorded consolidated loss of HK$7.3 million (2020: HK$18.7 million) and consolidated loss of HK$7.3 million (2020: HK$7.7 million) attributable to the owners of the Company from continuing operations. The decrease in consolidated loss was mainly attributable to the Group's efforts in streamlining its business structures and implementation of cost-savings measures.

BUSINESS REVIEW

The Group is principally engaged in the Household and Plantation Business and the Other Businesses (comprising the Financial Services Business and the Accessories Business). In view of the adverse impact of the COVID-19 pandemic on the product mix, market segments and geographical locations, the Group has since 2020 widened its product offerings in household and plantation business and extended its customer base. Going forward, the Group will continue to focus on the development of its principal businesses.

EVENTS AFTER THE REPORTING PERIOD

In April 2022, the scheme of arrangement was approved by the requisite statutory majorities of the creditors at the creditors meeting. The sanction hearing of the scheme is scheduled to be held in July 2022. The support from the creditors indicated that majority of the creditors of Company intend to rescue the Company and are confident in the prospects of the Company. The Directors believe that the scheme would benefit all of the stakeholders of the Company including the shareholders (particularly the public shareholders), the creditors and the employees. Under the scheme, the creditors of the Company are entitled to elect receipt of cash or by allotment and issue of new shares of the Company for settlement of all of their claims against the Company. Depending on the final level of acceptance by the creditors in electing settlement by new shares of the Company, the Company may issue new shares under general mandate or specific mandate, which, in the latter case, would require shareholders' approval. The Company will make further announcement(s) in this regard to keep the shareholders updated of the development.

RECENT DEVELOPMENT AND PROSPECTS

Looking ahead, the outlook for the global economy is still uncertain. The challenges arising from the continuing Sino-United States conflict, the drastic changes in the business environment and disruption of global and regional supply chains in the midst of the emergence of new COVID-19 variants, elevated inflation concerns and expected tightening of monetary policies will continue to impact on the global and local economy and may inevitably affect the Group's business operations. The Company's experience in 2020 and 2021 has shown that prompt response to changes in business landscape and prudent financial and liquidity management are key factors in withstanding major disruptions and uncertainties. The Group will proactively respond to the evolving market dynamics with an aim at achieving growth in recurring earnings. The Company is confident that, after the scheme of arrangement is successfully implemented and its financial position returns to normality, its businesses will progress steadily and deliver solid performances in the coming years.

Management Discussion and Analysis

FINANCIAL RESOURCES, BORROWINGS AND LIQUIDITY

During the year ended 31 December 2021, the Group's net cash used in operating activities amounted to HK$4.0 million (2020: inflow of HK$4.0 million). Its net cash used in investing activities amounted to HK$0.2 million (2020: HK$0.1 million) and net cash inflow from financing activities amounted to HK$4.5 million (2020: outflow of HK$6.6 million). As a result of the cumulative effect of the above, the Group recorded a net cash inflow of HK$0.3 million (2020: outflow of HK$2.7 million).

As at 31 December 2021, the Group had total assets of HK$22.3 million (2020: HK$19.5 million) and total liabilities of HK$70.3 million (2020: HK$61.6 million) i.e. the Group had net liabilities of HK$48.0 million (2020: HK$42.0 million) and the net liabilities value per share as at the end of the reporting period amounted to HK$3.1 (2020: HK$2.7). The total borrowings of the Group amounted to HK$48.5 million (2020: HK$44.2 million), comprising borrowing of HK$22.3 million (2020: HK$18.9 million) and a bond of HK$26.2 million (2020: HK$25.3 million). The Group's current assets amounted to HK$16 million (2020: HK$12.9 million), of which HK$1.9 million (2020: HK$1.6 million) was cash and bank balances, and its current liabilities amounted to HK$70.2 million (2020: HK$50.8 million).

CAPITAL STRUCTURE

As at 31 December 2021, the total number of issued shares and the issued share capital of the Company were 15,585,331 (2020: 145,440,151) and HK$1,247,000 (2020: HK$1,455,000) respectively. The change in the total number of issued ordinary shares and the issued share capital of the Company was due to the cancellation of 20,757,500 shares held under share award scheme and the share consolidation.

FUND RAISING ACTIVITIES

The Group did not conduct any equity fund raising activities during the year ended 31 December 2021.

CAPITAL COMMITMENT, SIGNIFICANT INVESTMENT AND MATERIAL ACQUISITION AND DISPOSAL

Capital Commitment

There was no significant capital commitment of the Group outstanding as at 31 December 2021.

Significant Investment and Material Acquisition and Disposal

There was no significant investment and material acquisition during the year ended 31 December 2021.

Charge on Assets of the Group

As at 31 December 2021, no material asset of the Group had been pledged.

Management Discussion and Analysis

RISKS FACTORS

COVID-19 Pandemic

The World Health Organisation declared the COVID-19 a global health emergency in January 2020. Government authorities of the countries in which the Group operates have implemented various restrictive measures to contain the pandemic and such measures have directly and indirectly affect the operating results and liquidity position of the Group. The Directors will continue to assess the impact of the pandemic on the Group's businesses. Given the uncertainty on the duration of the pandemic which has become a new normal, the Group might experience further negative results and liquidity restraints and incur additional impairments on its assets in 2021 and thereafter.

Price

The prices of the Group's products are subject to a number of factors, including consumer demand, market supply and substitutions available etc. If there is a continuous decline in the prices of the products, the profitability of the Group will be adversely affected.

Competition

The Group's products are competitive and challenging due to pressure from rising production costs, volatile product prices and substitution of products. If the Group fails to respond to changes in market conditions and the market demand of its products, the financial performance of the Group will be adversely affected.

Credit Risk

The Group has a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults of counter-parties. In order to minimise the credit risk of trade receivables, the management of the Group will monitor the Group's exposure to credit risk on an ongoing basis and periodically reviews the customers' settlement patterns. For the year ended 31 December 2021, the Group provided for an expected credit loss on trade receivables of HK$740,000 (2020: nil).

Biographical Details of Directors

DIRECTORS

Executive Director

Ms. Chan Ho Yee, aged 26, is experienced in business arrangement and project management and has established connections in Hong Kong and the overseas market. Ms. Chan is responsible for the Group's design and production planning of household products and exploring business opportunities in the Asian and overseas markets. Ms. Chan holds a master's degree in fine arts. Ms. Chan was appointed as executive director on 2 March 2022.

Independent Non-executive Directors

Ms. Pang King Sze, Rufina, aged 47, has more than 20 years of experience in the areas of audit, financial management and internal control. Ms. Pang is the co-founder and a partner of a certified public accountants firm in Hong Kong. Ms. Pang is a member of the Hong Kong Institute of Certified Public Accountants and a member of the New Zealand Institute of Chartered Accountants. Ms. Pang holds a bachelor's degree in business.

Mr. Hong Bingxian, aged 54, has 30 years of experience in production and international trade with substantial knowledge in logistics management and production process. Mr. Hong is the founder and the managing director of a household manufacturing group and an education group in China.

Mr. Huang Zhe, aged 55, has over 30 years of experience in manufacturing, sales and marketing and brand management. He has held managerial positions in a number of entities in the manufacturing industry prior to founding his own business 20 years ago. Mr. Huang is the founder and the managing director of a manufacturing company in China.

Report of the Directors

The Board is pleased to present this report and the consolidated financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of its principal subsidiaries are set out in note 33 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's revenue and results by reportable segments and geographical locations during the financial year are set out in note 6 to the consolidated financial statements.

FIVE YEARS SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on pages 109 to 110 of this report.

MAJOR CUSTOMERS AND SUPPLIERS

The largest and five largest customers by legal entity are attributable to 43.5% and 98.9% of the Group's revenue respectively, and the largest supplier and five largest suppliers by legal entity are attributable to 71% and 100% of its purchases respectively. At no time during the year had the Directors, their associates or any shareholder of the Company (whom to the knowledge of the Directors owning more than 5% of the shares) held any beneficial interest in these major customers and suppliers.

BUSINESS REVIEW AND PERFORMANCE

Review of the businesses of the Group and discussion and analysis of the Group's performance (including key performance indicators) during the year ended 31 December 2021 and the material factors underlying its results and financial position are provided in the sub-sections headed "Financial Performance" and "Business Review" on page 5. The outlook of the Group's businesses is discussed in the sub-section headed "Recent Development and Prospects" on page 5. These statements therein form parts of this section.

PRINCIPAL RISKS

The Directors have acknowledged that the Group is exposed to certain risks that could impact on the Group. The Group monitors the risks on an ongoing basis. Details of the risks which the Directors consider significant to the Group are discussed in the sub-section headed "Risk Factors" of this annual report.

Report of the Directors

CONSOLIDATED FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2021 and the state of the Group's (including the Company's) affairs as at that date are set out in the consolidated financial statements on pages 27 to 108 of this report.

RESERVES

Movements in the reserves of the Group are set out on pages 31 and 32 of this report and in note 31 to the consolidated financial statements. As at 31 December 2021, the Company did not have any reserves available for distribution (2020: Nil).

DIVIDEND POLICY AND DIVIDENDS

The Company has adopted a dividend policy which allows it to distribute dividends to shareholders by way of cash or shares. Any distribution of dividends shall be in accordance with the Bye-laws of the Company and the distribution shall be targeted to achieve continuity, stability and sustainability. Recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the shareholders of the Company. In proposing any dividend payout, the Board shall also take into account, *inter alia*, the earnings per share, the reasonable return to the shareholders in order to provide incentives for them to support the long term development of the Group, the financial conditions and business plan of the Group, and the market sentiment and circumstances. The Company reviews the dividend policy from time to time and there is no assurance that a dividend will be proposed or declared in any specific periods.

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

CHARITABLE DONATIONS

During the year ended 31 December 2021, the Group did not make any charitable contributions (2020: HK$114,000).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year ended 31 December 2021 are set out in note 16 to the consolidated financial statements.

BORROWINGS

Particulars of the Group's borrowings as at 31 December 2021 are set out in notes 26 to 28 to the consolidated financial statements.

Report of the Directors

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are set out in the sub-section headed “Events After the Reporting Period” of this report and note 42 to the consolidated financial statements.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Ms. Chan Ho Yee	*(appointed on 2 March 2022)*
Ms. He Xuemei	*(resigned on 30 April 2022)*

Independent Non-executive Directors

Ms. Pang King Sze, Rufina
Mr. Hong Bingxian
Mr. Huang Zhe

Ms. Pang King Sze, Rufina and Mr. Huang Zhe shall retire from the Board by rotation at the forthcoming annual general meeting (“AGM”). Both Ms. Pang and Mr. Huang are eligible and offer themselves for re-election. The biographical details of Ms. Pang and Mr. Huang are set out on page 8 of this report.

DIRECTORS’ SERVICE CONTRACTS

There is no service contract with any Director which is not determinable by the Company within one year without payment of compensation (other than statutory compensation for any Director proposed for re-election at the forthcoming AGM).

DIRECTORS’ EMOLUMENT

The remuneration of the executive Directors and non-executive Directors is director’s fee which is discussed by the remuneration committee of the Board with reference to the contribution, commitment and responsibilities of such Directors to the Group as well as the prevailing market conditions. Details of the Directors’ emoluments for the year ended 31 December 2021 are shown in note 14 to the consolidated financial statements.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each present independent non-executive Director has confirmed his/her independence pursuant to the GEM Listing Rules. The Board considers all the independent non-executive Directors being independent.

DIRECTORS’ INTEREST IN CONTRACT

No contract, commitment or agreement of significance in relation to the Company’s business, to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, either directly or indirectly, subsisted as at 31 December 2021 or during the year ended 31 December 2021.

Report of the Directors

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

As at 31 December 2021, none of the Directors or chief executive of the Company had interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) that were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or were recorded pursuant to Section 352 of the SFO, or were otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or the chief executive of the Company or any of their respective associates, including spouses or children under eighteen years of age, to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE OPTION SCHEME

Pursuant to the share option scheme approved by the shareholders of the Company on 10 June 2011, the Company may grant share options to eligible participants to subscribe for shares of the Company (the principal terms are set out in the Company's circular dated 27 April 2011). There was no share option granted under the share option scheme during the year ended 31 December 2021. As at 31 December 2021, there was no share option of the Company outstanding.

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

During the year ended 31 December 2021, save for the redemption of the shares under the share award scheme, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-Laws or the laws in Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Report of the Directors

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2021, so far as is known to any of the Directors, the following persons (other than a Director or the chief executive of the Company) had interests or short position in the shares or underlying shares of the Company which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or which would be required to be recorded in the register required to be kept under Section 336 of the SFO, who is interested in 5% or more of any class of share capital carrying rights to vote at general meetings of the Company.

Long Positions in the Shares

Name of shareholder	Capacity of interest	Number of Shares held	Number of underlying Shares held	Percentage of shareholding in the Company *(Note)*
Mega Trillion International Corporation	Corporate	2,596,875	–	16.66%
Landmass Investments Limited	Corporate	1,517,212	–	9.73%
Jade Metro Limited	Corporate	1,031,250	–	6.62%

Note: Based on 15,585,331 shares in issue as at 31 December 2021.

Save as disclosed above, the Directors are not aware of any other person who had any interests or short positions in the shares or underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required to be recorded in the register kept by the Company under section 336 of the SFO, as at 31 December 2021.

COMPETING INTEREST

None of the directors or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) had engaged in any business that would compete with the businesses of the Group or had any other conflict of interests with the Group for the year ended 31 December 2021.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2021 are set out in note 35 to the consolidated financial statements and none of them constituted any connected or continuing connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

MANAGEMENT CONTRACT

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

Report of the Directors

EMPLOYMENT RETIREMENT BENEFITS SCHEME

As at 31 December 2021, the Group had 9 (2020: 9) employees. The Group remunerates its employees based on their perfomance, working experience and the prevailing market conditions. Details of the Group's retirement benefits scheme for the year ended 31 December 2021 are set out in note 4.13 to the consolidated financial statements.

AUDIT COMMITTEE

The audit committee of the Board has been established with written terms of reference in compliance with the GEM Listing Rules. The audit committee's primary duties include reviewing the annual, interim and quarterly financial reports of the Company and providing advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures. The audit committee currently comprises all of independent non-executive Directors. The audit committee has reviewed the accounting principles and practices adopted by the Group and the consolidated financial statements for the year ended 31 December 2021 and discussed auditing, internal control and financial reporting matters with the Group's auditors. There was no disagreement between the auditors and the audit committee in respect of the accounting policies adopted by the Group.

AUDITOR

During the financial year 2020, Ascenda Cachet CPA Limited resigned as auditors of the Company. Zhonghui Anda CPA Limited was appointed and resigned thereafter. In May 2021, BDO Limited was appointed by the Directors to fill the casual vacancy so arising. Save for the above, there has been no other change of auditors in the past three years. A resolution for reappointment of BDO Limited as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board considers good corporate governance a key element in managing the businesses and affairs of the Group. The management of the Group periodically reviews and proposes amendments to its corporate governance practices for compliance with the Corporate Governance Code set out in Appendix 15 of the GEM Listing Rules. In the opinion of the Board, the Company has complied with the Corporate Governance Code. Details of the Group's corporate governance practices are set out in the Corporate Governance Report on pages 15 to 19 of this report.

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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors, there is sufficient public float of more than 25% of the shares of the Company as at the date of this report.

By order of the Board
Chan Ho Yee
Executive Director

Hong Kong, 13 May 2022

Corporate Governance Report

INTRODUCTION

The Board is committed to achieving a high standard of corporate governance. The Board believes that good and effective corporate governance practices are key to maintaining the Group's management quality, promoting sound internal control and enhancing the relationship of the shareholders and other stakeholders of the Company, and are essential for encouraging accountability and transparency so as to achieve success and to create long-term value for the shareholders of the Company.

The Company has applied the principles and code provisions in the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules as its corporate governance practices.

THE BOARD OF DIRECTORS

Responsibilities of the Board

The Company is governed by the Board, which has the responsibility for leadership and monitoring of the Company and promoting the success of the Group by giving directions to the Group's affairs with a view to developing the Group's businesses and enhancing shareholders' value. All Directors carry out their duties in good faith and in compliance with applicable laws and regulations, making decisions objectively and acting in the interests of the Company and its shareholders. The Board has delegated the execution of the daily operational matters to the management of the Group.

Board Composition

The Board currently comprises four Directors, who have diversified skills and experience in business, financial, accounting and management, of whom one is executive Director and three are independent non-executive Directors. Details of the Director's background are set out in the section headed "Biographical Details of the Directors" of this report. During the year ended 31 December 2021, the Company had been in compliance with Rules 5.05(1) and (2) of the GEM Listing Rules and Ms. Pang King Sze Rufina, an independent non-executive Director, possesses professional qualifications in accounting and related financial management expertise.

Board Diversity and Nomination of Directors

The Company seeks to achieve Board diversity through a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The Company also takes into account factors based on its own business development and specific needs from time to time. As such, in assessing and selecting a candidate for acting as a Director, the criteria to be considered including but not limited to (i) qualifications including professional qualifications, skills, knowledge and experience; (ii) commitment to attending the meetings and participating in relevant training and other board associated activities; (iii) requirement for the Board to have independent Directors in accordance with the GEM Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the GEM Listing Rules; and (iv) such other perspectives that are appropriate to the Company's business and succession plan and from time to time. During the year, the nomination committee has reviewed, and considered that the diversity policy of the Board has been achieved.

Continuing Professional Development

The Board recognises the importance of continuing professional development and knowledgement enhancement of the Directors for their continuous contribution to the Company. In 2021, the Directors were provided with relevant information and had attended training courses on topics relating to the markets and regulatory matters. The Company also provides training (including introduction to the Group and other regulatory requirements) to newly appointed Director to his/her individual needs.

Corporate Governance Report

Term of Appointment and Re-election

Pursuant to the Bye-Laws of the Company, one third of the Directors (except the chairperson or managing Director of the Company) shall retire from office by rotation and are subject to re-election at the annual general meetings of the Company. The Directors to retire shall be those who have been longest in office since their last election but as between persons who became Directors on the same day shall (unless they otherwise agree between themselves) be determined by lot. Further, all Directors appointed to fill casual vacancies shall hold office only until the next following annual general meeting and shall then be eligible for re-election at the meeting.

Chairperson and Chief Executive

To ensure a balance of power and authority, a clear division of the responsibilities of the chairperson of the Board and the chief executive has been set out such that the chairperson is mainly responsible for providing leadership to the Board, encouraging all Directors to make full and active contributions to the Board's affairs and ensuring that the Board acts in the best interest of the Group, as well as matters relating to corporate governance of the Company and its communication with its shareholders. The chief executive is responsible for the implementation of the Group's strategies and policies adopted by the Board in achieving the overall commercial objectives and assumes full accountability to the Board for the operation of the Group. During the year, the office of the chief executive was vacated. The Board will keep identifying a suitable candidate and should a candidate with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the post as appropriate.

Company Secretary

The Company Secretary of the Company reports to the Board and assists the chairperson in preparing the agenda for the Board meetings and ensures that all applicable rules and regulations regarding the meetings are observed. The Company Secretary also assists the Board in discharging its obligations to shareholders pursuant to the GEM Listing Rules and supports the Board and committees of the Board by ensuring information flow within the Board and that Board policies and procedures are followed. The Company Secretary is appointed by the Board. Mr. Leung Ka Ho is the Company Secretary and Mr. Leung is a member of the Hong Kong Institute of Certified Public Accountants and has taken no less than 15 hours of relevant professional training during the year.

Board Meetings

The Directors participated the Board meetings in person or through electronic means of communication. All Directors have access to the relevant materials and are provided with adequate information which enables the Board to make informed decisions on the matters to be discussed and considered at Board meetings. Details of the Board meetings and special general meetings held during the year ended 31 December 2021 are as follows:

		Board meetings	Special general meetings
Executive Directors			
Ms. Chan Ho Yee	*(appointed on 2 March 2022)*	–	–
Ms. He Xuemei	*(resigned on 30 April 2022)*	5/5	2/2
Non-executive Director			
Ms. He Lamei	*(resigned on 30 June 2021)*	4/4	2/2
Independent Non-executive Directors			
Ms. Pang King Sze, Rufina		5/5	2/2
Mr. Hong Bingxian		5/5	2/2
Mr. Huang Zhe		5/5	2/2

Corporate Governance Report

DELEGATION BY THE BOARD

The Board is responsible for decisions in relation to the overall strategic development of the Group's business. Responsibilities in relation to the daily operations and execution of the strategic business plans are delegated to management. The audit committee, the remuneration committee and the nomination committee of the Board have their terms of reference which clearly define their powers and responsibilities. All committees are required to report to the Board in relation to their decisions, findings and/or recommendations, and in certain specific situations, to seek the Board's approval before taking any actions. The Board will from time to time review the delegations by the Board to different committees to ensure that the delegations are appropriate.

AUDIT COMMITTEE

The audit committee of the Board comprises three members, all being independent non-executive Directors. The chairperson of the committee is Ms. Pang King Sze, Rufina and the other members are Mr. Hong Bingxian and Mr. Huang Zhe. The audit committee's primary duties include making recommendations to the Board in relation to the appointment, re-appointment and removal of external auditors, reviewing the Group's financial statements, annual, interim and quarterly reports and the independent auditor's report to ensure presentation of a true and balanced assessment of the Group's financial position (including major judgmental areas, compliance with accounting principles and standards, compliance with GEM Listing Rules and financial reporting requirements), reviewing the Group's financial information and reporting procedures, internal controls and risk management, effectiveness of the internal audit functions, audit plans and relationship with external auditors and reviewing the Group's financial and accounting policies and practices. The audit committee has discharged its responsibilities by reviewing the quarterly, interim and annual results of the Group for the year ended 31 December 2021 and the relevant statements and reports prior to the approval by the Board; discussion with the external auditor and its findings on the work performed and the related internal control issues; reviewing significant financial reporting judgments in accounting policies; reviewing and approving the external auditor's terms of engagement (including audit fee). Details of the meetings of the audit committee held during the year ended 31 December 2021 were summarized as follows:

	Audit committee meetings attended/held
Ms. Pang King Sze, Rufina	3/3
Mr. Hong Bingxian	3/3
Mr. Huang Zhe	3/3

REMUNERATION COMMITTEE

The remuneration committee of the Board comprises three members, all being independent non-executive Directors. The chairperson of the committee is Ms. Pang King Sze, Rufina and the other members are Mr. Hong Bingxian and Mr. Huang Zhe. The responsibilities of the remuneration committee include making recommendations to the Board on the policies and structures for the remuneration of Directors and senior management of the Group, as well as reviewing and making recommendations on the Company's share option scheme, bonus structure, provident fund and other compensation-related issues with reference to factors such as size of the Group's operation, salaries paid by comparable companies, time commitment and responsibilities of the Directors. The remuneration committee has reviewed the emoluments of Directors and senior management and considered that they are fair and reasonable. For the year ended 31 December 2021, there was 1 meeting of the remuneration committee in which all the members had attended. The remuneration committee has been provided with resources enabling it to discharge its duties.

Corporate Governance Report

NOMINATION COMMITTEE

The nomination committee of the Board comprises three members, all being independent non-executive Directors. The chairperson of the committee is Ms. Pang King Sze, Rufina and the other members are Mr. Hong Bingxian and Mr. Huang Zhe. The nomination committee is responsible for establishing nomination policies, reviewing and assessing composition of the Board and the independence of the independent non-executive Directors, making recommendation to the Board on nomination and appointment of Director and Board succession planning. In assessing the suitability of a proposed candidate for Director, the nomination committee may consider, *inter alia*, the educational background, qualifications, skills, knowledge and experience of the proposed candidate, the impact of the proposed appointment on the composition, diversity and structure of the Board, and other perspectives appropriate to the Group's businesses and the Board. During the year, the nomination committee had reviewed the policies for the nomination and appointment of Directors, the Board's nomination and diversity policies and assessed the independence of the independent non-executive Directors and there was 1 meeting of the nomination committee in which all members had attended. The nomination committee has been provided with sufficient resources to enable it to discharge its duties.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the required standards on dealing under the GEM Listing Rules as its own code of conduct regarding securities transactions by the Directors. Each of the Directors has confirmed that he/she had complied with the required standard during the year ended 31 December 2021.

FINANCIAL REPORTING

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group in accordance with Hong Kong Accounting Standards and the disclosure requirements of the GEM Listing Rules. In preparing the consolidated financial statements for the year ended 31 December 2021, the Group has adopted suitable accounting policies in accordance with Hong Kong accounting principles and applied them consistently. A statement by the auditor of the Company about its responsibilities for the consolidated financial statements is set out in the Independent Auditor's Report contained in this annual report. The Directors adopt the going concern approach in preparing the consolidated financial statements while a material uncertainty relating to the events and conditions that may cast significant doubt on the Group's ability to continue as a going concern is disclosed in note 3.2 to the consolidated financial statements.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board recognises that constant changes taking place in the business environment call for periodic reviews of the system of risk management and internal controls and well-managed internal controls will enable effective and efficient operations, ensure the reliability of internal and external reporting and assist in the compliance with applicable laws and regulations. The Board takes responsibility for the Group's system of risk management and internal controls and for reviewing its effectiveness. The Group's management is primarily responsible for designing and implementing the policies and procedures of risk management and internal controls, while the Board and the audit committee oversee and review the effectiveness of the internal controls. The Company's internal audit function is performed by the finance department, which reports directly to the Directors and has direct access to the chairperson of the audit committee. The finance department has unrestricted access to review all aspects of the Group's business activities. The tasks of finance department in respect of its internal audit functions include: (i) reviewing and reporting on internal and operational controls; (ii) following-up on the suggestions made by external auditors; and (iii) review of areas of concern identified by senior management. The Board considers that the risk management and internal control systems are effective and adequate.

Corporate Governance Report

AUDITOR'S REMUNERATION

BDO Limited is the external auditor of the Company for the year ended 31 December 2021 and the fees (excluding disbursements) payable to it (including audit services) were HK$1,200,000.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

The Company uses a number of channels to communicate to shareholders and potential investors on the performance of the Company, including (i) the publication of quarterly, interim and annual reports; (ii) the annual general meetings and special general meetings which provide a forum for shareholders of the Company to raise comments and exchange views with the Board; (iii) key information on the Group available on the website of the Company; and (iv) the Company's share registrar in Hong Kong serving the shareholders on all share registration matters. The Company aims to provide its shareholders and potential investors with high standard of disclosure and financial transparency. Shareholders are encouraged to attend the annual general meetings of the Company in which the Directors are available to answer shareholders' questions on the Group's businesses and affairs at the meetings.

Environmental, Social and Governance Report

This Environmental, Social and Governance Report (the "ESG Report") of the Group contains the environmental and social information for the year ended 31 December 2021 and is summarised as follows:

A. ENVIRONMENT ASPECTS

A1. Emissions

The Group, appreciating global warming concerns and importance of environment protection, has complied with the environmental laws and regulations in Hong Kong and is not aware of any non-compliance with the laws and regulations on air and greenhouse emissions and hazardous and non-hazardous waste generation. The Group is committed to minimising emission of air pollutants and greenhouse gases in its business activities. For the year ended 31 December 2021, the main operation of the Group in Hong Kong is office-based and does not lead to significant direct emission of air pollutants and greenhouse gases. Consumption of electricity at the Group's office premises in Hong Kong was the largest source of greenhouse emission. The Group's indirect greenhouse emission (Scope 2) amounted to 7.1 tonnes (carbon dioxide equivalent), representing a reduction of 59.1% from 17.4 tonnes in 2020. There was no direct greenhouse emission (Scope 1) for both 2020 and 2021. Greenhouse emissions are calculated with reference to the guidelines in "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for buildings (Commercial, Residential or Institutional Purpose) in Hong Kong" issued by the Environmental Protection Department, and the "Carbon Toolkit for Small and Medium Enterprises in Hong Kong" issued by the University of Hong Kong and City University of Hong Kong. The Group, in addition to measures in keeping the office temperature at 25°C and installing LED lighting or energy-saving lighting, continuously motivates its employees to use electronic means for communication and circulation of documents wherever practicable so as to promote paperless culture and a digitalized community, supports the use of video or telephone conference to reduce the need for staff travelling and encourages its staff to take public transport where staff travelling is required in order to reduce energy consumption.

A2. Waste Management

The Group adheres to waste management principle and strives to properly manage and dispose of wastes produced by its business activities. In 2021, the Group's main operation in Hong Kong was office-based and did not generate hazardous wastes in the course of its business operations and the non-hazardous wastes generated by it mainly comprise paper and toner cartridges. The Group encourages its staff to be more aware of the significance of sustainable development and to make efforts to minimize non-hazardous wastes. The Group's office in Hong Kong has implemented various measures to encourage its employees to participate in waste reduction management, including: (i) promotion of green information and electronic communication (such as email) for "paperless" system; and (ii) recommendation of the use of recycled papers, used envelopes and duplex printing and single-sided printing would only be adopted in handling official documents and confidential documents when necessary.

Environmental, Social and Governance Report

A3. Use of Resources

The energy consumption of the Group is relatively low and mainly comprises electricity purchased. As mentioned above, the Group has energy saving measures in place to minimize its energy consumption where possible. During the year ended 31 December 2021, the electricity consumption of the Group amounted to 8,000 kWh (2020: 20,000 kWh). The Group does not consume significant water in its business activities. During the year ended 31 December 2020, the Group consumed 55 tonnes (2020: 21.4 tonnes) of water. The Group does not have issues relating to sourcing water. The Group also promotes the habit of conservation of natural resources where possible.

A4. Environmental and Natural Resources

The Group strives to promote environmental protection and make effective use of its resources and adopts the concepts of reduce, reuse, recycle and replacement.

B. SOCIAL

Employment and Labour Practices

B1. Employment

The Group has complied with the Employment Ordinance, the Sex Discrimination Ordinance, the Disability Discrimination Ordinance, the Family Status Discrimination Ordinance and the Race Discrimination Ordinance. It has also followed the relevant regulations/policies in respect of recruitment, promotion, dismissal, equal opportunities, diverse culture and anti-discrimination. The Group has never minor or forced labour or employed employee with a basic salary below the statutory minimum wage. It is the Group's policy not to employ any minors or forced labour. During the year ended 31 December 2021, the Group did not engage any minor labour or forced labour and has complied with the relevant laws and regulations, including the Employment of Children Regulations under the Employment Ordinance. The Group's administration department has formulated comprehensive human resources policies, which are contained in the staff manual/staff information for the staff to understand and rules of personnel. The Group remunerates its staff based on performance and may some time provides benefits better than those required by the laws so as to establish a team of elites.

B2. Health and Safety

The Group has complied with the health and safety regulations and formulates requirements in respect of the environment control and hygiene in workplace. The Group places great concern to improve indoor air quality and hygiene in the office premises and provides staff with hygiene masks and sanitizers with disinfectants to reduce the chance of its staff being suffered from respiratory infection. In response to the outbreak of COVID-19 pandemic, the Group had made arrangements to reduce the physical interaction and provide staff with hygiene masks for health consideration of the employees. In addition, the Group also carries out carpet cleaning and pest control to ensure that staff can work in a neat and clean working environment. The Group has installed appropriate lighting system to ensure the staff can work under sufficient and comfortable lighting. The Group also ensures that there are adequate first-aid facilities in workplace and that all emergency exits remain unimpeded and unlocked. The Group will continue its effort to promote a caring working environment to its employees.

B3. Development and Training

The Group encourages its staff to pursue progress and continuous learning. In addition to on-the-job training, the Group also encourages its staff to further study and keep up-to-date knowledge in their areas of expertise.

Environmental, Social and Governance Report

B4. Supply Chain Management and Service Quality

The general business suppliers of the Group comprise suppliers engaged in information technology, legal, accounting and other commercial services as well as office supplies. The Group is not aware that any of these suppliers will constitute major social risks to its businesses. The Group strives to provide quality services to its customers and has complied with the relevant laws and regulations.

B5. Anti-corruption

The Group maintains a high standard of business integrity throughout the operations and will not tolerate any corruption or bribery in any form. For the year ended 31 December 2021, the Group complied with the Prevention of Bribery Ordinance and the Anti-Money Laundering and Counter Terrorist Financing. The Group will only trade with persons who are impartial and for the benefits of the Company and will not tolerate any employees to accept gifts, entertainment activities or bonuses which do not comply with the normal social etiquette and ethical business practices. If they are required to accept gifts, entertainment activities or other concessions beyond the normal etiquette, they shall report to their supervisors and obtain the approval from their supervisors who are not involved in accepting such concessions and there shall be an appropriate business reasons for such approval.

B6. Community

The Group has always been philanthropic and strived to be a good corporate citizen. The Group encourages its staff to participate in social service and makes donation to charitable institutions from time to time. During the year, the Group did not make any donation (2020: HK$114,000) to charitable institutions.

Independent Auditor's Report

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

To the members of M-Resources Group Limited
(Incorporated in Bermuda with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of M-Resources Group Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages 27 to 108, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the 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 (the "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

During the year ended 31 December 2020, the Group completed the disposal of a number of investees accounted for as subsidiaries engaged in forestry and agricultural business and financial service business (the "Disposal Groups") on 19 November 2020, 30 November 2020 and 21 December 2020 respectively (the "Disposals"). During the period from 1 January 2020 to the respective disposal dates, the Disposal Groups generated a loss amounting to HK$2,573,000. The gain on disposal of the Disposal Groups amounting to HK$2,924,000 was included in the consolidated statement of profit or loss for the year ended 31 December 2020. Details are set out in note 36 to the consolidated financial statements.

We were only appointed as the auditor of the Group after the completion of the Disposals. The new owners of the Disposal Groups did not grant us the assess to the books and records of the Disposal Groups, nor the ex-auditor allowed us to review their working papers to obtain audit evidence in respect of the Disposal Groups.

As a result, we were unable to obtain sufficient appropriate evidence that we considered necessary to evaluate and determine whether the Disposal Groups should have been accounted for as subsidiaries of the Group during the period from 1 January 2020 to the respective disposal dates. There were no other alternative procedures that we could perform to evaluate whether the Disposal Groups were the subsidiaries of the Group. Had the Disposal Groups not been determined as subsidiaries of the Group, the financial line items of the Disposal Groups would have not been accounted for in accordance with the accounting policies as adopted in the preparation of the consolidated financial statements for the year ended 31 December 2020.

Due to the reason stated in the previously mentioned paragraphs, we were also unable to determine whether (i) the carrying amounts of the Disposal Groups as at 1 January 2020; and (ii) the carrying amounts as at the respective disposal dates, the loss arising from the Disposal Groups for the period from 1 January 2020 to the respective disposal dates of HK$2,573,000 and the gain on Disposals of HK$2,924,000 were fairly stated. Any adjustments in respect of the above amounts found necessary would have a consequential effect on (i) the carrying amounts of the Disposal Groups as at the respective disposal dates; (ii) the loss arising from the Disposal Groups for the period from 1 January 2020 to the respective disposal dates; (iii) the gain on Disposals; and (iv) the related disclosures of the Disposals in the consolidated financial statements for the year ended 31 December 2020. Accordingly, we disclaimed our opinion on the Group's consolidated financial statements for the year ended 31 December 2020.

Independent Auditor's Report

BASIS FOR QUALIFIED OPINION *(Continued)*

Our audit opinion on the consolidated financial statements for the year ended 31 December 2021 is also modified because of the possible effect of the abovementioned matter on the comparability of the current year's figures and the corresponding figures for the year ended 31 December 2020 in the consolidated financial statements for the year ended 31 December 2021.

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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

As disclosed in note 3.2 to the consolidated financial statements, the Group recorded a net loss attributable to the owners of the Company of approximately HK$7,287,000 for the year ended 31 December 2021, and as at 31 December 2021, the Group's current liabilities exceeded its current assets by approximately HK$54,226,000 and the Group had net liabilities of approximately HK$47,956,000. These events or condition, together with other matters described in note 3.2 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

OTHER INFORMATION IN THE ANNUAL REPORT

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the "Basis for Qualified Opinion" section above, we were unable to obtain sufficient appropriate evidence about whether the Disposal Groups should have been accounted for as subsidiaries of the Group during the period from 1 January 2020 to the respective disposal dates. Such limitation of scope of work may have a consequential effect on the comparability of the current year's figures and the corresponding figures for the year ended 31 December 2020. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

KEY AUDIT MATTERS

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

Impairment assessment on trade receivables

As at 31 December 2021, the Group had gross trade receivables of approximately HK$12,714,000 and loss allowance of approximately HK$740,000. Certain long-aged receivable mainly comprised trade receivable from sales of household products. Loss allowance provided for trade receivables were assessed by considering the individual debtors. The balance of these long-aged receivables as 31 December 2021 of which HK$11,187,000 was included in "trade receivables", was material to consolidated financial statements and significant estimation and judgement were required in determining the loss allowance by management. In assessing the loss allowance of trade receivables, the Group considered the specific factors, such as probability of default, which increases the risk of error or potential management bias.

Independent Auditor's Report

KEY AUDIT MATTERS *(Continued)*

Impairment assessment on trade receivables *(Continued)*

The accounting policies and disclosure for estimation of impairment of trade receivables are included in Notes 4.7(ii), 5(iv), 21 and 41(c) to the consolidated financial statements.

Our response:

Our audit procedures in relation to management's impairment assessment included:

- We obtained direct confirmations from the debtors, and reviewed subsequent cash receipt evidence on the long-aged receivables.
- We assessed management's estimation on the loss allowance and evaluated the basis and factors used in the estimation by evaluating the credit status, financial conditions and reputation of the debtors and history of payments by the debtors.
- With the assistance of our internal valuation specialists, assessed the appropriateness of the methodology used by the Group in performing impairment assessment.
- We also assessed the adequacy of the Group's disclosures in the consolidated financial statements.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the Section 90 of the Bermuda Companies Act 1981, 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.

Independent Auditor's Report

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

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

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

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

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

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

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

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

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

BDO Limited
Certified Public Accountants

Pak Tak Lun
Practising Certificate Number: P06170

Hong Kong, 13 May 2022

Consolidated Statement of Profit or Loss

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Continuing operations			
Revenue	7	**27,087**	21,161
Cost of sales		**(23,803)**	(18,264)
Gross profit		**3,284**	2,897
Other income, gains and losses	8	**(30)**	457
Administrative expenses		**(6,641)**	(16,413)
Finance costs	9	**(2,212)**	(767)
Fair value loss on debt investment at fair value through profit or loss	22	**(87)**	(3,203)
Fair value loss on equity investments at fair value through profit or loss		**–**	(90)
Impairment loss on trade receivables	21	**(740)**	–
Impairment loss on other receivables	41(c)	**(115)**	(218)
Written off of other receivables		**–**	(211)
Loss on disposal of subsidiaries		**–**	(368)
Share of losses of associates		**–**	(71)
Loss before income tax	10	**(6,541)**	(17,987)
Income tax	11	**(746)**	(697)
Loss from continuing operations		**(7,287)**	(18,684)
Discontinued operation			
Loss from discontinued operation	10	**–**	(841)
Loss for the year		**(7,287)**	(19,525)
Loss for the year attributable to:			
Owners of the Company:			
Loss for the year from continuing operations		**(7,287)**	(7,677)
Loss for the year from discontinued operation		**–**	(22,241)
		(7,287)	(29,918)
Non-controlling interests:			
Loss for the year from continuing operations		**–**	(11,007)
Profit for the year from discontinued operation		**–**	21,400
		–	10,393
		(7,287)	(19,525)
Loss per share from continuing operations and discontinued operation attributable to owners of the Company			
Basic and diluted	13	**HK(46.8) cents**	HK(192.0) cents
Loss per share from continuing operations attributable to owners of the Company			
Basic and diluted	13	**HK(46.8) cents**	HK(49.3) cents

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	2021	2020
	HK$'000	*HK$'000*
Loss for the year	**(7,287)**	(19,525)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	**–**	(40)
Reclassification of exchange differences on disposal of subsidiaries	**–**	556
Item that will not be reclassified subsequently to profit or loss:		
Fair value loss on equity investments at fair value through other comprehensive income, net of tax	**(632)**	(10)
Other comprehensive income for the year, net of tax	**(632)**	506
Total comprehensive income for the year	**(7,919)**	(19,019)
Total comprehensive income attributable to:		
Owners of the Company:		
Loss from continuing operations	**(7,919)**	(7,161)
Loss from discontinued operation	**–**	(22,251)
	(7,919)	(29,412)
Non-controlling interests:		
Loss from continuing operations	**–**	(11,007)
Profit from discontinued operation	**–**	21,400
	–	10,393
	(7,919)	(19,019)

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	16	**2,634**	2,525
Right-of-use assets	17(a)	**336**	87
Investments in associates	18	**–**	–
Prepayment	23	**2,500**	2,500
Equity investments at fair value through other comprehensive income	19	**271**	903
Debt investment at fair value through profit or loss	22	**563**	650
		6,304	6,665
Current assets			
Inventories	20	**1,655**	1,002
Trade receivables	21	**11,974**	9,779
Prepayments, other receivables and other assets	23	**514**	533
Bank balances and cash		**1,857**	1,555
		16,000	12,869
Total assets		**22,304**	19,534
Current liabilities			
Trade payables	24	**7,888**	8,936
Other payables and accruals	25	**11,863**	7,648
Other borrowing	26	**8,449**	8,106
Other loans	27	**13,860**	–
Bond payable	28	**26,192**	25,343
Lease liabilities	17(b)	**531**	88
Tax payables		**1,443**	697
		70,226	50,818
Net current liabilities		**(54,226)**	(37,949)
Total assets less current liabilities		**(47,922)**	(31,284)

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current liabilities			
Other loans	27	–	10,757
Lease liabilities	17(b)	34	–
		34	10,757
NET LIABILITIES		(47,956)	(42,041)
Capital and reserves			
Share capital	29	1,247	1,455
Reserves	31	(49,203)	(43,496)
TOTAL DEFICIT		(47,956)	(42,041)

The consolidated financial statements were approved and authorised for issue by the board of directors on 13 May 2022 and are signed on its behalf by:

Chan Ho Yee
Director

Pang King Sze, Rufina
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital *HK$'000* *(Note 29)*	Share premium* *HK$'000* *(Note 31)*	Shares held for Share Award Scheme* *HK$'000* *(Note 31)*	Working capital loan* *HK$'000* *(Note 31)*	Fair value reserve* *HK$'000* *(Note 31)*	Accumulated losses* *HK$'000*	Total deficit *HK$'000*
Balance as at 31 December 2020 and 1 January 2021	**1,455**	**5,293**	**(5,501)**	**–**	**(10)**	**(43,278)**	**(42,041)**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(7,287)**	**(7,287)**
Other comprehensive income:							
Fair value loss on equity investments at fair value through other comprehensive income, net of tax	**–**	**–**	**–**	**–**	**(632)**	**–**	**(632)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(632)**	**(7,287)**	**(7,919)**
Movement during the year, net	**–**	**–**	**–**	**2,004**	**–**	**–**	**2,004**
Cancellation of shares held for Share Award Scheme	**(208)**	**(5,293)**	**5,501**	**–**	**–**	**–**	**–**
Balance as at 31 December 2021	**1,247**	**–**	**–**	**2,004**	**(642)**	**(50,565)**	**(47,956)**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company									
	Share capital *HK$'000* *(Note 29)*	Share premium* *HK$'000* *(Note 31)*	Shares held for Share Award Scheme* *HK$'000* *(Note 31)*	Other reserve* *HK$'000* *(Note 31)*	Fair value reserve* *HK$'000* *(Note 31)*	Exchange reserve* *HK$'000* *(Note 31)*	Retained earnings/ (accumulated losses)* *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity/ (deficit) *HK$'000*
Balance as at 31 December 2019	1,455	5,293	(5,501)	(9,889)	–	(516)	17,773	8,615	5,650	14,265
Correction of error	–	–	–	–	–	–	2,096	2,096	–	2,096
Balance as at 31 December 2019 (restated) and 1 January 2020	1,455	5,293	(5,501)	(9,889)	–	(516)	19,869	10,711	5,650	16,361
Loss for the year	–	–	–	–	–	–	(29,918)	(29,918)	10,393	(19,525)
Other comprehensive income:										
Currency translation differences	–	–	–	–	–	(40)	–	(40)	–	(40)
Reclassification of exchange differences on disposal of subsidiaries	–	–	–	–	–	556	–	556	–	556
Fair value loss on equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	(10)	–	–	(10)	–	(10)
Total comprehensive income for the year	–	–	–	–	(10)	516	(29,918)	(29,412)	10,393	(19,019)
Dividend	–	–	–	–	–	–	–	–	(22,012)	(22,012)
Disposal of subsidiaries	–	–	–	9,889	–	–	(33,229)	(23,340)	5,969	(17,371)
Balance as at 31 December 2020	1,455	5,293	(5,501)	–	(10)	–	(43,278)	(42,041)	–	(42,041)

* The total of these accounts as at the reporting dates represents "Reserves" in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
Cash flows from operating activities		
Loss before income tax from continuing operations	**(6,541)**	(17,987)
Loss before income tax from discontinued operation	**–**	(841)
	(6,541)	(18,828)
Adjustments for:		
Depreciation of property, plant and equipment	**76**	436
Depreciation of right-to-use assets	**313**	951
Loss on written off of property, plant and equipment	**–**	27
Gain on disposal of subsidiaries	**–**	(2,924)
Impairment loss on trade receivables	**740**	–
Impairment loss on other receivables	**115**	218
Reversal of impairment on trade receivables	**–**	(1,051)
Fair value loss on debt investment at fair value through profit or loss	**87**	3,203
Fair value loss on equity investments at fair value through profit or loss	**–**	90
Write-down of inventories	**–**	16
Share of losses of associates	**–**	71
Written off of other receivables	**–**	4,771
Lease modification	**–**	62
COVID-19-Related rent concession	**–**	(290)
Finance costs	**2,212**	1,536
Interest income	**–**	(62)
Written back of other payables and accruals	**–**	(220)
Exchange gain	**–**	(43)
Operating loss before working capital changes	**(2,998)**	(12,037)
Increase in inventories	**(653)**	(1,002)
(Increase)/decrease in trade receivables	**(2,935)**	3,944
Decrease in loans and interest receivables	**–**	15,363
(Increase)/decrease in prepayments and other receivables	**(96)**	1,128
Decrease in cash held on behalf of customers	**–**	6
(Decrease)/increase in trade payables	**(1,048)**	8,930
Increase/(decrease) in other payables and accruals	**3,686**	(12,818)
Decrease in equity investments at fair value through profit or loss	**–**	518
Cash (used in)/generated from operations	**(4,044)**	4,032
Income taxes refunded	**–**	30
Net cash (used in)/generated from operating activities	**(4,044)**	4,062

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 *HK$'000*	2020 *HK$'000*
Cash flows from investing activities		
Purchase of property, plant and equipment	**(185)**	(42)
Interest received	**–**	2
Cash outflow from disposal of subsidiaries	**–**	(66)
Net cash used in investing activities	**(185)**	(106)
Cash flows from financing activities		
Inceptions of loans	**10,432**	10,700
Repayment of loans	**(5,980)**	(15,846)
Advance from a third party	**529**	–
Capital element of lease rentals paid	**(85)**	(743)
Interest element of lease rentals paid	**(28)**	(42)
Interest paid for other borrowing	**(337)**	(682)
Net cash generated from/(used in) financing activities	**4,531**	(6,613)
Net increase/(decrease) in cash and cash equivalents	**302**	(2,657)
Cash and cash equivalents at the beginning of the year	**1,555**	4,212
Cash and cash equivalents at the end of the year	**1,857**	1,555

Notes to the Consolidated Financial Statements

31 December 2021

1. GENERAL INFORMATION

M-Resources Group Limited ("the Company") is a limited liability company incorporated in Bermuda. The ordinary shares of the Company are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is located at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda. The Company's principal place of business in Hong Kong is situated at 11/F., China United Plaza, 1008 Tai Nan West Street, Lai Chi Kok, Hong Kong.

The Group, comprising the Company and its subsidiaries, is principally engaged in the sales of household and plantation products.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

2.1 Adoption of new/revised HKFRSs – effective 1 January 2021

The HKICPA has issued a number of amended HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKFRS 16	COVID-19-Related Rent Concession beyond 30 June 2021 (early adoption)
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

None of these new or amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period. Except for the amendments to HKFRS 16, the Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

Notes to the Consolidated Financial Statements

31 December 2021

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.2 New or amended HKFRSs that have been issued but are not yet effective

The following new or amended HKFRSs, potentially relevant to the consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendment 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 HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41	Annual Improvements to HKFRSs 2018–2020[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
HKFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to HKAS 1 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]

1 No mandatory effective date yet determined but available for adoption.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after 1 January 2023.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The Directors do not anticipate that the application of these amendments in the future will have an impact on the financial statements.

Notes to the Consolidated Financial Statements

31 December 2021

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.2 New or amended HKFRSs that have been issued but are not yet effective *(Continued)*

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The directors of the Company (the "Directors") do not anticipate that the application of these amendments in the future will have an impact on the Group's consolidated financial statements.

Amendments to HKAS 16, Property, Plant and Equipment: Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The Directors do not anticipate that the application of these amendments will have an impact on the Group's consolidated financial statements.

Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract

These amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Directors do not anticipate that the application of these amendments will have an impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

31 December 2021

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.2 New or amended HKFRSs that have been issued but are not yet effective *(Continued)*

Annual Improvements to HKFRSs 2018–2020

The Annual Improvements to HKFRSs 2018–2020 amends a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

- HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The Directors do not anticipate that the application of these amendments in the future will have an impact on the financial statements.

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The Directors do not anticipate that the application of these amendments and revision in the future will have an impact on the financial statements.

Notes to the Consolidated Financial Statements

31 December 2021

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.2 New or amended HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 17, Insurance Contracts and the related Amendments

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4, Insurance Contracts. The standard outlines a 'General Model', which is modified for insurance contracts with direct participation features, described as the 'Variable Fee Approach'. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

The Directors do not anticipate that the application of this standard in the future will have an impact on the financial statements.

Amendments to HKAS 1 and HKFRS 2 Practice Statement 2, Disclosure of Accounting Policies

The amendments to Disclosure of Accounting Policies require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that their primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures.

The Directors do not anticipate that the application of these amendments in the future will have an impact on the financial statements.

Amendments to HKAS 8, Definition of Accounting Estimates

These amendments clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The Directors do not anticipate that the application of these amendments in the future will have an impact on the financial statements.

Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

These amendments narrow the scope of the initial recognition exception so that it does not apply to transactions that give rise to equal and offsetting temporary differences. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liabilities for temporary differences arising from these transactions.

The Directors do not anticipate that the application of these amendments in the future will have an impact on the financial statements.

Notes to the Consolidated Financial Statements

31 December 2021

3. BASIS OF PREPARATION

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with all HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited.

3.2 Basis of measurement and going concern assumption

These consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below.

The Group recorded a net loss attributable to the owners of the Company of approximately HK$7,287,000 for the year ended 31 December 2021, and as at 31 December 2021, the Group's current liabilities exceeded its current assets by approximately HK$54,226,000 and the Group has net liabilities of approximately HK$47,956,000. As at the same date, the Group's other borrowing, other loans and bond payable amounted to approximately HK$48,501,000 in aggregate which were classified as current liabilities, while its cash and cash equivalents amounted to approximately HK$1,857,000 as at 31 December 2021.

The other borrowing (note 26) was a loan as originated in 2019 with a principal amount of HK$8,000,000 (the "Overdue Loan") owed by the Company to China Jianxin Credit Services Limited (the "Lender"), and the Lender claimed the Overdue Loan had become overdue in May 2019. As at 31 December 2021, the carrying amount of the Overdue Loan and its unpaid interests amounted to approximately HK$8,449,000. A winding-up petition dated 26 May 2021 was filed by the Lender for the Company's failure to settle the Overdue Loan together with any unpaid interest thereon and costs of approximately HK$9,397,000 as at that date.

The receipt of the winding-up petition constituted a default event under the terms and conditions of: i) the perpetual bond (note 28) with its principal amount of HK$25,000,000 issued by the Company; and ii) the other loans (note 27) with their aggregate carrying amounts of HK$13,860,000 as at the end of the financial year. Such default entitled the bondholder and the other loans lenders a right to demand immediate repayable from the Group.

Given the Group's highly indebted position, the Company has proposed a debt restructuring arrangement (the "Scheme of Arrangement"). The Company has applied to The High Court of Hong Kong (the "Court") for an adjournment of the winding-up petition supported by a proposed Scheme of Arrangement and the Court adjourned the hearing of the winding-up petition.

These events and conditions above may cast significant doubt about the Group's ability to continue as a going concern.

Notes to the Consolidated Financial Statements

31 December 2021

3. BASIS OF PREPARATION *(Continued)*

3.2 Basis of measurement and going concern assumption *(Continued)*

In assessing the appropriateness of the use of the going concern basis in the preparation of these consolidated financial statements, the Directors prepared a cash flow forecast covering a period of 18 months from 31 December 2021. In preparing the cash flow forecast, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve its financial position and performance which include, but not limited to the following:

(a) The Company held a creditor meeting with the creditors participating in the Scheme of Arrangement on 25 April 2022 and obtained approval from the creditors. Subject to the sanction that may be granted by the Court in a sanction hearing scheduled on 22 July 2022, the Scheme of Arrangement would become effective. In the opinion of the Directors, it is reasonably expected that the Court would grant the sanction to the Group and the implementation of the Scheme of Arrangement would turn the Group's net liability position to a net asset position and significantly improve its net current liability position.

(b) As disclosed in note 31, the Working Capital Loan is repayable upon the earlier of (i) winding up of the Company or (ii) completion of fund raising exercise. With regard to (i), the winding up petition is still not yet withdrawn or terminated and its withdrawal or termination is largely dependent upon whether the Scheme of Arrangement is sanctioned by the Court. With the current progress of the Scheme of Arrangement as described in (a) above, the Directors expected that the potential settlement of the Working Capital Loan would not crystalise and not affect the going concern of the Group.

(c) The Group continues to develop its household and plantation business to improve its cash flow from operations.

The Directors are of the opinion that, taking into account the above-mentioned measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next 18 months from 31 December 2021. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

However, a material uncertainty exists related to the above conditions that may cast significant doubt about the Group's ability to continue as a going concern.

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

3.3 Functional and presentation currency

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

Notes to the Consolidated Financial Statements

31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Changes in the Group's interests in a subsidiary that do not result in a loss of control of the subsidiary are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain 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. Amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for on the same basis as would be required if the relevant assets or liabilities were disposed of.

4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (i) power over the investee, (ii) exposure, or rights, to variable returns from the investee, and (iii) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Notes to the Consolidated Financial Statements

31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.3 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions are eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred, they are recognised immediately in profit or loss.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, all amounts previously recognised in other comprehensive income in relation to that associate are recognised on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest it that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

Notes to the Consolidated Financial Statements

31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.4 Property, plant and equipment

Property, plant and equipment including plants, machinery and equipment and leasehold improvements, are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

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

Property, plant and equipment are depreciated so as to write off their costs net of estimated residual values over their estimated useful lives on straight-line method. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Plants, machinery and equipment	20%
Leasehold improvements	Over lease terms
Furnishing	Not depreciated

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount. The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4.5 Government grant

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable and are recognised as other revenue, rather than reducing the related expense.

Notes to the Consolidated Financial Statements

31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.6 Leases

The Group as a lessee

All leases are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset is initially recognised at cost and would comprise:

(i) The amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability);

(ii) Any lease payments made at or before the commencement date, less any lease incentives received;

(iii) Any initial direct costs incurred by the lessee; and

(iv) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

The following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments:

(i) Fixed lease payments less any lease incentives receivable;

(ii) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date;

(iii) Amounts expected to be payable by the lessee under residual value guarantees;

(iv) Exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and

(v) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Notes to the Consolidated Financial Statements

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4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.6 Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease liability (Continued)

Subsequent to the commencement date, the Group measures the lease liability by:

(i) Increasing the carrying amount to reflect interest on the lease liability;

(ii) Reducing the carrying amount to reflect the lease payments made; and

(iii) Remeasuring the carrying amount to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payments.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease, in all other cases, where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount. With the exception to which the practical expedient for COVID-19-Related Rent Concessions applies, if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss.

The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date and the right-of-use asset is adjusted by the same amount.

Notes to the Consolidated Financial Statements

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4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.7 Financial Instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL (as defined below), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

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

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

Debt instruments

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

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("FVTOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Debt investments at FVTOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Fair value through profit or loss ("FVTPL"): Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVTOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Notes to the Consolidated Financial Statements

31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.7 Financial Instruments *(Continued)*

(i) ***Financial assets*** *(Continued)*

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVTOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) ***Impairment loss on financial assets***

The Group recognises loss allowances for expected credit loss ("ECL") on trade receivables and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

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

The Group measures loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. Trade receivables with significant balances and/or credit-impaired are assessed for ECLs individually. The Group calculates the lifetime ECLs on these receivables based on lifetime probability of default, loss given default and adjusted for forward-looking factors specific to the debtors and the economic environment. Lifetime ECLs for trade receivables which are not assessed individually are estimated by establishing a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the lifetime ECLs except when there has not been a significant increase in credit risk since initial recognition, in which case the allowance will be based on the 12-month ECLs.

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

The Group considers a financial asset to be credit-impaired when: (1) significant financial difficulty of the debtor; (2) a breach of contract, such as a default or being more than 90 days past due; (3) the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise; (4) it is probable that the debtor will enter bankruptcy or other financial reorganisation; or (5) the disappearance of an active market for a security because of financial difficulties.

Notes to the Consolidated Financial Statements

31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.7 Financial Instruments *(Continued)*

(ii) Impairment loss on financial assets (Continued)

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

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

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at FVTPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at FVTPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Notes to the Consolidated Financial Statements

31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.7 Financial Instruments *(Continued)*

(iii) ***Financial liabilities*** *(Continued)*

Financial liabilities at amortised cost

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

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

(iv) ***Effective interest method***

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

(v) ***Equity instruments***

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

(vi) ***Financial guarantee contracts***

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the accounting policy set out in 4.7(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15.

Notes to the Consolidated Financial Statements

31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.7 Financial Instruments *(Continued)*

(vii) Derecognition

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

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

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

4.8 Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is a part of single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view of resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises the post-tax profit or loss of the discontinued operation and post-tax gain or loss recognised on the measurement to fair value less cost to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

4.9 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Notes to the Consolidated Financial Statements

31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.10 Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added taxes or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

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

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

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception.

Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Sales of household and plantation products, and accessory items

Customers obtain control of the household and plantation products and accessory items when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted household and plantation products, and accessory items. There is generally only one performance obligation.

Goods sold by the Group include warranties which require the Group to either replace or amend a defective product during the warranty period if the goods fail to comply with agreed-upon specifications. In accordance with HKFRS 15, such warranties are not accounted for as separate performance obligations and hence no revenue is allocated to them. Instead, a provision is made for the costs of satisfying the warranties in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets. Based on historical data, the Group does not recognise the provision of contract consideration for this warranty.

Notes to the Consolidated Financial Statements

31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.10 Revenue recognition *(Continued)*

Services rendered

Revenue from provision of services mainly include service fee income from provision of financial services, and development of cultural related online application, which is recognised over time when services are rendered.

Revenue from other sources

Loan interest income is accrued on an over-time-basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contract costs

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;
- the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

The asset recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the cost relate. The asset is subject to impairment review.

Notes to the Consolidated Financial Statements

31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.11 Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4.12 Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which it/they operate(s) (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. 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.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Notes to the Consolidated Financial Statements

31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.13 Employee benefits

(i) Short term employee benefit

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plans

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its 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 the consolidated statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

Under the above scheme, retirement benefits of existing and retired employees are payable by the relevant scheme administrators and the Group has no further obligations beyond the annual contributions.

(iii) Termination benefits

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

Notes to the Consolidated Financial Statements

31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.14 Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including the Directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 was measured by reference to the fair value at the date at which they were granted. The fair value was determined by an external valuer using a binomial model.

The cost of equity-settled transactions is recognised in employee benefit expenses, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expenses recognised for equity-settled transactions at the end of the reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statement of comprehensive income for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likehood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increase the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for award is recognised immediately. This includes any award where non-vesting conditions within the control of either Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilute effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Notes to the Consolidated Financial Statements

31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.15 Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the property, plant and equipment, intangible assets and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

Value in use is based on the estimated future cash flows expected to be derived from the asset, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

4.16 Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.17 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

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, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Notes to the Consolidated Financial Statements

31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.18 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits and highly liquid investments with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

4.19 Related parties

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
- (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 Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include (i) that person's children and spouse or domestic partner; (ii) children of that person's spouse or domestic partner; and (iii) dependents of that person or that person's spouse or domestic partner.

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5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Critical accounting judgements and key sources of estimation uncertainty are as follows:

(i) Income taxes

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provision are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

(ii) Useful lives and residual values of property, plant and equipment

The management of the Group determines the residual values, estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual residual value and useful lives of the property, plant and equipment of similar nature and functions. Management will change the depreciation charge where residual values and useful lives are different from the previous estimates. It will also write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(iii) Impairment of property, plant and equipment

In assessing impairment of property, plant and equipment, the Group's management uses all readily available information in determining an amount that is reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable information from similar comparable products in the market. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

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

(iv) Provision for ECL on trade receivables

The Group uses a probability of default to assess ECLs for trade receivables with significant balances and/or credit-impaired individually. The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

For trade receivables which are not assessed individually, the Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for grouping of various customer segments that have similar loss patterns (e.g. by geography, product type, and customer type and rating, etc.). The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e. gross domestic products) are expected to deteriorate over the next year which can lead to an increase number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast in economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's default in the future. The information about ECLs on the Group's trade receivables and related credit risk is disclosed in notes 21 and 41(c), respectively.

(v) Fair value measurement

The fair value measurement of the Group's financial assets at FVTOCI and at FVTPL utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

– Level 1: Quoted prices in active markets for identical items (unadjusted);

– Level 2: Observable direct or indirect inputs other than Level 1 inputs;

– Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

(vi) ECLs on other receivables

The ECLs for financial assets including other receivables are based on assumptions about risk of default and expected credit loss rates. The Group adopts judgement in making these assumption and selecting inputs for computing such ECLs, broadly based on the available historical data, existing market conditions including forward looking estimates at the end of the reporting period.

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

(vii) Going concern assumptions

As stated in note 3.2, the Directors have prepared the consolidated financial statements for the year ended 31 December 2021 based on a going concern basis. The assessment of the going concern assumption involves making judgement by the Directors at a particular point of time, about the future outcome of events or conditions which are uncertain. The Group's management has prepared a cash flow forecast of the Group covering a period of 18 months from 31 December 2021 and concluded that, subject to the outcome of the Scheme of Arrangement, there will be sufficient funds from the Group's existing cash and fund resources, and cash flows to be generated from its operations to finance its future operations to maintain the Group as a going concern. Accordingly, the Directors consider that the Group have the capability to continue as a going concern.

6. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group reportable segments are managed separately as each business offers and requires different business strategies. During the year, the Group has one (2020: two) reportable operating segment.

In the prior year, the operation for the sales of wood and agricultural related products and timber processing in the Kingdom of Cambodia (the "Forestry and Agricultural Business") was discontinued upon the disposal of Green Resources Navigator International Limited and its subsidiaries (collectively the "Green Resources Group") and 阿哈爾捷科技(深圳)有限公司 ("Other Disposed Company"). The following summary describes the operations in the Group's reportable segments:

Continuing operations

– The sales of household and plantation products (the "Household and Plantation Business"); and

– The sales of accessory items and provision of financial services ("Others"). The provision of financial services in 2020 was re-presented as Others.

Discontinued operation in 2020

– The Forestry and Agricultural Business.

The management of the Company monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is measure of adjusted profit or loss before income tax. The adjusted profit or loss before income tax is measured consistently with the Group's profit or loss before income tax except that unallocated finance costs, as well as corporate expenses are excluded from such measurement.

Segment assets exclude investments in associates, unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude other borrowing, other loans, unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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6. SEGMENT REPORTING *(Continued)*

(i) The following summary describes the operations in each of the Group's reportable segments:

	Year ended 31 December 2021		
	Household and Plantation Business *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Reportable segment revenue	25,876	1,211	27,087
Reportable segment profit	524	49	573
Unallocated corporate expenses			(4,905)
Unallocated finance costs			(2,209)
Loss before income tax			(6,541)
Reportable segment assets	20,519	39	20,558
Unallocated assets *(note)*			1,746
Total assets			22,304
Reportable segment liabilities	13,918	42	13,960
Unallocated liabilities *(note)*			56,300
Total liabilities			70,260
Other information			
Unallocated capital expenditure			747
Depreciation	81	–	81
Unallocated depreciation			308
			389
Impairment loss of trade receivables	740	–	740
Impairment loss of other receivables	55	–	55
Unallocated impairment loss of other receivables			60
			115

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6. SEGMENT REPORTING *(Continued)*

(i) *(Continued)*

	Year ended 31 December 2020				
	Continuing operations			Discontinued operation	
	Household and Plantation Business HK$'000	Others (Re-presented) HK$'000	Subtotal HK$'000	Forestry and Agricultural Business HK$'000	Total HK$'000
Reportable segment revenue	20,953	208	21,161	–	21,161
Reportable segment loss	(1,229)	(525)	(1,754)	(841)	(2,595)
Unallocated corporate expenses					(15,501)
Unallocated finance costs					(732)
Loss before income tax					(18,828)
Reportable segment assets	17,378	4	17,382	–	17,382
Unallocated assets *(note)*					2,152
Total assets					19,534
Reportable segment liabilities	10,237	34	10,271	–	10,271
Unallocated liabilities *(note)*					51,304
Total liabilities					61,575
Other information					
Unallocated capital expenditure					152
Depreciation	23	639	662	–	662
Unallocated depreciation					725
					1,387
Interest income	1	–	1	2	3
Unallocated interest income					60
					63

Notes to the Consolidated Financial Statements

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6. SEGMENT REPORTING *(Continued)*

(i) *(Continued)*

	Year ended 31 December 2020				
	Continuing operations			Discontinued operation	
	Household and Plantation Business *HK$'000*	Others (Re-presented) *HK$'000*	Subtotal *HK$'000*	Forestry and Agricultural Business *HK$'000*	Total *HK$'000*
Gain on disposal of subsidiaries	–	633	633	3,292	3,925
Unallocated loss on disposal of subsidiaries					(1,001)
					2,924
Written off of other receivables	–	–	–	4,560	4,560
Unallocated written off of other receivables					211
					4,771
Reversal of impairment loss of trade receivables	–	–	–	1,051	1,051
Write-down of inventories	–	–	–	16	16
Unallocated impairment loss of other receivables					218
Unallocated share of losses of associates					71
Unallocated fair value loss on equity investments of FVTPL					90
Unallocated fair value loss on debt investment at FVTPL					3,203
Unallocated loss on written off of property, plant and equipment					27

Note: Unallocated assets mainly represent financial assets at FVTOCI and at FVTPL.

Unallocated liabilities mainly represent other borrowing, other loans and bond payable.

Notes to the Consolidated Financial Statements

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6. SEGMENT REPORTING *(Continued)*

(ii) Geographical Information

Revenue from external customers

	2021 **HK$'000**	2020 *HK$'000*
Continuing operations		
Hong Kong (place of domicile)	**7,404**	3,478
The PRC	**7,029**	850
The United States (the "US")	**12,654**	16,833
	19,683	17,683
	27,087	21,161

The classification of the revenue arising from the Household and Plantation Business is based on the location of the customers' operation.

The classification of the revenue arising from the Financial Services Business is based on the location of stock exchanges of the underlying securities investments made by their clients, the location of the borrowed funds first available to their borrowers; or the location of the client's operation.

Specified non-current assets

	2021 **HK$'000**	2020 *HK$'000*
Hong Kong (place of domicile)	**5,470**	5,112

The specified non-current assets information above is based on the locations of the assets and/or locations of the operations.

(iii) Information about major customers

In 2021, revenues from three customers of the Group's Household and Plantation Business amounted to HK$11,775,000, HK$7,908,000 and HK$6,193,000 respectively, which individually represent 10% or more of the Group's revenue.

In 2020, revenues from three customers of the Group's Household and Plantation Business amounted to HK$11,296,000, HK$5,537,000 and HK$3,270,000 respectively, which individually represent 10% or more of the Group's revenue.

Notes to the Consolidated Financial Statements

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7. REVENUE

An analysis of revenue as follows:

	2021 *HK$'000*	2020 *HK$'000*
Continuing operations		
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of household products	**19,683**	17,683
Sales of plantation products	**6,193**	3,270
Sales of accessory items	**1,211**	–
	27,087	20,953
Revenue from other sources		
Loan interest income	**–**	208
	27,087	21,161

No revenue from discontinued operation was recognised for the year ended 31 December 2020.

Disaggregated revenue information

	2021 *HK$'000*	2020 *HK$'000*
Time of revenue recognition (continuing operations)		
Goods transferred at a point in time	**27,087**	20,953

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8. OTHER INCOME, GAINS AND LOSSES

	2021	2020
	HK$'000	*HK$'000*
Continuing operations		
Bank interest income	–	1
Other interest income	–	60
COVID-19-Related rent concessions	–	290
Written back of other payables and accruals	–	220
Government subsidies *(note)*	–	122
Exchange loss, net	**(102)**	(387)
Written off of property, plant and equipment	–	(27)
Sundry income	**72**	178
	(30)	457

	2021	2020
	HK$'000	*HK$'000*
Discontinued operation		
Bank interest income	–	2
Reversal of impairment loss of trade receivable	–	1,051
Sundry income	–	1,140
Write-down of inventories	–	(16)
Exchange loss, net	–	(82)
	–	2,095

Note: There were no unfulfilled conditions or other contingencies attaching to these subsidies. All government subsidies had been received for the year ended 31 December 2020. The Group did not benefit from other forms of government assistance.

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9. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Continuing operations		
Interest on lease liabilities	**28**	42
Interest on other borrowing	**680**	682
Interest on other loans	**655**	–
Interest on bond payable	**849**	43
	2,212	767

	2021 HK$'000	2020 HK$'000
Discontinued operation		
Interest on other loans	**–**	769

10. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting):

	2021 HK$'000	2020 HK$'000
Continuing operations		
Cost of inventories recognised as expenses	**23,803**	18,264
Auditors' remuneration		
– for the year*	**1,200**	2,140
– under-provision for prior year*	**150**	197
Depreciation of property, plant and equipment*	**76**	436
Depreciation of right-of-use assets*	**313**	951
Exchange loss, net	**102**	387
Loss on written off of property, plant and equipment	**–**	27
Reversal of provision for directors' remuneration in prior years	**–**	(913)
Staff costs (including Directors' emoluments – Note 14):		
– Salaries and wages*	**2,328**	7,601
– Defined contribution scheme*	**49**	171
	2,377	7,772

* Included in administrative expenses

Notes to the Consolidated Financial Statements

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10. LOSS BEFORE INCOME TAX *(Continued)*

Discontinued operation – Forestry and Agricultural Business

In the prior year, the Group disposed of Green Resources Group and the Other Disposed Company, which were engaged in the Forestry and Agricultural Business except a subsidiary which was engaged in investment holding. Details of the disposals were set out in note 36. The revenue, results and cash flows of the Forestry and Agricultural Business from 1 January 2020 and up to the disposal dates were as follows:

	2020 *HK$'000*
Revenue	–
Expenses	(4,133)
Loss before gain on disposal of subsidiaries and income tax	(4,133)
Gain on disposal of subsidiaries	3,292
Loss before income tax from the discontinued operation	(841)
Income tax	–
Loss for the year from discontinued operation	(841)
Operation cash inflow	12,849
Investing activities	–
Financing cash outflow	(13,334)
Total cash outflows	(485)

The carrying amounts of the assets and liabilities of the Green Resources Group and the Other Disposed Company at the dates of disposal are disclosed in note 36.

An aggregate gain from discontinued operation of HK$3,292,000 arose on the disposals, being the proceeds of the disposals less the carrying amount of the subsidiaries' net assets attributable to the Group. No tax charge or credit arose from the disposals.

Notes to the Consolidated Financial Statements

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11. INCOME TAX

The amount of income tax in the consolidated statement of profit or loss represents:

	2021	2020
	HK$'000	*HK$'000*
Current tax		
– Hong Kong	**8**	34
– PRC	**738**	663
	746	697

Hong Kong Profits Tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Under the Enterprise Income Tax Law of the PRC, the Enterprise Income Tax has been provided at the rate of 25% during the year (2020: 25%).

Notes to the Consolidated Financial Statements

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11. INCOME TAX *(Continued)*

The income tax for the year can be reconciled to the loss before income tax per the consolidated statement of profit or loss as follows:

	2021	2020
	HK$'000	*HK$'000*
Loss before income tax	**(6,541)**	(18,828)
Tax calculated at the applicable tax rate of 16.5% (2020: 16.5%)	**(1,079)**	(3,107)
Effect of different tax rates	**410**	429
Tax effect of income not taxable for tax purpose	**(4)**	(656)
Tax effect of expenses not deductible for tax purposes	**182**	1,381
Tax effect of temporary differences not recognised	**16**	94
Effect of tax losses not recognised	**1,221**	2,556
Income tax	**746**	697

The Group had deferred tax assets not recognised in respect of tax losses available for offsetting future assessable profits and accelerated depreciation in respective jurisdiction as follows:

	2021	2020
	HK$'000	*HK$'000*
Tax losses		
– Hong Kong	**1,599**	450

The tax losses in Hong Kong could be carried forward with an infinity period.

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12. DIVIDENDS

The Directors do not recommend any dividend for the year ended 31 December 2021 (2020: Nil).

13. LOSS PER SHARE

From continuing and discontinued operations

The calculation of basic loss per share is based on:

	2021	2020
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	**(7,287)**	(29,918)
Number of share *(in '000)*		
Weighted average number of ordinary shares for the purpose of basic loss per share	**15,585**	15,585

The weighted average number of ordinary shares for the purpose of basic losses per share has been adjusted for the consolidation of every eight existing ordinary shares of HK$0.01 each into one consolidated ordinary share of HK$0.08 each in February 2021 as if effective since 1 January 2020.

20,757,500 shares were previously issued and held under the Share Award Scheme. As no award has been granted to any eligible person under the Share Award Scheme as at 31 December 2020, the shares held under the Share Award Scheme are excluded from the computation of the weighted average number shares for the year ended 31 December 2020 when calculating the basic loss per share. Entire 20,757,500 shares held under Share Award Scheme have been cancelled on 5 January 2021.

There was no potential dilutive ordinary shares for the years ended 31 December 2021 and 2020.

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13. LOSS PER SHARE *(Continued)*

From continuing operations

The calculation of basic loss per share from continuing operations is based on:

	2021	2020
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	**(7,287)**	(7,677)
Number of share *(in '000)*		
Weighted average number of ordinary shares for the purpose of basic loss per share	**15,585**	15,585

From discontinued operation

Basic loss per share from the discontinued operation for the year ended 31 December 2020 was HK142.7 cents, based on the loss for the year from discontinued operation attributable to the owners of the Company of HK$22,241,000 and the denominators detailed above for basic loss per share. Calculation of basic loss per share from discontinued operation for the year ended 31 December 2021 is not applicable.

14. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the Directors were as follows:

	Fees	**Salaries, allowance and other benefits**	**Defined contribution scheme**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
For the year ended 31 December 2021				
Executive director				
He Xuemei	**96**	**–**	**–**	**96**
Non-executive director				
He Lamei (resigned on 30 June 2021)	**72**	**–**	**–**	**72**
Independent non-executive directors				
Pang King Sze, Rufina	**180**	**–**	**–**	**180**
Hong Bingxian	**96**	**–**	**–**	**96**
Huang Zhe	**96**	**–**	**–**	**96**
	540	**–**	**–**	**540**

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14. DIRECTORS' EMOLUMENTS *(Continued)*

	Fees *HK$'000*	Salaries, allowance and other benefits *HK$'000*	Defined contribution scheme *HK$'000*	Total *HK$'000*
For the year ended 31 December 2020				
Executive directors				
Chan Ching Hang (resigned on 10 September 2020)	–	492	12	504
He Xuemei (appointed on 4 May 2020)	64	–	–	64
Non-executive director				
He Lamei (appointed on 29 April 2020)	96	–	–	96
Independent non-executive directors				
Pang King Sze, Rufina	225	–	–	225
Hong Bingxian	106	–	–	106
Huang Zhe (appointed on 29 April 2020)	64	–	–	64
Cheung Yin Keung (retired on 30 June 2020)	30	–	–	30
	585	492	12	1,089

No emolument has been paid to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office (2020: Nil).

15. THE FIVE HIGHEST PAID INDIVIDUALS

The five individuals with the highest emoluments in the Group, one (2020: one) was Director whose emolument is included in the disclosures in Note 14 above. The emoluments of the remaining four (2020: four) individuals were as follows:

	2021 ***HK$'000***	2020 *HK$'000*
Salaries and other emoluments	**1,087**	5,346
Defined contribution scheme	**39**	150
	1,126	5,496

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15. THE FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

The number of the highest paid non-Directors fell within the following emolument band:

	2021 **Number of individuals**	2020 Number of individuals
Nil to HK$1,000,000	**4**	2
HK$1,000,001 to HK$1,500,000	**–**	2

16. PROPERTY, PLANT AND EQUIPMENT

	Plants, machinery and equipment *HK$'000*	**Leasehold improvements** *HK$'000*	**Furnishing** *HK$'000*	**Total** *HK$'000*
2021				
At 1 January 2021				
Cost	**–**	**42**	**2,483**	**2,525**
Accumulated depreciation and impairment	**–**	**–**	**–**	**–**
Net carrying amount	**–**	**42**	**2,483**	**2,525**
At 1 January 2021, net of accumulated depreciation and impairment	**–**	**42**	**2,483**	**2,525**
Additions	**60**	**125**	**–**	**185**
Depreciation provided during the year	**(8)**	**(68)**	**–**	**(76)**
At 31 December 2021, net of accumulated depreciation and impairment	**52**	**99**	**2,483**	**2,634**
At 31 December 2021				
Cost	**60**	**167**	**2,483**	**2,710**
Accumulated depreciation and impairment	**(8)**	**(68)**	**–**	**(76)**
Net carrying amount	**52**	**99**	**2,483**	**2,634**

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16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings *HK$'000*	Constructed roads *HK$'000*	Motor vehicles *HK$'000*	Plants, machinery and equipment *HK$'000*	Leasehold improvements *HK$'000*	Furnishing *HK$'000*	Total *HK$'000*
2020							
At 1 January 2020							
Cost	4,854	24,043	2,657	21,612	363	–	53,529
Accumulated depreciation and impairment	(4,854)	(24,043)	(2,657)	(17,798)	(230)	–	(49,582)
Net carrying amount	–	–	–	3,814	133	–	3,947
At 1 January 2020, net of accumulated depreciation and impairment	–	–	–	3,814	133	–	3,947
Additions	–	–	–	–	42	–	42
Transfer (out)/in	–	–	–	(2,483)	–	2,483	–
Disposal of subsidiaries *(Note 36)*	–	–	–	(948)	(53)	–	(1,001)
Written off	–	–	–	–	(27)	–	(27)
Depreciation provided during the year	–	–	–	(383)	(53)	–	(436)
At 31 December 2020, net of accumulated depreciation and impairment	–	–	–	–	42	2,483	2,525
At 31 December 2020							
Cost	–	–	–	–	42	2,483	2,525
Accumulated depreciation and impairment	–	–	–	–	–	–	–
Net carrying amount	–	–	–	–	42	2,483	2,525

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17. LEASES

The Group as a lessee

The Group has lease contracts for its office premises and warehouse used in its operations. The leases for the office premises and warehouse have non-cancellable lease period of two years without any extension option, and non-cancellable lease period of one year with an extension option of one more year, respectively.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Office premises	**Warehouse**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2020	1,879	–	1,879
Additions	–	110	110
Depreciation	(928)	(23)	(951)
Lease modification	(951)	–	(951)
At 31 December 2020 and 1 January 2021	–	87	87
Additions	562	–	562
Depreciation	(258)	(55)	(313)
At 31 December 2021	304	32	336

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17. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(b) Lease liabilities

The carrying amounts of the Group's lease liabilities and the movement during the year as follows:

	2021 *HK$'000*	2020 *HK$'000*
At 1 January	**88**	1,900
Inception of new leases	**562**	110
COVID-19-Related rent concessions	**–**	(290)
Accretion of interest recognised during the year	**28**	42
Payments	**(113)**	(785)
Lease modification	**–**	(889)
At 31 December	**565**	88
Analysed into:		
Current portion	**531**	88
Non-current portion	**34**	–
	565	88

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2021 *HK$'000*	2020 *HK$'000*
Interest on lease liabilities	**28**	42
Depreciation of right-of-use assets	**313**	951
COVID-19-Related rent concessions	**–**	(290)
Lease modification	**–**	(62)
Expense relating to short-term leases	**–**	208

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18. INVESTMENTS IN ASSOCIATES

	2021	2020
	HK$'000	*HK$'000*
Share of net assets	**–**	–

Name of associates	Place of incorporation/ registration and operations	Percentage of ownership interests/voting rights/ profit share 2021	2020	Principal activities
Violet Garden Limited ("VG")	Independent State of Samoa ("Samoa")	–	–	Investment holding

In the opinions of directors, VG was considered as a material associate of the Group in the prior years.

On 30 November 2020, the Group lost significant influence over the associates through the disposal of a subsidiary within the Green Resources Group.

The following table illustrates the summarised financial information in respect of VG adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2021	2020
	HK$'000	*HK$'000*
Current assets	**–**	–
Current liabilities	**–**	–
Net assets	**–**	–

	2021	2020
	HK$'000	*HK$'000*
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**–**	–
Carrying amount of the investment	**–**	–
Revenue	**–**	–
Loss for the year	**–**	(739)
Total comprehensive income for the year	**–**	(739)
Share of VG's loss for the year	**–**	(361)
Share of VG's total comprehensive income	**–**	(361)

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18. INVESTMENTS IN ASSOCIATES *(Continued)*

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2021 **HK$'000**	2020 *HK$'000*
Share of the associates' profit for the year	**–**	290
Share of the associates' total comprehensive income	**–**	290
Aggregate carrying amount of the Group's investment in the associates	**–**	–

19. EQUITY INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 **HK$'000**	2020 *HK$'000*
Listed shares suspended for trading, at fair value	**271**	903

The equity investment were for medium-term investment purpose and designated by the Group as equity investment at FVTOCI. During the year, the Group recognised a fair value loss of approximately HK$632,000 (2020: HK$10,000) in other comprehensive income. The Group did not receive any dividend income from the listed equity investments during the year (2020: Nil).

20. INVENTORIES

	2021 **HK$'000**	2020 *HK$'000*
Finished goods	**1,655**	1,002

During the year, a write-down of inventories of Nil (2020: HK$16,000) was recognised in other income, gains or losses.

21. TRADE RECEIVABLES

	2021 **HK$'000**	2020 *HK$'000*
Trade receivables	**12,714**	9,779
Less: Impairment allowances	**(740)**	–
	11,974	9,779

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 60–90 days (2020: 60–90 days). Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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21. TRADE RECEIVABLES *(Continued)*

The ageing analysis of the Group's trade receivables at the end of each reporting period, based on invoice date and net of impairment allowances, is as follows:

	2021	2020
	HK$'000	*HK$'000*
Within 1 month	**1,443**	2,981
More than 1 month but within 2 months	**1,155**	2,277
More than 2 months but within 3 months	**1,485**	987
More than 3 months but within 6 months	**4,214**	2,188
More than 6 months but within 1 year	**3,677**	1,346
	11,974	9,779

The movements in impairment allowances for trade receivables during the year are as follows:

	2021	2020
	HK$'000	*HK$'000*
At 1 January	**–**	1,151
Provision for/(reversal of) impairment	**740**	(1,051)
Disposal of subsidiaries	**–**	(100)
At 31 December	**740**	–

Trade receivables with significant balances and/or credit-impaired are assessed for ECL individually. In addition, the Group uses practical expedient in estimating ECLs on trade receivables which are not assessed individually using a provision matrix. As at 31 December 2021, the Group applied simplified approach to measure lifetime ECLs on the Group's trade receivables for the sales of household products of HK$11,187,000 using probability of default approach. The ECL rate was 6.6% and the loss allowance was HK$740,000.

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21. TRADE RECEIVABLES *(Continued)*

As at 31 December 2020, the Group applied simplified approach to measure lifetime ECLs on the Group's trade receivables for the sales of household products of HK$7,078,000 using a provision matrix. The following table provide information about the Group's exposure to credit risk and ECLs on trade receivables as at 31 December 2020.

	Not yet Past due	Past due Within 1 year	Past due Over 1 year	Total
At 31 December 2020				
ECL rate	0%	0%	100%	
Gross carrying amount *(HK$'000)*	3,544	3,534	–	7,078
ECLs *(HK$'000)*	–	–	–	–

As at 31 December 2021 and 2020, the Group applied simplified approach to measure life time ECLs on the Group's trade receivables for the sales of plantation products of HK$1,527,000 (2020: HK$2,701,000) using a provision matrix. The following table provides information about the Group's exposure to credit risk and ECLs on trade receivables as at reporting date.

	Not yet Past due	Past due Within 1 year	Past due Over 1 year	Total
At 31 December 2021				
ECL rate	0%	0%	100%	
Gross carrying amount *(HK$'000)*	893	634	–	1,527
ECLs *(HK$'000)*	–	–	–	–
At 31 December 2020				
ECL rate	0%	0%	100%	
Gross carrying amount *(HK$'000)*	2,219	482	–	2,701
ECLs *(HK$'000)*	–	–	–	–

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22. DEBT INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	2020
	HK$'000	*HK$'000*
Convertible Bond Receivable, at fair value	**563**	650

In 2017, the Company subscribed the Convertible Bond Receivable with a principal amount of HK$4,001,000 issued by an independent third party (the "CB Issuer") which bears interest at 1.5% per annum and is convertible into the 626,742 ordinary shares of the CB Issuer at a conversion price of HK$6.38381 per share. During the year, the Group recognised a fair value loss of approximately HK$87,000 (2020: HK$3,203,000) in profit or loss.

In the prior year, the conversion option was matured and the Convertible Bond Receivable was in default. In the opinion of Directors, the principal amount is not expected to be settled within twelve months from the reporting date and therefore the carrying amount has been classified as non-current asset.

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021	2020
	HK$'000	*HK$'000*
Prepayments *(note (a))*	**2,818**	2,813
Deposits and other receivables	**529**	438
	3,347	3,251
Less: Impairment allowances *(note (b))*	**(333)**	(218)
	3,014	3,033
Analysed into:		
Current portion	**514**	533
Non-current portion	**2,500**	2,500
	3,014	3,033

Notes:

(a) Included in prepayments as at 31 December 2021 was an amount of HK$2,500,000 (2020: HK$2,500,000) prepaid by the Group for setting up a company with another investor by mid of year 2024 (2020: mid of year 2022).

(b) At 31 December 2021, impairment allowances of HK$333,000 (2020: HK$218,000) were provided against the other receivables.

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24. TRADE PAYABLES

	2021	2020
	HK$'000	*HK$'000*
Trade payables	**7,888**	8,936

The ageing analysis of trade payables at the end of the reporting period, based on invoice dates, was as follows:

	2021	2020
	HK$'000	*HK$'000*
Within 1 month	**3,838**	3,720
More than 1 month but within 2 months	**1,930**	2,846
More than 2 months but within 3 months	**2,120**	2,240
More than 3 months but within 6 months	**–**	130
At 31 December	**7,888**	8,936

25. OTHER PAYABLES AND ACCRUALS

	2021	2020
	HK$'000	*HK$'000*
Accrual wage and staff benefit	**554**	331
Other accruals	**4,757**	4,640
	5,311	4,971
Receipt in advance	**3,706**	–
Other payables	**2,846**	2,677
	11,863	7,648

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26. OTHER BORROWING

	Effective interest rate %	2021 HK$'000	2020 HK$'000
Other borrowing – unsecured	8.5	**8,449**	8,106
Analysed into:			
Repayable within one year or on demand		**8,449**	8,106

The amount represents a loan from a financial institution with principal amount of HK$8,000,000, interest-bearing at 8.5% per annum and is immediately repayable.

Due to the claim by the lender that the other borrowing had become due and payable in May 2019, the lender filed a suit in the Court to demand immediate repayment from the Group.

27. OTHER LOANS

	2021 HK$'000	2020 HK$'000
Unsecured		
Other loans *(note)*	**13,860**	10,757

Note: The other loans comprise:

- a loan with carrying amount of HK$13,269,000 (2020: HK$8,909,000) which is interest-bearing at 5% (2020: 5%) per annum and has become immediately repayable as a result of the winding-up petition against the Company as detailed in note 3.2, which constitutes a default event under the terms and conditions of the loan; and

- a loan with carrying amount of HK$591,000 (2020: HK$1,848,000) which is interest-bearing at 8% (2020: 8%) per annum and has become immediately repayable as a result of the winding-up petition against the Company as detailed in note 3.2, which constitutes a default event under the terms and conditions of the loan.

28. BOND PAYABLE

	2021	2020
Effective interest rate	**2.86%**	2.21%
Perpetual bond *(HK'000)*	**26,192**	25,343

A total of US$3.23 million (equivalent to HK$25,000,000) perpetual bond with principal amount subject to contingent settlement provisions with certain specific uncertain events that are beyond the control of the Company and the holder, was issued by the Company on 28 April 2020. The bond was perpetual, non-redeemable in the first 10 years (with right to early redeem at tenth anniversary and/or the twentieth anniversary by the issuer) and entitle the holder to receive distributions at a distribution rate of 1% + U.S. 30 years government treasury bond per annum from 28 April 2020 and fixed at 1.207% from 28 April 2022. The bond has become immediately repayable as a result of the winding-up petition against the Company as detailed in note 3.2, which constitutes a default event under the terms and conditions of the bond.

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29. SHARE CAPITAL

	2021 Number	**Amount *HK$'000***	*Notes*	2020 Number	Amount *HK$'000*
Authorised					
At 1 January	**20,000,000,000**	**200,000**		20,000,000,000	200,000
Share consolidation	**(17,500,000,000)**	**–**	(b)	–	–
At 31 December	**2,500,000,000**	**200,000**		20,000,000,000	200,000
Issued and fully paid					
At 1 January	**145,440,151**	**1,455**		145,440,151	1,455
Cancellation of shares held for share award scheme *(Note 31)*	**(20,757,500)**	**(208)**	(a)	–	–
Share consolidation	**(109,097,320)**	**–**	(b)	–	–
At 31 December	**15,585,331**	**1,247**		145,440,151	1,455

Notes:

(a) In August 2019, the then convertible bond was converted into 20,757,500 shares (as adjusted for the Share Consolidation) of the Company (the "Conversion Shares").

As at 31 December 2020, the Conversion Shares were held by a trustee under the share award scheme and no award has been granted to any eligible person under the share award scheme as at 31 December 2020. Therefore, the Conversion Shares held under the share award scheme are accounted for in the "Shares held for Share Award Scheme" account as at 31 December 2020. On 5 January 2021, the Company cancelled 20,757,500 shares held under its share award scheme.

(b) On 4 February 2021, a share consolidation (the "Share Consolidation") on the basis that every eight issued and unissued existing ordinary shares of HK$0.01 each were consolidated into one consolidated share of HK$0.8 each became effective. The Share Consolidation was approved by independent shareholders at the special general meeting held on 4 February 2021.

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30. SHARE OPTION SCHEME

In June 2011, pursuant to an ordinary resolution passed by the shareholders of the Company, the Company adopted a share option scheme (the "Share Option Scheme"). The purpose of the Share Option Scheme is to enable the Company to grant share options (the "Share Options") to eligible participants in order to recognise and motivate the contribution of the employees of the Group and to provide incentives and help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Group. Under the Share Option Scheme, options may be granted to any employees and Directors and its subsidiaries to subscribe for the Shares.

The total number of shares in respect of which Share Options may be granted under the Share Option Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point in time, the number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Share Options granted to independent non-executive Directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders. Subject to the terms of the Share Option Scheme, the Share Option may be exercised in whole or in part at any time during the period to be determined and identified by the board of Directors to each grantee at the time of making an offer for the grant of the Share Option, but in any event no later than 10 years from the date of grant but subject to the early termination of the Share Option Scheme.

No Share Options has been granted to any employee, director and consultants and co-operators during the year. No Share Options are outstanding as at 31 December 2021 and 31 December 2020.

31. RESERVES

Share premium

Share premium represents premium arising from the issue of shares at a price in excess of their par value less the premium applied in share reduction. The application of the share premium account is governed by Bye-Law 140(A) of the Company's Bye-Laws and the Companies Act 1981 of Bermuda.

Shares held for Share Award Scheme

	2021		2020	
	Number	**Amount**	Number	Amount
		HK$'000		*HK$'000*
At 1 January	**20,757,500**	**5,501**	20,757,500	5,501
Cancellation of shares	**(20,757,500)**	**(5,501)**	–	–
At 31 December	**–**	**–**	20,757,500	5,501

The Company cancelled entire 20,757,500 shares held under Share Award Scheme during the year.

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31. RESERVES *(Continued)*

Other reserve

As at 31 December 2019, other reserve of HK$9,889,000 represented loss on deemed disposal of equity interests in certain subsidiaries in the Forestry and Agricultural Business which did not result in a loss of control on these subsidiaries in prior years. Upon the disposal of these subsidiaries during the financial year 2020 (note 36), such amount was transferred to accumulated losses in the prior year.

Working capital loan

During the year ended 31 December 2021, the Group borrowed a loan using the facility as detailed in note 3.2(b) to finance its daily operations (the "Working Capital Loan"). The Working Capital Loan is interest-bearing at 5% per annum, and together with its accrued interest are repayable only upon the earlier of (i) winding up of the Company or (ii) completion of fund raising exercise. The Directors are of the opinion that, the fund raising exercise is within the control of the Company, and therefore, the obligation to repay the principal or the accrued interest arises only on liquidation. Accordingly, the Working Capital Loan is classified as equity instrument and recorded in the consolidated statement of changes in equity.

Fair value reserve (non-recycling)/(recycling)

The fair value reserve (non-recycling)/(recycling) comprises the cumulative net changes in the fair value of equity/debt instruments designated as measured at FVTOCI in accordance with the accounting policy adopted for equity/debt instruments designated at FVTOCI.

Exchange reserve

The exchange reserve comprised all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve was dealt with in accordance with the accounting policy adopted for foreign currencies.

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32. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2021 HK$'000	2020 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**135**	–
Investments in subsidiaries		**24**	24
Right-of-use asset		**304**	–
Equity investments at fair value through other comprehensive income		**271**	903
		734	927
Current assets			
Prepayments, other receivables and other assets		**396**	453
Amounts due from subsidiaries		**5**	–
Bank balances and cash		**68**	75
		469	528
Current liabilities			
Other payables and accruals		**8,037**	7,085
Other borrowing		**8,449**	8,106
Other loans		**13,860**	–
Bond payable		**26,192**	25,343
Amounts due to subsidiaries		**7,475**	3,407
Lease liability		**497**	–
		64,510	43,941
Net current liabilities		**(64,041)**	(43,413)
Total assets less current liabilities		**(63,307)**	(42,486)
Non-current liabilities			
Other loans		**–**	10,757
Lease liability		**34**	–
		34	10,757
Net liabilities		**(63,341)**	(53,243)
CAPITAL AND RESERVES			
Share capital		**1,247**	1,455
Reserves	*32(i)*	**(64,588)**	(54,698)
Total deficit		**(63,341)**	(53,243)

On behalf of the Directors

Chan Ho Yee
Director

Pang King Sze, Rufina
Director

Notes to the Consolidated Financial Statements

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32. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION *(Continued)*

Note:

A summary of the Company's reserves is as follows:

(i) Movements in reserves

	Share premium *HK$'000*	Shares held for Share Award Scheme *HK$'000*	Working capital loan *HK$'000*	Fair value reserve *HK$'000*	Retained earnings/ (accumulated losses) *HK$'000*	Total *HK$'000*
At 1 January 2020	5,293	(5,501)	–	–	11,677	11,469
Loss and total comprehensive income for the year	–	–	–	–	(66,157)	(66,157)
Fair value of equity investment at FVTOCI	–	–	–	(10)	–	(10)
At 31 December 2020 and 1 January 2021	5,293	(5,501)	–	(10)	(54,480)	(54,698)
Loss for the year	–	–	–	–	(11,470)	(11,470)
Fair value loss of equity investments at FVTOCI	–	–	–	(632)	–	(632)
Movement during the year, net	–	–	2,004	–	–	2,004
Cancellation of shares held under Share Award Scheme	(5,293)	5,501	–	–	–	208
At 31 December 2021	–	–	2,004	(642)	(65,950)	(64,588)

33. SUBSIDIARIES

Details of the principal subsidiaries held directly or indirectly by the Company as at 31 December 2021 are as follows:

Name of subsidiary	Place of incorporation/ registration and operations	Normal value of issued and fully paid share capital/paid-up capital	Percentage of equity attributable to the Company 2021	2020	Principal activities
Interests held directly					
Will Link Group Limited (formerly known as In-Bright Investment Limited)	Hong Kong	HK$1	**100%**	100%	Household and Plantation Business
Mega Adent Management Limited (formerly known as Mega Ascent Corporation Limited)	Hong Kong	HK$10,000	**100%**	100%	Household and Plantation Business
Frankford Inc. Limited	Hong Kong	HK$100	**100%**	100%	Financial Services Business and sales of accessory items
Solar Fortune Limited	Samoa	US$100	**100%**	100%	Investment Holding

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34. PARTIALLY OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Percentage of equity interest held by non-controlling interests:

	From 1 January 2020 to the disposal dates *(note 36)*
(Cambodia) Tong Min Group Engineering Co., Ltd. ("CTM")	84.0%
Agri-Industrial Crop Development (Cambodia) Co., Ltd. ("ACD")	84.0%
Crops and Land Development (Cambodia) Co., Ltd ("CLD")	84.0%
Vibrant Decade Limited ("Vibrant Decade")	69.0%
China Cambodia Resources Limited ("China Cambodia")	84.0%
IR Resources (Cambodia) Co., Ltd. ("IR Cambodia")	69.0%
Nine Rivers Capital Partners Limited and its subsidiaries ("Nine Rivers Group")	39.6%

Subsequent to the disposal of the partially owned subsidiaries of the Company as further detailed in note 36, the Company owns 100% equity interests in its subsidiaries.

Profit/(loss) for the year ended 31 December 2020 allocated to non-controlling interests:

	2020 *HK$'000*
CTM	(1,585)
ACD	(620)
CLD	(522)
Vibrant Decade	691
China Cambodia	(668)
IR Cambodia	(1,407)
Nine Rivers Group	(456)

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34. PARTIALLY OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

The following tables illustrate summarises of financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	CTM	**ACD**	**CLD**	**Vibrant Decade**	**China Cambodia**	**IR Cambodia**	**Nine Rivers Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
From 1 January 2020 to the disposal dates							
Revenue, other income and gains	–	–	–	1,051	–	–	–
Total expenses	1,887	738	621	(50)	795	2,039	1,149
(Loss)/profit for the period	(1,887)	(738)	(621)	1,001	(795)	(2,039)	(1,149)
Total comprehensive income for the period	(1,887)	(738)	(621)	1,001	(795)	(2,039)	(1,149)
At 31 December 2020							
Current assets	–	–	–	–	–	–	–
Non-current assets	–	–	–	–	–	–	–
Current liabilities	–	–	–	–	–	–	–
Non-current liabilities	–	–	–	–	–	–	–
	–	–	–	–	–	–	–

35. RELATED PARTY TRANSACTIONS

The key management personnel are the Directors and the five highest paid individuals of the Company. The details of the emoluments paid to them are set out in notes 14 and 15 respectively.

Except as disclosed above, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company was a party and in which a Director of the Company or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the financial year.

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36. DISPOSAL OF SUBSIDIARIES

During the financial year 2020, the Group disposed of (i) the Green Resources Group mainly involving in the Forestry and Agricultural Business, (ii) Protective Fortune Limited and its subsidiaries (collectively the "Protective Fortune Group") involving in the Financial Services Business and (iii) the Other Disposed Company involving in the Forestry and Agricultural Business at cash consideration of HK$8, HK$788 and HK$1 respectively. The net liabilities of these subsidiaries attributable to the Group at the dates of disposal and their respective loss for the year were as follows:

	Green Resources Group 30 November 2020 *HK$'000*	**Protective Fortune Group 19 November 2020** *HK$'000*	**Other Disposal Company 21 December 2020** *HK$'000*	**Total** *HK'000*
Property, plant and equipment	1,001	–	–	1,001
Bond receivable	–	1,870	–	1,870
Inventories	136	–	–	136
Trade and other receivable	40	58	311	409
Cash and bank balance	14	24	29	67
Other payables and accruals	(394)	(2,192)	(1,718)	(4,304)
Other loan	(4,276)	–	–	(4,276)
Tax payables	(4,351)	–	–	(4,351)
Non-controlling interests	6,361	(392)	–	5,969
Net liabilities attributable to the Group	(1,469)	(632)	(1,378)	(3,479)
Add:				
Exchange reserve recycled to profit or loss	556	–	–	556
Gain on disposal of subsidiaries included in loss for the year in the consolidated statement of profit or loss	913	633	1,378	2,924
Total consideration	–	1	–	1
Satisfied by:				
Cash	–	1	–	1
Net cash outflow arising on disposal:				
Cash consideration	–	1	–	1
Bank balances and cash disposed of	(14)	(24)	(29)	(67)
	(14)	(23)	(29)	(66)
Loss for the period	(1,771)	(731)	(71)	(2,573)
Attributable to:				
– Continuing operations	(1,001)	(731)	–	(1,732)
– Discontinued operation	(770)	–	(71)	(841)

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37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

(i) During the year ended 31 December 2021, there were non-cash additions to right-of-use assets and lease liabilities of HK$562,000 (2020: HK$110,000) and HK$562,000 (2020: HK$110,000), respectively, in respect of new lease arrangements for office premises (2020: warehouse).

(ii) During the year ended 31 December 2020, the Green Resources Group transferred its investments in associates and amount due from an associate with total carrying amounts of HK$22,012,000 to settle the payable to non-controlling shareholders of certain subsidiaries.

(iii) During the year ended 31 December 2020, the purchase cost of the Group's equity investments at FVTOCI of HK$913,000 was partially settled by an amount due from an associate of HK$123,000 while HK$790,000 remained unpaid as at 31 December 2020.

(b) Changes in liabilities arising from financing activities

The table below details changes in Group's liabilities arising from financing activities.

	An advance included in other payables *HK$'000*	Other borrowing *HK$'000*	Other loans *HK$'000*	Lease liabilities *HK$'000*	Bond payable *HK$'000*	Total *HK$'000*
At 1 January 2020	1,800	8,106	17,610	1,900	–	29,416
Change from financing cash flows:						
– Capital element of lease rentals paid	–	–	–	(743)	–	(743)
– Interest element of lease rentals paid	–	–	–	(42)	–	(42)
– Interest paid for other borrowing	–	(682)	–	–	–	(682)
– Repayment of other loans	(1,800)	–	(14,046)	–	–	(15,846)
– Other loans borrowed	–	–	10,700	–	–	10,700
	(1,800)	(682)	(3,346)	(785)	–	(6,613)
Non-cash flows:						
– Inception of new lease	–	–	–	110	–	110
– Disposal of subsidiaries	–	–	(4,276)	–	–	(4,276)
– Subscription of bond	–	–	–	–	25,300	25,300
– COVID-19-Related rent concessions	–	–	–	(290)	–	(290)
– Lease modification	–	–	–	(889)	–	(889)
– Interest expense	–	682	769	42	43	1,536
	–	682	(3,507)	(1,027)	25,343	21,491
At 31 December 2020	–	8,106	10,757	88	25,343	44,294

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37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Changes in liabilities arising from financing activities *(Continued)*

	An advance included in other payables *HK$'000*	Other borrowing *HK$'000*	Other loans *HK$'000*	Lease liabilities *HK$'000*	Bond payable *HK$'000*	Total *HK$'000*
At 31 December 2020 and 1 January 2021	–	8,106	10,757	88	25,343	44,294
Change from financing cash flows:						
– Capital element of lease rentals paid	–	–	–	(85)	–	(85)
– Interest element of lease rentals paid	–	–	–	(28)	–	(28)
– Interest paid for other borrowing	–	(337)	–	–	–	(337)
– Advance from a third party	529	–	–	–	–	529
– Repayment of other loans	–	–	(3,360)	–	–	(3,360)
– Other loans borrowed	–	–	5,808	–	–	5,808
	529	(337)	2,448	(113)	–	2,527
Non-cash flows:						
– Interest expense	–	680	655	28	849	2,212
– Inception of new lease	–	–	–	562	–	562
	–	680	655	590	849	2,774
At 31 December 2021	529	8,449	13,860	565	26,192	49,595

38. LITIGATION

During the years ended 31 December 2021 and 2020, the Group involved in a litigation (the "Litigation") regarding the demand for immediate repayment of its other borrowing in the principal amount of HK$8,000,000. The lender claimed that the borrowing had become overdue in May 2019.

The Directors have exercised their due care in defending the Group in the Litigation, assessing the financial impact in respect of the legal costs and claims, if any, of the Litigation. Since the Litigation is still on-going, the Directors would continue to exercise their due care in monitoring the progress of the Litigation and would assess the financial impact of the Group as and when appropriate. The Directors consider that the adequacy of provision for the Litigation has been provided during the years ended 31 December 2021 and 2020.

Notes to the Consolidated Financial Statements

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39. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt, net of cash and cash equivalents and deficit attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses, respectively.

The Directors review the capital structure on a continuous basis taking into account the loss of capital and the risk associated with the capital. The Group will balance its overall capital structure through the payment of dividends, new shares issue and share buy-back as well as the issue of new debts or debts restructuring, if necessary.

	2021 ***HK$'000***	2020 *HK$'000*
Trade payables	**7,888**	8,936
Other payables and accruals	**11,863**	7,517
Other borrowing	**8,449**	8,106
Lease liabilities	**565**	88
Tax payables	**1,443**	697
Other loans	**13,860**	10,757
Bond payable	**26,192**	25,343
Less: Cash and cash equivalents	**(1,857)**	(1,555)
Net debt	**68,403**	59,889
Deficit attributable to owners of the Company	**(47,956)**	(42,041)
Negative gearing ratio	**(143%)**	(142%)

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40. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount of financial assets and liabilities:

	2021		2020	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Financial assets				
FVTPL/FVTOCI:				
Equity investments at FVTOCI	**271**	**271**	903	903
Debt investments at FVTPL	**563**	**563**	650	650
Amortised cost:				
Trade receivables	**11,974**	**11,974**	9,779	9,779
Deposits and other receivables	**196**	**196**	220	220
Bank balances and cash	**1,857**	**1,857**	1,555	1,555
	14,861	**14,861**	13,107	13,107
Financial liabilities				
Amortised cost:				
Trade payables	**7,888**	**7,888**	8,936	8,936
Other payables and accruals	**8,157**	**8,157**	7,517	7,517
Other borrowing	**8,449**	**8,449**	8,106	8,106
Other loans	**13,860**	**13,860**	10,757	10,757
Bond payable	**26,192**	**26,192**	25,343	25,343
Lease liabilities	**565**	**565**	88	88
	65,111	**65,111**	60,747	60,747

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include trade receivables, deposits and other receivables, bank balances and cash, trade payables, other payables and accruals, other borrowing, other loans, bond payable and lease liabilities.

Due to their short term nature, the carrying value of trade receivables, deposits and other receivables, bank balances and cash, trade payables, other payables and accruals and other borrowing approximates their fair value.

The carrying value of other loans and bond payable approximates their fair values as the effective interest rates of these financial instruments are close to market rates.

Notes to the Consolidated Financial Statements

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40. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(Continued)*

(b) Financial instruments measured at fair value

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy.

	Level 1 *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Total** *HK'000*
At 31 December 2021				
Equity investment at FVTOCI	**–**	**–**	**271**	**271**
Debt investment at FVTPL	**–**	**–**	**563**	**563**
At 31 December 2020				
Equity investment at FVTOCI	–	–	903	903
Debt investment at FVTPL	–	–	650	650

There were no transfers between levels during the current and prior years.

Information about level 3 fair value measurement

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of Level 3 financial instruments, as well as the relationship between key observable inputs and fair value are set out below.

Equity investment at FVTOCI

The fair value of the Equity investment in a listed company which shares have been suspended for trading is estimated using market approach that adjusts the closing share price of the last trading date with various factors and assumptions set out below.

General assumptions that have been taken in relation to the suspension included the followings:

– the outbreak of the COVID-19 will not affect the listed company permanently; and

– the business of the listed company remained in existence as at 31 December 2021.

Notes to the Consolidated Financial Statements

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40. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(Continued)*

(b) Financial instruments measured at fair value *(Continued)*

Information about level 3 fair value measurement *(Continued)*

Equity investment at FVTOCI (Continued)

The Directors are of the view that the above events that are inherently outside the control of the Group has reasonably been taken into account in the fair value measurement, other significant unobservable inputs used in the fair value measurement are as follows:

		2021	2020
Probability of being delisted	(Note a)	**42.54%**	39.81%
Discount on share price if trading resumed	(Note b)	**61.80%**	47.30%
Discount for lack of marketability if being delisted	(Note c)	**27.70%**	30.20%
Discount for lack of marketability if trading resumed	(Note c)	**13.80%**	15.40%
Market value adjustment during the suspension period	(Note d)	**32.83%**	45.05%

Note a: Probability of being delisted is estimated based on market information for similar situation of the listed companies.

Note b: Discount of share price if trading resumed is estimated based on internal analysis on the market price changed for the listed companies from the time being suspended to the time resume trading.

Note c: Discount for lack of marketability is determined based on the management judgement after considered market liquidity conditions and company specific factors such as the company is delisted or the time between suspension and resume trading.

Note d: Market value adjustment during the suspension period is estimated based on the market price change for the comparable companies from the date of the company being suspended to the end of the reporting date.

There is no inter-relationship in between the inputs.

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40. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(Continued)*

(b) Financial instruments measured at fair value *(Continued)*

Information about level 3 fair value measurement *(Continued)*

The sensitivity analysis of the significant unobservable inputs are as follows:

	2021		2020	
	HK$'000	***HK$'000***	*HK$'000*	*HK'000*
Increase/(decrease) by:	**5%**	**(5%)**	5%	(5%)
Probability of being delisted	**(2)**	**2**	(8)	8
Discount on share price if trading resumed	**(35)**	**35**	(86)	86
Discount for lack of marketability if being delisted	**(7)**	**7**	(23)	23
Discount for lack of marketability if trading resumed	**(10)**	**10**	(35)	35
Market value adjustment during the suspension period	**(20)**	**20**	(82)	82

Debt investment at FVTPL

As at 31 December 2021 and 2020, the fair value of the Convertible Bond Receivable in an unlisted company was estimated using discount cash flow method based on market interest rate for a similar bond. The conversion option was matured in 2020 and the Convertible Bond Receivable was defaulted. Significant unobservable inputs used in the fair value measurement are as follows:

	2021	2020
Convertible Bond Receivable:		
Discount rate	**10%***	10%*

* In the opinion of Directors, with reference to professional valuation report, the Convertible Bond Receivable was similar to a defaulted corporate bond at the valuation date.

Notes to the Consolidated Financial Statements

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40. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(Continued)*

(c) Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (level 3)

Equity investment at FVTOCL

	2021	2020
	HK$'000	*HK$'000*
At 1 January	**903**	–
Purchases	**–**	913
Fair value change	**(632)**	(10)
At 31 December	**271**	903

Debt Investment at FVTPL

	2021	2020
	HK$'000	*HK$'000*
At 1 January	**650**	3,853
Fair value change	**(87)**	(3,203)
At 31 December	**563**	650

41. FINANCIAL RISK MANAGEMENT

Details of the Group's major financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and other price risk), foreign currency risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The Directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) 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 rate. The Group's interest rate risk mainly arises from bank deposits and bond payable. Borrowings arranged at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

Notes to the Consolidated Financial Statements

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41. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Interest rate risk *(Continued)*

The Group's bond payable as at 31 December 2021 bears interest at floating rates (2020: Floating rates) whereas all of the Group's other borrowing and other loans as at 31 December 2021 bear interest at fixed rates (2020: Fixed rates). Details of bond payable, other borrowing and other loans are disclosed in Notes 28, 26 and 27, respectively.

The Group's bank balances also expose it to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The Directors consider the Group's exposure to interest rate risk in respect of bank balances is not significant due to low level of deposit interest rate.

The Group currently does not have an interest rate hedging policy. However, the management closely monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

At 31 December 2021, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss for the year and accumulated losses by approximately HK$250,000 (2020: HK$250,000). The changes in interest rates do not affect the Group's other component of equity.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for the borrowings in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next reporting date.

(b) Foreign currency risk

The Group is only exposed to currency risk primarily through sales and purchases and also through cash and cash equivalent balances that are denominated in US$ and RMB, the currency other than the functional currency of the entity to which they relate.

The Group does not enter into derivatives to manage currency risk, although in certain isolated cases, the Group may take steps to mitigate such risks if it is sufficiently concentrated.

Notes to the Consolidated Financial Statements

31 December 2021

41. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Foreign currency risk *(Continued)*

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	2021		2020	
	Assets	**Liability**	Assets	Liability
	HK$'000	***HK$'000***	*HK$'000*	*HK'000*
US$	**13,720**	**(29,898)**	11,294	(25,343)
RMB	**1,655**	**(6,438)**	–	(8,936)

Sensitivity analysis

The following tables indicates the approximate change in the Group's loss for the year in respond to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period. The sensitivity analysis includes balances in a currency other than US$ and the functional currency of the Group. A positive number indicates an increase in loss. The Group does not expected any significant movements in the US$/HK$ exchange rate which is pegged within a narrow trading range. Accordingly, no sensitivity analysis is presented.

	2021	2020
	HK$'000	*HK$'000*
RMB to HK$		
Appreciates by 4% (2020: 9%)	**199**	698
Depreciates by 4% (2020: 9%)	**(199)**	(698)

(c) Credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification produces. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

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41. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

The credit risk of the Group is concentrated on trade receivables from the Group's one (2020: two) largest customers at 31 December 2021 accounted for 87.2% (2020: 72.4%) of the Group's gross trade receivables.

The Directors consider that the credit risk on liquid funds is low as counterparties are banks with good reputation.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial assets.

At 31 December 2021

	12-month ECL	Lifetime ECLs		Simplified	
	Stage 1	**Stage 2**	**Stage 3**	**Approach**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Trade receivables*	–	–	–	12,714	12,714
Other receivables					
– normal**	249	–	–	–	249
– doubtful	–	–	280	–	280
Bank balances and cash					
– Not yet past due	1,857	–	–	–	1,857
	2,106	–	280	12,714	15,100

Notes to the Consolidated Financial Statements

31 December 2021

41. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

Maximum exposure and year-end staging *(Continued)*

At 31 December 2020

	12-month ECL	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified Approach	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables*	–	–	–	9,779	9,779
Other receivables					
– normal**	216	–	–	–	216
– doubtful	–	–	222	–	222
Bank balances and cash					
– Not yet past due	1,555	–	–	–	1,555
	1,771	–	222	9,779	11,772

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21.

** The credit quality of the other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

The following table reconciles the impairment loss of trade receivables and other receivables.

	Trade receivables	**Other receivables**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2020	1,151	608	1,759
Disposal of subsidiaries	(100)	(608)	(708)
Reversal of impairment loss	(1,051)	–	(1,051)
Impairment loss recognised	–	218	218
At 31 December 2020	–	218	218
Impairment loss recognised	740	115	855
At 31 December 2021	740	333	1,073

The reversal of impairment loss in the current and prior years arose from recovery of debts. Impairment loss recognised during the year ended 31 December 2021 arose from increase in ECL rate (2020: Increase in ECL rate) of certain trade receivables and other receivables.

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41. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

The movements in the impairment allowance for trade receivables were as follows:

	12-month ECL	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified Approach**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2020	–	–	–	1,151	1,151
Disposal of subsidiaries	–	–	–	(100)	(100)
Reversal of impairment loss	–	–	–	(1,051)	(1,051)
At 31 December 2020	–	–	–	–	–
Impairment loss recognised	–	–	–	740	740
At 31 December 2021	–	–	–	740	740

Note: Included in the above allowances for ECL in respect of trade receivables is a provision for individually impaired trade receivable of HK$740,000 (2020: Nil) with a carrying amount before provision of HK$11,187,000 (2020: Nil).

The movements in the impairment allowance for other receivables were as follows:

	12-month ECL	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified Approach**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2020	608	–	–	–	608
Disposal of subsidiaries	(608)	–	–	–	(608)
Impairment loss recognised	–	–	218	–	218
At 31 December 2020	–	–	218	–	218
Impairment loss recognised	60	–	55	–	115
At 31 December 2021	60	–	273	–	333

Note: Included in the above allowances for ECL in respect of other receivables is a provision for individually impaired other receivable of HK$60,000 and HK$273,000 (2020: Nil and HK$218,000) with a carrying amount before provision of HK$249,000 and HK$280,000 (2020: HK$216,000 and HK$222,000).

Notes to the Consolidated Financial Statements

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41. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Directors which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from current interest rate at the end of each reporting period.

	Carrying amount *HK$'000*	**Total contractual undiscounted cash flows** *HK$'000*	**Within one year or on demand** *HK$'000*	**More than 1 year but less than 2 years** *HK$'000*	**More than 2 years but less than 5 years** *HK$'000*	**More than 5 years** *HK$'000*
At 31 December 2021						
Trade payables	**7,888**	**7,888**	**7,888**	**–**	**–**	**–**
Other payables and accruals	**8,157**	**8,157**	**8,157**	**–**	**–**	**–**
Other borrowing	**8,449**	**8,449**	**8,449**	**–**	**–**	**–**
Other loans	**13,860**	**13,860**	**13,860**	**–**	**–**	**–**
Bond payable	**26,192**	**26,192**	**26,192**	**–**	**–**	**–**
Lease liabilities	**565**	**578**	**544**	**34**	**–**	**–**
	65,111	**65,124**	**65,090**	**34**	**–**	**–**

	Carrying amount *HK$'000*	Total contractual undiscounted cash flows *HK$'000*	Within one year or on demand *HK$'000*	More than 1 year but less than 2 years *HK$'000*	More than 2 years but less than 5 years *HK$'000*	More than 5 years *HK$'000*
At 31 December 2020						
Trade payables	8,936	8,936	8,936	–	–	–
Other payables and accruals	7,517	7,517	7,517	–	–	–
Other borrowing	8,106	8,106	8,106	–	–	–
Other loans	10,757	11,706	593	9,206	1,907	–
Bond payable	25,343	25,343	25,343	–	–	–
Lease liabilities	88	91	91	–	–	–
	60,747	61,699	50,586	9,206	1,907	–

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42. EVENTS AFTER THE REPORTING DATE

In addition to those disclosed elsewhere in these financial statements, the event after the reporting period is as follows:

In April 2022, the Scheme of Arrangement has been approved by the requisite statutory majorities of the creditors at the creditors meeting. The sanction hearing of the Scheme of Arrangement is scheduled to be held in July 2022. Further details are disclosed in the Company's announcement dated on 25 April 2022.

43. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 13 May 2022.

Five Years Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published consolidated financial statements and restated/reclassified as appropriate, is set out below.

	Year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Re-stated and re-presented)	(Re-stated and re-presented)	
RESULTS					
CONTINUING OPERATIONS					
REVENUE	**27,087**	21,161	473	28,390	37,183
Cost of sales and services rendered	**(23,803)**	(18,264)	–	(22,808)	(29,916)
Gross profit	**3,284**	2,897	473	5,582	7,267
Other income and gains	**(30)**	457	1,671	1,616	1,825
Administrative expenses	**(6,641)**	(16,413)	(18,107)	(39,056)	(44,400)
Finance costs	**(2,212)**	(767)	(734)	(2,192)	(1,432)
Fair value loss on equity investments at fair value through profit or loss	**–**	(90)	(238)	(1,134)	(132)
Fair value loss on debt investment at fair value through profit or loss	**(87)**	(3,203)	(130)	(18)	–
Loss on disposal of debt investments at fair value through other comprehensive income	**–**	–	–	(232)	–
Loss on disposal of equity investment at fair value through profit or loss, net	**–**	–	–	–	(7,689)
Loss on written off property, plant and equipment	**–**	–	–	(120)	–
Loss on written off of intangible assets	**–**	–	–	–	–
Impairment loss on inventories	**–**	–	–	(367)	(1,814)
Impairment loss on goodwill	**–**	–	–	(3,522)	–
Impairment loss on property, plant and equipment	**–**	–	–	(919)	(16,789)
Impairment loss on available-for-sale investments	**–**	–	–	–	(6,814)
Impairment loss on other receivables	**(115)**	(218)	–	(8)	–
Written off of other receivables	**–**	(211)	(732)	–	–
Loss on disposal of subsidiaries	**–**	(368)	–	–	–
Impairment loss on trade receivables	**(740)**	–	–	(1,030)	(88)
Impairment loss on intangible assets	**–**	–	–	–	(41,574)
Share of loss of associates	**–**	(71)	(813)	(2,039)	(3,906)
LOSS BEFORE INCOME TAX	**(6,541)**	(17,987)	(18,610)	(43,439)	(115,546)
Income tax expenses	**(746)**	(697)	–	(644)	(314)
LOSS FOR THE YEAR FROM CONTINUING OPERATION	**(7,287)**	(18,684)	(18,610)	(44,083)	(115,860)

Five Years Financial Summary

	Year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Re-stated and re-presented)	(Re-stated and re-presented)	
DISCONTINUED OPERATION					
(Loss)/profit from discontinued operation	**–**	(841)	4,814	–	–
LOSS FOR THE YEAR	**(7,287)**	(19,525)	(13,796)	(44,083)	(115,860)
Loss for the year attributable to:					
Owner of the Company	**(7,287)**	(29,918)	(19,538)	(36,769)	(103,347)
Non-controlling interests	**–**	10,393	5,742	(7,314)	(12,513)
	(7,287)	(19,525)	(13,796)	(44,083)	(115,860)

	As at 31 December				
	2021	2020	2019	2018	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Restated)	(Restated)	
TOTAL ASSETS	**22,304**	19,534	74,396	105,488	147,906
TOTAL LIABILITIES	**(70,260)**	(61,575)	(58,035)	(83,673)	(77,519)
NON-CONTROLLING INTERESTS	**–**	–	(5,650)	92	(7,304)
TOTAL EQUITY/(DEFICIT) ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	**(47,956)**	(42,041)	10,711	21,907	63,083