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

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

Stock Code: 8150

ANNUAL REPORT 2021

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

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

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

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

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CORPORATE INFORMATION

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

CORPORATE INFORMATION

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

Dear Shareholders,

On behalf of the board of directors of the Company (the "Board"), I hereby present the annual report of the Company and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2021 (the "Year").

BUSINESS

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

RESULTS

Since 2020, the unexpected outbreak of COVID-19 brought unprecedented impact to the world economy. The supply chain for the Group's production lines in the PRC were affected. Thanks to the government's strict prevention and control measures and its experience in containing the pandemic, domestic economy is in an undulating recover; however our production has yet to resume to the normal level before the pandemic.

During the Year, the Group recorded a revenue of approximately HK$110.9 million (2020: HK$142.0 million), representing a decrease of approximately 22.0% against the prior year. Loss attributable to the owners of the Company amounted to approximately HK$13.0 million (2020: HK$11.2 million), representing an increase of loss of approximately 16.1% as compared to 2020. Basic loss per share for the Year was HK0.83 cents (2020: HK0.71 cents).

LED and related products

The revenue of the LED and related products division for the Year amounted to approximately HK$107.9 million, representing a decrease of approximately 22.3% as compared to approximately HK$138.9 million in 2020. The weak consumer sentiment and market condition have resulted in conservative procurement planning by customers, and the production has yet to resume to the normal level before pandemic. The pandemic will remain the biggest uncertainty faced by the Group in 2022. The Group will continue to launch marketing and business development programmes, implement cost-control measures, and diversify its product range with the view to stimulating sales and strengthening the Group's resistance toward these downturn factors such as pandemic, raw material shortage or change of customer appetite.

Optoelectronic products

The revenue of the optoelectronic products division for the Year remained relatively stable at approximately HK$2.7 million (2020: HK$2.7 million).

Liquor products

The revenue of liquor products division for the Year amounted to approximately HK$0.3 million (2020: HK$0.4 million), representing a decrease of approximately 35.5% as compared to 2020.

Sapphire watch crystals

No revenue for this business segment was generated for the Year (2020: Nil).

PROSPECTS

Looking into 2022, there are still many uncertainties in the global economic environment. With the implementation of the central government's strict prevention and control measures across the country, the domestic economy began gradually returning to normal. However, the recent emergence of Omicron variants have resulted in certain disruptions, such as trucking shortages, vessel delays, labour shortages, and warehousing and manufacturing closures in various parts of the PRC.

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

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

APPRECIATION

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

Wong Kin Hong
Chairman
Hong Kong, 30 June 2022

BUSINESS AND FINANCIAL REVIEW

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

During the year ended 31 December 2021 (the "Year"), the total revenue of the Group amounted to approximately HK$110.9 million, representing a 22.0% decrease as compared to approximately HK$142.0 million for the year ended 31 December 2020 (the "Comparative Year"). Loss attributable to the owners of the Company for the Year was approximately HK$13.0 million, as compared to approximately HK$11.2 million in the Comparative Year.

Revenue

LED and related products division

The Group's LED and related products division recorded a revenue of approximately HK$107.9 million for the Year (Comparative Year: HK$138.9 million), representing a decrease of approximately 22.3%.The weak consumer sentiment and market condition have resulted in conservative procurement planning by customers, the production has yet to resume to the normal level before pandemic. The pandemic will remain the biggest uncertainty faced by the Group in 2022. The Group will continue to launch marketing and business development programmes, implement cost-control measures, and diversify its product range with the view to stimulating sales and strengthening the Group's resistance toward these downturn factors such as pandemic, raw material shortage or change of customer appetite.

Optoelectronics products division

The Group's revenue from optoelectronics products division remained relatively stable at approximately HK$2.7 million during the Year (Comparative Year: HK$2.7 million). The Board will continue to monitor the market situation and will continue to explore business opportunities to leverage on the Group's established experience in watch industry.

Trading of liquor products division

The Group's liquor trading division recorded a revenue of approximately HK$0.3 million (Comparative Year: HK$0.4 million), representing a decrease of 35.5% as compared to 2020. The Board will continue to adjust its strategy to explore business opportunities to leverage on the Group's established experience in liquor trading industry. The Company will also review the performance of its distribution channels and make necessary adjustments as and when necessary.

Sapphire watch crystals division

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

Administrative and other operating expenses

Administrative and other operating expenses mainly consisted of (i) staff costs; (ii) legal and professional fee; (iii) research & development expense; and (iv) other administrative expenses.

Total administrative and other operating expenses were approximately HK$16.3 million for the Year (Comparative Year: HK$13.2 million), representing an increase of 23.3% which was mainly due to increase in expense in relation to the development and launching new product during the Year.

Income tax (expense)/credit

Income tax expenses amounted to approximately HK$0.5 million for the Year, and income tax credit amounted to approximately HK$0.2 million for the Comparative Year. The income tax expense for the Year was mainly attributed by the recognition of deferred tax liabilities in relation to revaluation of investment property.

Provision for impairment of trade receivables

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

As at 31 December 2021, loss allowance of approximately HK$7.1 million (2020: HK$7.9 million) was recognised with respect to the Group's trade receivables of which approximately HK$5.7 million (2020: HK$3.3 million) were related to trade receivables due from customers with known financial difficulties or significant doubt on the collection that are individually assessed to be fully impaired. The rest of the loss allowance was calculated using a provision matrix.

Provision for impairment of property, plant and equipment

During the Year, the Group's management identified that one of the cash-generating units in LED segment has incurred losses significantly higher than budget previously prepared by management and considered it is an impairment indicator on the property, plant and equipment. The Group has performed an impairment assessment on these assets as at 31 December 2021 to determine the recoverable amount using value-in-use calculation.

Based on the results of the assessment, impairment of property, plant and equipment amounting to approximately HK$2.9 million (Comparative Year: Nil) was provided during the Year.

Provision for impairment of inventories

The Group assessed the provision of inventories at each period end and make allowance for obsolete and slow-moving inventory items identified that are no longer recoverable or suitable for use. The management estimates the net realisable value for inventories based on the nature, ageing, latest selling price, and expectation of future sales orders. The estimates are also subject to uncertainty of market trends, customer demands and technological development.

As at 31 December 2021, provision for impairment of inventories of approximately HK$2.7 million (2020: HK$1.1 million) was recognised.

Other current assets

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

With the concertive effort of the management, certain suppliers provide more lenient payment terms to the Group and therefore, the prepayments to suppliers decreased by HK$39.7 million from HK$57.6 million as at 31 December 2020 to HK$17.9 million as at 31 December 2021.

Capital structure, financial resources and liquidity

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

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

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

The gearing ratios as at 31 December 2021 and 2020 were as follows:

	2021 **HK$'000**	2020 HK$'000
Promissory notes	**15,000**	15,000
Lease liabilities	**3,685**	3,503
Other borrowings	**15,582**	61,522
Less: cash and cash equivalents	**(4,754)**	(11,245)
Net debt	**29,513**	68,780
Total equity	**26,002**	36,623
Total capital	**55,515**	105,403
Gearing ratio	**53.2%**	65.3%

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

The shareholders' funds of the Group decreased to approximately HK$26.0 million as at 31 December 2021 (2020: approximately HK$36.6 million), which was mainly due to the operating loss during the Year. The Group's current assets amounted to approximately HK$98.7 million as at 31 December 2021 (2020: approximately HK$165.8 million), of which approximately HK$4.8 million (2020: approximately HK$11.2 million) was cash and cash equivalents.

As at 31 December 2021, the Group had cash and cash equivalents of approximately HK$4.8 million (2020: approximately HK$11.2 million), of which approximately 79% and 21% (2020: approximately 95% and 5%) were denominated in Renminbi ("RMB") and Hong Kong dollars ("HKD") respectively.

As at 31 December 2021, all other borrowings and promissory notes of the Group bore fixed interest rates, the maturity (with repayable on demand clause) and currency profile are set out as follows:

	Within 1 year
	HK$'000
Hong Kong Dollars	29,781
Renminbi	801
	30,582

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

Foreign currency risk

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

Contingent liabilities

At 31 December 2021, the Group had no material contingent liabilities (2020: Same).

Employees and remuneration policies

As at 31 December 2021, the Group had 76 (2020: 63) employees. Employees were remunerated according to their performance and work experience. In addition to the basic salaries and retirement scheme, staff benefits including free accommodation at the Group's staff quarters in Hong Kong, performance bonus and share options. The total staff costs including Directors' remuneration for the Year were approximately HK$7.1 million (Comparative Year: approximately HK$5.9 million).

Significant investments, material acquisitions and disposal of subsidiaries and affiliated companies and future plans for material investments or additions of capital assets

The Group had no significant investments, material acquisitions and disposal of subsidiaries and affiliated companies during the Year nor there were any future plans for material investments or additions of capital assets as at 31 December 2021 (2020: Same).

Pledge of assets

As at 31 December 2021, the Group had no pledge of assets (2020: Same).

Litigation

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

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

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

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

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

Save as disclosed above, there is no other development for these litigation, neither the Company nor any of its subsidiaries was involved in any material litigation at the end of the reporting period.

Events after the end of the reporting period

Subscription of new shares under general mandate

On 15 December 2021, the Company entered into subscription agreements with two independent third parties (the "Subscribers"), pursuant to which the Company has conditionally agreed to allot and issue, and the Subscribers have agreed to subscribe for an aggregate of 314,503,450 subscription shares at a price of HK$0.05 per share (the "Subscription"). The gross and net proceeds from the Subscription were approximately HK$15.73 million and HK$15.56 million, respectively.

In the light of the uncertainties in the global financial market, the Directors are of the view that it is desirable for the Company to strengthen its cash and financial position and its power to mitigate business and financial risks, and to maintain sufficient cash reserve to enhance the financial flexibility of the Group when exploring suitable investment and acquisition opportunities for the business development of the Company.

The Directors have considered various ways of fund raisings, including the best effort share placements as announced by the Company on 29 June 2021 (the "June Placing") and 15 November 2021 (the "November Placing"). Both the June Placing and the November Placing were subsequently terminated or lapsed. The direct subscriptions of the subscription shares by the subscribers procured by the Company would involve the incurring of lower costs, as compared to best-effort share placements conducted by placing agents. As compared to debt financing, equity fund-raising does not incur any interest cost. As compared to rights issue or open offer which requires the preparation of a prospectus, the Directors considered that the Subscriptions involves less administrative work and therefore save time and costs. In light of the above, the Directors considered that the subscription agreements are fair and reasonable and in the interests of the Company and the shareholders as a whole.

The Company intends to use the net proceeds as to approximately HK$10.00 million for the settlement of liabilities of the Group when they fall due, and as to approximately HK$5.56 million for the replenishment of the working capital of the Group.

On 10 January 2022, the Subscription was completed and 314,503,450 subscription shares were allotted and issued to the Subscribers. As at the date of this annual report, the net proceeds from the Subscription were fully utilised as intended. For further details, please refer to the announcements of the Company dated 15 December 2021 and 10 January 2022.

Capital reorganisation

In January 2022, the Board proposed to implement capital reorganisation of the share capital of the Company involving the Share Consolidation, the Capital Reduction, the Share Subdivision and the Share Premium Reduction (hereinafter defined) (collectively, the "Capital Reorganisation") as follows:

(1) every ten issued and unissued Existing Shares of HK$0.05 each will be consolidated into one Consolidated Share of HK$0.50 each (the "Share Consolidation");

(2) the issued share capital of the Company will be reduced through a cancellation of the paid-up capital of the Company to the extent of HK$0.49 on each of the issued Consolidated Shares such that the par value of each issued Consolidated Share will be reduced from HK$0.50 to HK$0.01 (the "Capital Reduction");

(3) immediately following the Capital Reduction, each of the authorised but unissued Consolidated Shares of HK$0.50 each will be sub-divided into fifty New Shares of HK$0.01 each (the "Share Subdivision");

(4) the entire amount standing to the credit of the share premium account of the Company will be cancelled (the "Share Premium Reduction"); and

(5) the credits arising in the books of the Company from (i) the cancellation of any fraction in the issued share capital of the Company which may arise from the Share Consolidation; (ii) the Capital Reduction; and (iii) Share Premium Reduction will be credited to the contributed surplus account of the Company within the meaning of the Companies Act.

Following the passing of the resolution of the Company to approve the Capital Reorganisation at the special general meeting held on 16 March 2022, the Capital Reorganisation became effective on 18 March 2022. For further details, please refer to the announcements/circulars of the Company dated 4 January 2022, 21 January 2022, 27 January 2022, 11 February 2022, 18 February 2022, 16 March 2022 and 18 March 2022.

Save and except otherwise disclosed in this annual report, there is no other material events occurred subsequent to the date of consolidated statement of financial position.

PROSPECTS

The outbreak of COVID-19 since 2020 lead to uncertain macroeconomic environment. The suppliers still adopt a conservative procurement planning and rigour collection processes, from granting credit period up to 60 days to requesting prepayment for procurement of raw materials for production of LED products.

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

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

BIOGRAPHIES OF DIRECTORS AND COMPANY SECRETARY

Executive Directors

Mr. Wong Kin Hong ("Mr. KH Wong"), aged 51, was appointed as an executive Director and the chairman of the Board on 25 June 2014 and 28 June 2014, respectively. Mr. KH Wong graduated from the Shenzhen University. Mr. KH Wong has been the managing director of a trading and IT company in Macau since 2002. He is the uncle of Mr. Huang Yonghua and Mr. Wong Tat Wa. Mr. KH Wong holds 25,500,000 shares of the Company.

Mr. Huang Yonghua ("Mr. Huang"), aged 34, was appointed as an executive Director on 25 June 2014. Mr. Huang graduated from the Lingnan College of Sun Yat-Sen University, majoring in international economics and trade (國際經濟與貿易). Mr. Huang has extensive working experience in financial and management aspects. He is a nephew of Mr. KH Wong.

Mr. Wong Tat Wa ("Mr. Wong"), aged 39, was appointed as an executive Director on 25 June 2014 and an authorised representative of the Company on 1 July 2014. Mr. Wong graduated from the University of Macau with a bachelor's degree in law. Mr. Wong is currently a trainee solicitor in a law firm in Macau. He also acts as a legal consultant of various companies in Macau. Mr. Wong has extensive working experience in legal aspects. He is a nephew of Mr. KH Wong.

Ms. Leung Po Yee ("Ms. Leung"), aged 53, was appointed as an executive Director on 25 June 2014 and a compliance officer of the Company on 16 September 2014. Ms. Leung graduated from the University of Hong Kong, majoring in English. Ms. Leung has been specialising in the fields of financial translation, corporate communications and public relations in Hong Kong for more than 21 years. She started her career in financial translation and communications with Beauhorse Professional Translation Limited in 1994 and became a manager of the company to build its leading position in translation of H-share IPO documents. Ms. Leung joined Manulife (International) Limited in 2004 as the Corporate Communications Manager. During her service at Manulife (International) Limited, Ms. Leung supervised the in-house translation department which provided language service across the company. Ms. Leung was also responsible for public relations and has established close connection with the media. In 2011, Ms. Leung joined Lohas Global in China as a company secretary and has been responsible for the management and development of online business platform.

Independent non-executive Directors ("INEDs")

Mr. Yan Guoniu ("Mr. Yan"), aged 67, was appointed as an INED on 25 June 2014 and was appointed as the chairman of each of the Board's audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") on the same date. Mr. Yan graduated from the Chinese Department of Foshan University and the Faculty of Law of Sun Yat-Sen University. Mr. Yan is currently a partner of a law firm in the People's Republic of China (the "PRC"). He is a member of the Legal Experts Panel of the Standing Committee of the People's Congress of Sanshui District, Foshan, Guangdong Province (廣東省佛山市三水區人大常委會法律專家委員會委員) and a mediator of the Commercial Mediation Committee of Sanshui Chamber of Commerce in Foshan (佛山市三水區商會企業商事調解委員會調解員). Mr. Yan has comprehensive working experience in the legal affairs of architecture, real estate, economic contracts and corporate law.

Mr. Ou Wei An ("Mr. Ou"), aged 54, was appointed as an INED and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee on 11 July 2014. Mr. Ou was awarded a master's degree in law from the Xiangtan University (湘潭大學), Hunan in 1999 and a doctorate's degree in law from the Sichuan University in 2008. Mr. Ou is a professor of the Law School of Guangzhou University and has been practising as a registered lawyer in China since 2001. Mr. Ou is currently a guest legal expert of the Guangzhou City Federation of Industry and Commerce.

Mr. Tang Rong Gang ("Mr. Tang"), aged 53, was appointed as an INED and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee on 25 June 2014. Mr. Tang graduated from the Hainan Open University (海南廣播大學) and was qualified as an assistant accountant in Guangdong Province in 2004. He has over 22 years of working experience in the accounting field.

Mr. Ng Yu Ho, Steve ("Mr. Ng"), aged 44, was appointed as an INED on 13 November 2014. Mr. Ng is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Ng graduated from the Hong Kong Polytechnic University with a bachelor's degree in accountancy. He has worked in PricewaterhouseCoopers Hong Kong for 9 years. He has extensive experience in auditing and has in-depth knowledge in auditing and accounting standards. The clients he served included both private and public companies, across different industries such as construction and property development, manufacturing, retailing, pharmaceutical and other services industries.

* *for identification purpose only*

BIOGRAPHIES OF DIRECTORS AND COMPANY SECRETARY

Company Secretary

Mr. Fung Nam Shan ("Mr. Fung"), aged 45, was appointed as the company secretary and an authorised representative of the Company since 1 July 2014. Mr. Fung holds a degree of bachelor of commerce awarded by the University of Newcastle, Australia. Mr. Fung has become a certified public accountant of the Hong Kong Institute of Certified Public Accountants since February 2010 and a Certified Practising Accountant of CPA Australia since October 2003.

Currently, Mr. Fung is an independent non-executive director of Energy International Investments Holdings Limited (a company listed on the Main Board of the Stock Exchange (stock code: 0353)) and JH Educational Technology INC. (a company listed on the Main Board of the Stock Exchange (stock code: 1935)). He is the company secretary of Thelloy Development Group Limited, a company listed on Main Board of the Stock Exchange (stock code: 1546). He was an independent non-executive director of China Fortune Investments (Holding) Limited, which was listed on GEM of the Stock Exchange (stock code: 8116), during the period from August 2021 to September 2021. He was the joint company secretary of Future Bright Mining Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2212) during the period from 4 November 2015 to 14 October 2016 and the company secretary and/or authorised representative of each of China Ocean Group Development Limited (formerly known as "China Ocean Fishing Holdings Limited"), a company listed on GEM of the Stock Exchange (stock code: 8047) during the period from 20 May 2015 to 16 May 2017, MH Development Limited (formerly known as Camsing International Holding Limited), which was listed on the Main Board of the Stock Exchange (stock code: 2662), during the period from February 2016 to August 2021, China Supply Chain Holdings Limited (formerly known as Yat Sing Holdings Limited), a company listed on the Main Board of the Stock Exchange (stock code: 3708) during the period from March 2016 to July 2021 and Yues International Holdings Group Limited (formerly known as Goal Rise Logistics (China) Holdings Limited), a company listed on the Main Board of the Stock Exchange (stock code: 1529) during the period from 23 June 2021 to 2 June 2022.

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

Mr. Fung is the director of CityLinkers Corporate Solutions Limited, a professional services provider offering services in areas of finance, compliance, legal and advisory.

CORPORATE GOVERNANCE

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

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

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

Code provision A.4.1 (deleted with effect from 1 January 2022) of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. All Directors (including executive Directors and INEDs) are not appointed for a specific term but they are all subject to retirement by rotation and re-election in accordance with the Bye-laws of the Company.

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

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

COMPOSITION OF THE BOARD

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RESPONSIBILITIES

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

DIRECTOR'S RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENT

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

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

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

BOARD DIVERSITY POLICY

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

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

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

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

DELEGATION BY THE BOARD

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

During the Year, the Board held 9 meetings in total for (i) reviewing and approving the Group's annual, half-yearly and quarterly reports of the Company, (ii) considering and approving fund raising activities, (iii) the adoption of the new share option scheme, and (iv) the determination of environmental targets and relevant matters.

The Company held an annual general meeting on 30 June 2021 and a special general meeting on 17 December 2021. All proposed Shareholders' resolutions put to the above general meetings were resolved by poll vote and were duly passed. The vote tally of each such resolution was set out in the Company's announcement released on the day of the general meeting. The individual attendance record of each Director at the meetings of the Board and the general meetings of the Company during the Year is set out below:

Name of Directors	Attendance/ Number of Board Meetings	Attendance/ Number of General Meetings
Executive Directors:		
Mr. Wong Kin Hong *(Chairman)*	9/9	2/2
Mr. Huang Yonghua	9/9	2/2
Mr. Wong Tat Wa	9/9	2/2
Ms. Leung Po Yee	9/9	2/2
INEDs:		
Mr. Yan Guoniu	9/9	2/2
Mr. Tang Rong Gang	9/9	2/2
Mr. Ou Wei An	9/9	2/2
Mr. Ng Yu Ho, Steve	9/9	2/2

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

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

AUDIT COMMITTEE

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

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

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

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

The Audit Committee reviewed the unaudited annual results for the year ended 31 December 2021 on 31 March 2022 and the audited annual results for the year ended 31 December 2021 on 30 June 2022. The Company's financial statements for the Year have been reviewed by the Audit Committee. The Audit Committee considered that the relevant financial statements have been prepared in compliance with the applicable accounting principles and requirements of the Stock Exchange and disclosures have been fully made.

During the Year, the Audit Committee held 4 meetings and performed duties including reviewing the Group's annual, half-yearly and quarterly reports of the Company.

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

Name of Members	**Attendance/ Number of Meetings**
Mr. Yan Guoniu	4/4
Mr. Tang Rong Gang	4/4
Mr. Ou Wei An	4/4
Mr. Ng Yu Ho, Steve	4/4

REMUNERATION COMMITTEE

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

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

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

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

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

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

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

NOMINATION COMMITTEE

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

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

(a) Reputation for integrity;

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

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE FUNCTIONS

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

DIRECTORS' SECURITIES TRANSACTIONS

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

CONTINUOUS PROFESSIONAL DEVELOPMENT FOR DIRECTORS

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

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

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

DIRECTORS AND OFFICERS INSURANCE

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

COMPANY SECRETARY

The company secretary of the Company (the "Company Secretary") is an external service provider, and his primary corporate contact person is Mr. KH Wong, an executive Director and the Chairman of the Board, for the purpose of code provision F.1.1 (subsequently rearranged and renumbered as C.6.1) of the CG Code. The Company Secretary is to ensure a good information flow within the Board and between the Board and senior management of the Company, to provide advice to the Board in relation to the Directors' obligations under the GEM Listing Rules and applicable laws and regulations and to assist the Board in implementing the corporate governance practices. Mr. Fung Nam Shan, the Company Secretary of the Company, has attended and complied with the 15-hour of relevant professional training requirement under Rule 5.15 of the GEM Listing Rules.

INTERNAL CONTROLS

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

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

RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

The directors of the Company have reviewed the Group's cash flow projections, which cover a period of 12 months from 31 December 2021. The directors are of the opinion that, taking into account of the following plans and measures, the Group will have sufficient working capital to meet its financial obligation as and when they fall due within the next 12 months from 31 December 2021:

(1) In January 2022, the Company completed the allotment and issuance of 314,503,450 subscription shares at the subscription price of HK$0.05 per share. The net proceeds from the share subscription amounted to approximately HK$15.6 million; and

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

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

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements of the Group for the Year is set out in the Independent Auditor's Report on pages 56 to 64 of this annual report.

AUDITOR'S REMUNERATION & RESPONSIBILITIES

The external auditor perform independent review or audit of the financial statements prepared by the management. Linksfield CPA Limited ("Linksfield") has been re-appointed as the independent auditor of the Company by Shareholders at the annual general meeting of the Company held on 30 June 2021. There is no change in the Company's auditor in any of the preceding three years.

During the Year, the remuneration paid/payable to the Company's auditor, Linksfield, for audit services amounted to HK$688,000, and no non-audit services was provided by Linksfield.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

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

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

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

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

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

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

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

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

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

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

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

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

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

Constitutional documents

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Sustainable Development Objectives

The Group is principally engaged in the manufacturing and trading of Light-Emitting Diodes ("LED") and related products, manufacturing and sale of optoelectronic products and sapphire watch crystals, trading of liquor and property investment. The Group has operations in Hong Kong, Guangzhou, Dongguan and Jiangmen, the PRC.

The global health and economic crisis resulting from the Coronavirus Disease-2019 ("COVID-19") pandemic has intensified investors and corporate stakeholders' concern regarding environmental, social and governance (the "ESG") matters. The Group also experienced interruption of business activities whereas COVID-19 disrupted employees' working routine. Therefore, it is inevitable for the Group to assess risks and prepare responses to them so as to develop the Group sustainably. The Board (the "Board") of directors (the "Directors") of the Group recognizes the impacts of COVID-19 and is committed to lead and steward the Group with the aim of analysing risks, achieving long-term returns to its shareholders, providing a safe working environment to its employees, and to generating a sustainable environment to the community.

ESG Approach and Commitment

ESG are the preferred and important factors to measure a company's non-financial performance, as well as for company valuation, risk management and regulatory compliance. It is inevitable that ESG performance is one of the key criteria to demonstrate corporate social responsibility. By assessing and evaluating ESG-related risks and reporting performance, the Group was able to ensure operational reliance, corporate social responsibility and compliance with the relevant legal and regulatory requirements. Both qualitative information and quantitative data were collected for this ESG report (the "Report") to demonstrate the Group's ESG performance and its commitment to sustainable performance.

About the Report

Reporting Scope

The Report summarized the policies, management approach and performance of the Group's core and material business in the manufacturing and trading of LED and related products, manufacturing and sale of optoelectronic products and sapphire watch crystals, trading of liquor and property investment. The Report was prepared in accordance with the reporting principles of 'Materiality', 'Quantitative', 'Balance' and 'Consistency'. With the aim to optimize the reporting process and expanding disclosures in the Report, the Group was dedicated in gathering the relevant data, formulating, implementing and monitoring policies. The Report has been approved by the board (the "Board") of directors (the "Directors") of the Company

Reporting Period

The Report focused on the environmental and social performance of the Group for the reporting period from 1st January 2021 to 31st December 2021 (the "Reporting Period").

Reporting Framework

The Report was prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") contained in Appendix 20 of the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") published by the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Report complied with the "comply or explain" provisions of the ESG Reporting Guide. For a full list of ESG aspects, respective key performance indicators ("KPIs") and their references within the Report, is included at the end of the Report for reference.

Stakeholder Engagement

As a responsible business enterprise and to achieve sustainable development, it is essential for the Group to understand its stakeholders' expectation and concerns with regards to its business development strategies, risk management measures and internal control systems. The Group strives to foster a collaborative relationship with its stakeholders including shareholders, investors, policymakers, regulators, employees, customers, business partners, suppliers and community members, through constant communications. The Group engaged its stakeholders through various approaches to convey ESG goals and collect comments and feedback with the aim to structure business strategies that can create long-term value for its stakeholders. The following table highlighted the Group's key stakeholders and the corresponding communication approaches.

Stakeholder Group	Approach of Engagement
Community	Corporate website Announcements and news Financial statements/ESG information
Customers	Business meetings Corporate website Contracts and agreements Customer service contact
Employees	Orientations, trainings, and meetings Performance appraisals Notices and circulars Emails and other electronic communications
Policymakers and Regulators	Announcements and notices Financial statements/ESG information Listing documents
Investors and Shareholders	Annual general meeting and notices Financial statements/ESG information Investors meetings
Suppliers and Business Partners	Contracts and agreements Quotations and tendering process Management/Business meetings and interviews

Materiality Assessment

To better understand the views and expectations of stakeholders on the ESG performance of the Group, materiality assessment is conducted annually to assess the importance of ESG issues to the stakeholders and to identify ESG related risks and opportunities. The assessment helped to ensure that the Group's business objectives and development direction are coincided with the stakeholders' expectations and requirements. The Group concluded that workplace health and safety, regulatory compliance and the product supply chain are issues of high importance.

Stakeholders' Feedback

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

Address: Room 1604, Seaview Commercial Building 21-24 Connaught Road West, Sheung Wan, Hong Kong
Email: sgcholdings@gmail.com

Environmental Performance

The Group is committed to the long-term sustainability of the environment and communities in which it has operations. The Group continued to enforce its environmental management policy by using environmentally sustainable materials, energy efficient technologies and products, preventing pollution, and reducing waste. The Group measured and managed its environmental performance in several aspects throughout its operations and implemented electricity saving, emission reduction and recycling initiatives.

Emissions Policy and Compliance

The Group proactively cultivate employees' environmental awareness and manage its operations at all levels in a sustainable manner. The Group has made great efforts in reducing its emissions as well as its consumption of resources. Its energy conservation practices included deploying energy efficient lightings, switching off idle lightings, computers and electrical appliances and equipment, monitoring water consumption, using digital technology and recycled paper, encouraging the use of public transport, and using tele or video conferencing as an alternative to business travel.

The Group strictly complied with all material aspects of applicable environment protection laws and regulations in the PRC, including but not limited to the following:

– The Environmental Protection Law of the PRC;

– The Energy Conservation Law of the PRC;

– Law of the PRC on the Prevention and Control of Water Pollution;

– Law of the PRC on the Prevention and Control of Pollution from Environmental Noise;

– Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste.

Carbon Footprint – Greenhouse Gas Emissions

Carbon footprint is defined as the total amount of direct and indirect emissions of greenhouse gas (the "GHG") expressed in terms of equivalent amount of carbon dioxide ("CO_2-e") emission. During the Reporting Period, the total operation area, comprising the Group's headquarters, offices and factory, was 6,194.37 square metres ("m^2") (2020: 3,611.93 m^2) and was accounted for 100% of its GHG emissions.

The total net GHG emissions generated by the Group was 439.12 tonnes of carbon dioxide equivalent ("tCO_2-e") (mainly carbon dioxide, methane and nitrous oxide) (2020: 152.89 tCO_2-e) and the emission intensity was 0.071 tCO_2-e/m^2 (2020: 0.042 tCO_2-e/m^2) during the Reporting Period. The electricity consumption resulting from the manufacturing activities was the major GHG emissions of the Group.

The following table listed the carbon footprint of the Group:

Scope	Sources of GHG emissions	2021	2020	2019
		GHG* emissions (in tCO_2-e)		
1	Mobile – Gasoline	53.55	41.57	41.56
2	Purchased electricity	383.09	106.65	281.06
3	Disposal of paper waste	1.25	2.30	2.96
	Fresh water processing	0.81	1.61	2.19
	Sewage water processing	0.41	0.76	nil
	Total GHG* emissions	439.12	152.89	327.77
	Carbon Emission intensity per m^2	0.071	0.042	0.062
	Carbon Emission intensity per million HK$ revenue^	3.96	1.08	2.24

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

^ During the Reporting Period, the total revenue of the Group was HK$110,860,000 (2020: HK$142,047,000, 2019: HK$ 146,602,000)

Air emission

Air emission is generated from the use of gasoline or diesel-powered motor vehicles used by employees for commuting and transporting goods. Motor vehicles emit a considerable amount of pollutant into the environment. The following table highlighted the total air emission of the Group.

Types of Pollutants	2021	2020	2019
	Emission Data (kilograms) ("kgs")		
Nitrogen Oxides (NO_X)	13.31#	11.47#	Data not available
Sulphur Dioxide (SO_2)	0.29	0.23	0.23
Particulate Matter	0.98#	0.84#	Data not available

Estimated mileage driven during the Reporting Period

Hazardous and Non-hazardous Waste Disposal

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

Paper and printed matters were one of the non-hazardous wastes generated by the Group. The GHG emissions constituted by paper waste was 1.25 tCO_2-e (2020: 2.30 tCO_2-e) during the Reporting Period. Furthermore, packaging waste and municipal solid waste were another non-hazardous waste generated by the Group. It was recorded that 6 tonnes of packaging and municipal waste were generated, and they were properly classified according to their recycling nature and were collected by the building management for recycling and disposal.

Use of Resources

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

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

Scope	Sources of GHG emissions	2021		2020	
		Consumption	Intensity	Consumption	Intensity
1	Mobile – Gasoline & diesel	19,775.00 L	0.70 tCO_2-e/employee	15,350.00 L	0.66 tCO_2-e/employee
2	Purchased electricity	477,207.00 kWh	77.04 kWh/m^2	119,713.00 kWh	33.14 kWh/m^2
3	Disposal of paper waste	260.76 kg	0.02 tCO_2-e/employee	479.54 kg	0.04 tCO_2-e/employee
	Water processing	1,953.8 m^3	0.02 tCO_2-e/employee	3,789.60 m^3	0.04 tCO_2-e/employee
	Packaging Materials	20.20 tonnes	182.21 kg/HK$'000 revenue	15.50 tonnes	109.12 kg/HK$'000 revenue

Fossil Fuel Consumption – Gasoline

The air emission of gasoline and diesel-powered motor vehicles may affect the people and neighbouring communities through its environmental impact. The total gasoline consumption was 19,775.00 litres ("L") and constituted to 12.2% of the Group's total carbon footprint. Regular maintenance on vehicles were conducted to ensure optimal vehicle performance and fuel efficiency.

Energy Consumption – Electricity

The total electricity consumption was 477,207.00 Kilowatt-hour ("kWh") and constituted to 87.2% of the Group's total carbon footprint. It was attributed to the electricity usage of lightings, air-conditioning, and electrical appliances and equipment. The Group's energy saving practices also included the use of window blinds in the offices for insulation to reduce indoor temperature during summer season.

Water Consumption

During the Reporting Period, the Group did not encounter any issue in sourcing water that was fit for purpose. The Group consumed 1,953.80 cubic metres ("m^3") of freshwater that attributed to merely 1.3% of the Group's total carbon footprint. However, it could not reflect the actual water used since the Group's headquarters in Hong Kong and the office in Guangzhou are located at commercial buildings where water supply is included in the property management fee, so the volume used was not available for disclosure. Besides, the amount used was insignificant. Nevertheless, the Group cherishes the earth's water resource, special attention was given to avoid any wastage.

Paper Consumption

Reducing the consumption of paper in its offices has been one of the environmental objectives of the Group. 260.76 kg of paper and printed matters were used by administration, marketing and report publication purposes during the Reporting Period. The Group will continue to monitor its paper reuse and recycling efficiency to reduce paper consumption and disposal.

Total Packaging Material Used for Finished Products

The use of packaging materials is unavoidable to the Group. Various packaging materials ranging from carton boxes, plastic wrapping, adhesive type and stretch films were used for the packaging of finished products. Approximately 20.20 tonnes (2020: 15.50 tonnes) of packaging materials were used for product protection and transportation. With the aim to reduce waste and minimize its environmental impact, the Group constantly considers using fewer packaging materials and at the same time, evaluates the use of more environmentally friendly materials by encouraging employees and suppliers' feedback through research and discussions.

The Environment and Natural Resources

The Group made every endeavour to applying industry standard, complying with regulations, establishing and reviewing safety and environmental objectives. To seek long-term sustainability of the environment and communities where it has operations, the Group has made great efforts in controlling its emissions as well as documenting its consumption of resources during the Reporting Period. As the Group's business is mainly conducted indoor, minor environmental impact is caused by its operations.

Employment and Labour Practices

Employment Policy and Compliance

As at 31st December 2021, the total workforce of the Group was 76 (2020: 63). The Group understands that human resources is the heart of a business organisation, and it is essential to the Group's development and future success. The Group strives to protect employees' rights and well-being and continues to foster a positive working culture by building a stimulating yet harmonious working environment for its employees.

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

Employee Structure		**2021**	**2020**	**2019**
Total number of employees		76	63	72
By classification	Full-time	94.7%	73.3%	94.4%
	Part-time	5.3%	6.7%	5.6%
By gender	Male	43.4%	47.6%	51.4%
	Female	56.6%	52.4%	48.6%
By age group	18-25	14.5%	12.7%	9.7%
	26-35	34.2%	41.3%	31.9%
	36-45	23.7%	19.0%	26.4%
	46-55	17.1%	17.5%	27.8%
	56 or above	10.5%	9.5%	4.2%
By employee category	Management	18.4%	22.2%	19.4%
	Administrative	34.2%	27.0%	29.2%
	General	47.4%	50.8%	51.4%
Annual Turnover		63.3%	N/A+	N/A+

+ Data not available

Occupational Health and Safety Policy

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

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

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

During the Reporting Period, the Group has not identified any material non-compliance with relevant health and safety related laws and regulations.

Occupational Health and Safety Data	2021	2020	2019
Number of work injury cases	0	0	0
Lost days due to work injury	0	0	0
Number of work-related fatalities	0	0	0
Work injury rate	0	0	0

Human Resources Development and Training

The Group is committed to providing a decent working environment to its employees with opportunities to progress within the Group. Various professional and technical training programs were provided to its employees according to their job responsibilities. On-the-job trainings were also provided to enhance their expertise and skills at work. To encourage lifelong learning and help employees to cope with the growing needs of emerging technologies, the Group offers tuition assistance to employees who would want to further develop themselves and progress on their career paths. The average training hours and the percentage of employees trained by employee category are as follow:

Training		2021	2020	2019
Total (hours)		540.0	2,952.0	560.0
Average (per employee) (hours)		7.1	46.9	7.8
By Employee Category (Average training hours per employee)				
Management	By hour	11.7	N/A+	N/A+
Administrative	By hour	6.1	N/A+	N/A+
General	By hour	6.1	N/A+	N/A+

\+ Data not available

Labour Practices and Compliance

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

The recruitment and employment of employees are conducted in a fair and equal manner so that suitable talents are recruited in accordance with the job requirement, relevant laws, and candidates' expectation. During the Reporting Period, there was no incidence of work stoppages, labour disputes, litigation, claims, administrative action or arbitration against the Group.

Operating Practices

Supply Chain Management

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

Supplier Engagement

The Group recognizes the importance of using strategic suppliers who offer high quality, safe, environmentally friendly, and technologically advanced products to meet the Group's developing needs. There were a total of 152 products and services suppliers (2020: 154) on the Group's approved suppliers list during the Reporting Period, the list is updated periodically and communicated to employees on a regular basis. To effectively communicate with and manage the quality performance of the suppliers, the Group mainly chose the suppliers who are in the proximity of respective operating location to reduce transportation time and cost.

Product Responsibility and Quality Assurance Process

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

Data Protection and Privacy Policy

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

Intellectual Property Rights Protection

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

Anti-corruption Policy

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

Conflict of Interest Policy

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

Preventive Measures and Whistle-blowing Procedures

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

Community

Community Care

The Group's community investment policy is designed to ensure its business is conducted in a sustainable manner that can benefit its customers and its shareholders, and at the same time, minimise any potential environmental and social impact to its stakeholders, particularly to its employees and the community. The Group will explore opportunities in participating in future charitable or community events to play a part in strengthening the communities in Hong Kong and the PRC.

ESG Reporting Guide Key Performance Indexes (the "KPIs") Reference Table

Reference KPIs of the ESG Reporting Guide		Corresponding KPIs in the sections of the Report
A. Environment		
A1: Emissions	A1.1: Emissions Data A1.2: Greenhouse gas emissions A1.3: Total hazardous waste A1.4: Total non-hazardous waste A1.5: Measures to mitigate emissions A1.6: How hazardous and non-hazardous waste are handled	– Environmental Performance – Emissions Policy and Compliance – Carbon Footprint – Greenhouse Gas Emissions – Air Emission – Hazardous and Non-hazardous Waste Disposal
A2: Use of Resources	A2.1: Direct and/or indirect energy consumption A2.2: Water consumption A2.3: Energy use efficiency A2.4: Issue in sourcing water A2.5: Total packaging materials used	– Use of Resources
A3: The Environment and Natural Resources	A3.1: Significant impacts of activities on the environment and natural resources	– Emissions Policy and Compliance – Use of Resources – The Environment and Natural Resources
B. Social		
Employment and Labour Practices		
B1: Employment	B1: Policies and compliance	– Employment Policy and Compliance
B2: Health and Safety	B2: Policies and compliance	– Occupational Health and Safety Policy
B3: Development and Training	B3: Policies on improving employees' knowledge and skills	– Human Resources Development and Training
B4: Labour Standards	B4: Policies and compliance	– Labour Practices and Compliance

Reference KPIs of the ESG Reporting Guide		Corresponding KPIs in the sections of the Report
Operating Practices		
B5: Supply Chain Management	B5: Policies on managing environmental and social risks of the supply chain	– Supply Chain Management – Supplier Engagement
B6: Product Responsibility	B6: Percentage of total products sold subject to recalls	– Product Responsibility and Quality Assurance Process – Data Protection and Privacy Policy – Intellectual Property Rights Protection
B7: Anti-corruption	B7: Legal cases regarding corrupt practices	– Anti-corruption Policy and Compliance – Conflict of Interest Policy – Preventive Measures and Whistle-blowing Procedures
Community Investment		
B8: Community Investment	B8: Policies on community engagement	– Community Care

The Directors submit their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2021 (the "Year").

PRINCIPAL ACTIVITIES

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

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

RESULTS AND DIVIDENDS

Details of the audited consolidated results of the Group for the Year are set out in the consolidated statement of profit or loss and consolidated statement of comprehensive income on pages 65 and 66, of this annual report.

The Board does not recommend the payment of a final dividend for the Year (2020: Nil).

BUSINESS REVIEW

A fair review of the business of the Group as well as discussion and analysis of the Group's performance during the Year and the material factors underlying its financial performance and financial position can be found in the "Chairman's Statement" and "Management Discussion and Analysis" set out on pages 4 to 5 and pages 6 to 12 respectively. An analysis of the Group's financial risk management is provided in note 3 to the consolidated financial statements.

Looking ahead, the global economic environment remains challenging. The Group will continue to combat rising operating costs by bolstering production efficiency and employing stringent cost control measures. The Group will focus on the LED and related products business in 2022, with more of the Group resources being allocated in this business line as an initiative to improve the Group's financial performance.

Environmental policies and performance

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

Compliance with law and regulation

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

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

Key relationships with employees, customers and suppliers

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

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

Principal risks and uncertainties facing the Company

Risk relating to the business growth sustainability

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

Market risk on the existing LED and related products

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

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

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

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

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

SUBSIDIARIES

Details (including the principal activities) of the Company's principal subsidiaries as at 31 December 2021 are set out in note 37(a) to the consolidated financial statements.

RESERVES

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

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Year are set out in note 15 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2021, no reserve was available for distribution to the owners of the Company (2020: Nil).

PRE-EMPTIVE RIGHTS

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

GROUP FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 146 of this annual report.

SHARE CAPITAL

Details of the movements in share capital of the Company during the Year are set out in note 26 to the consolidated financial statements.

DIRECTORS

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

Executive Directors:

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

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

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

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

Confirmation of independence of INEDs

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

Biographies of Directors
The biographical details of the Directors are set out on pages 13 to 14 of this annual report.

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

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

Directors' and controlling shareholders' interests in transactions, arrangements or contracts of significance
No transactions, arrangements or contracts of significance in relation to the business of the Group to which the Company, or any of its holding companies, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year, nor was there any transaction, arrangements or contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder (as defined in the GEM Listing Rules) or any of its subsidiaries for the Year.

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

Directors' emoluments
Details of the remuneration of the Directors on a named basis during the Year are set out in note 11 to the consolidated financial statements.

Remuneration policy
The remuneration policy of the Company is reviewed regularly, making reference to the market conditions and performance of the Company and individual staff (including the Directors). The remuneration policy and remuneration packages of the Directors and senior management are reviewed by the remuneration committee and the Board, which are detailed in the paragraph headed "Remuneration Committee" under the Corporate Governance Report on page 22 of this annual report.

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

PENSION-DEFINED CONTRIBUTION PLANS

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

SHARE OPTIONS SCHEME AND OUTSTANDING SHARE OPTIONS

On 8 March 2011, the Company approved and adopted a share option scheme (the "2011 Share Option Scheme") which expired on 7 March 2021. After 7 March 2011, no further share option shall be offered pursuant to the 2011 Share Option Scheme but the 2011 Share Option Scheme shall in all other respects remain in force and effect and the options which were granted during the life of the 2011 Share Option Scheme may continue to exercisable subject to their respective terms of issue and the provision of the 2011 Share Option Scheme.

2011 SHARE OPTION SCHEME

The purpose of the 2011 Share Option Scheme provided incentives and rewards to eligible participants who contribute to the success of the Group's operations.

Eligible participants of the 2011 Share Option Scheme include the Company's Directors, including independent non-executive directors, employees, whether full-time or part-time, of the Group or any Invested Entity (as defined in the 2011 Share Option Scheme), suppliers of goods or services to the Group or any Invested Entity, customers of the Group or any Invested Entity, person or entity that provides research, development or other technological support to the Group or any Invested Entity, and any shareholder of any member of the Group or any Invested Entity or holder of securities issued by any member of the Group or any Invested Entity. Under the 2011 Share Option Scheme, the Board of Directors of the Company may grant options to eligible employees (including any executive, non-executive and independent non-executive directors), supplier, customer, shareholder and adviser or consultant of any members of the Group and any person or entity that provides research, development or other technological support to any members of the Group.

The total number of shares that may be issued upon exercise of all options to be granted under the 2011 Share Option Scheme shall not in aggregate exceed 10% of the total number of shares of the Company in issue on the adoption date of the 2011 Share Option Scheme. The maximum number of shares of the Company in respect of which share options may be granted under the 2011 Share Option Scheme and any other schemes of the Company must not, in aggregate, exceed 30% of the total number of shares in issue from time to time. The total number of shares to be issued upon exercise of the options granted to each eligible person (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue. The exercise price (subscription price) shall be such price as determined by the Board in its absolute discretion at the time of the making of the offer but in any case, the exercise price shall not be lower than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the offer date; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of the grant; and (iii) the nominal value of a share.

2021 SHARE OPTION SCHEME

The Company adopted a new share option scheme on 17 December 2021 (the "2021 Share Option Scheme") for the purpose of enabling the Group to grant share options to Eligible Participants (as defined below).

PURPOSE OF THE SCHEME

The purpose of the 2021 Share Option Scheme is to provide the Company with a flexible means of giving incentives or rewards to Eligible Participants for their retention and contribution or potential contribution to the Group. The 2021 Share Option Scheme will also provide the Eligible Participants with an opportunity to have a personal stake in the Company with a view to motivating the Eligible Participants to utilise their performance and efficiency for the benefit of the Group and attracting and retaining or otherwise maintaining an on-going relationship with the Eligible Participants whose contributions are or will be beneficial to the long term growth of the Group.

Subject to the terms of the 2021 Share Option Scheme, the Board shall be entitled at any time within the period of 10 years after the adoption date, being 17 December 2021 to 16 December 2031, to grant share options to (i) any director or employee (whether full time or part-time) of the Group; and (ii) any business consultant of the Group retained or mid to long term basis to provide services to the Group in its ordinary and usual course of business (the "**Eligible Participants**").

TIME ON GRANT OF OPTIONS

A grant of share option pursuant to the 2021 Share Option Scheme (the "Share Option") may not be made after inside information has come to the Company's knowledge until such inside information has been announced pursuant to the requirements of the GEM Listing Rules and during the period commencing one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange under the GEM Listing Rules) for the approval of the Company's any yearly, half-yearly, quarterly or interim results, and (b) the deadline for the Company to publish its yearly or half yearly results under the GEM Listing Rules or quarterly or interim (whether or not required under the GEM Listing Rules) and ending on the date of the results announcement.

MAXIMUM NUMBER OF SHARES AVAILABLE FOR SUBSCRIPTION UNDER THE 2021 SHARE OPTION SCHEME

The total number of Shares which may be issued upon exercise of all share options to be granted under the 2021 Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the Shares in issue as at the date of approval of the 2021 Share Option Scheme (excluding any options which have lapsed in accordance with the terms of the 2021 Share Option Scheme or any other share option schemes of the Company) (the "**Scheme Mandate Limit**"). The Scheme mandate limited should be 157,251,725 Shares, representing 10% of the issued Shares as of the adoption date of the 2021 Share Option Scheme. The Scheme Mandate Limit was adjusted to be 15,725,172 Shares due to the effect of the Capital Reorganisation of the Company on 18 March 2022. The Scheme Mandate Limit represents 8.3% of the total number of Shares in issue as at the date of the annual report.

The overall limit on the number of Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the 2021 Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time.

MAXIMUM ENTITLEMENT OF EACH ELIGIBLE PARTICIPANT

The total number of securities issued and to be issued upon exercise of the Share Options granted to each Eligible Participant (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue. Where any further grant of Share Options to an Eligible Participant would result in the Shares issued and to be issued upon exercise of all Share Options granted and to be granted to such Eligible Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the relevant class of securities in issue, such further grant must be separately approved by the Shareholders in general meeting with such Eligible Participant and his associates abstaining from voting.

MINIMUM PERIOD FOR WHICH AN OPTION MUST BE HELD

Unless otherwise determined by the Directors at their sole discretion, there is no requirement of a minimum period for which a Share Option must be held before such a Share Option can be exercised under the terms of the 2021 Share Option Scheme.

TIME OF EXERCISE OF OPTION

A Share Option shall be exercisable at any time during an option period to be notified by the Board to each grantee, provided that no Share Option shall be exercisable later than ten years after its date of grant.

PERFORMANCE TARGET

The 2021 Share Option Scheme does not specify a minimum period for which a Share Option must be held nor a performance target which must be achieved before a Share Option can be exercised.

AMOUNT PAYABLE UPON ACCEPTANCE OF OPTION

HK$1.00 is payable by each Eligible Participant to the Company on acceptance of an offer of a Share Option, which shall be paid within 21 days from the date on which an offer is made to an Eligible Participant.

BASIS OF DETERMINING THE EXERCISE PRICE

The basis for determination of the Subscription Price is also specified precisely in the rules of the 2021 Share Option Scheme, such that the Subscription Price must be at least the highest of:

(a) the closing price of a Share as stated in the daily quotations sheet of the Stock Exchange on the date of grant which must be a Business Day;

(b) the average of the closing prices of the Shares as shown on the daily quotation sheets of the Stock Exchange for the five Business Days immediately preceding the date of grant;

(c) the nominal value of a Share.

REMAINING LIFE OF THE SCHEME

As at 31 December 2021, the remaining life of the 2021 Share Option Scheme is approximately 9 years and 11 months.

Further details of the principal terms of the 2021 Share Option Scheme are set out in the Circular of the Company dated 19 December 2021 and in note 27 to the consolidated financial statements.

As at 31 December 2021, no option had been granted or agreed to be granted by the Company pursuant to the 2021 Share Option Scheme.

EQUITY-LINKED AGREEMENTS

Save and except for the Share Option Scheme as disclosed in the paragraph headed "Share Option Scheme" above, no equity-linked agreement that (i) will or may result in the Company issuing shares or (ii) requires the Company enter into any agreement that will or may results in the Company issuing shares, was entered into by the Company during the year ended 31 December 2021 or subsisted at the end of the year.

DIVIDEND POLICY

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

– the Bye-laws of the Company;

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

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

– the investment and operating requirements of the Company; and

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

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

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

PERMITTED INDEMNITY

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

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

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

As at 31 December 2021, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO, which were required to be: (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions in which they were taken or deemed to have under such provisions of the SFO); or (b) recorded in the register required to be kept pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

Ordinary shares in the Company (the "Shares")

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

Note: The percentage represents the number of Shares interested divided by the number of the Company's issued Shares as at 31 December 2021.

As at 31 December 2021, save as disclosed above, none of the Directors and the chief executive of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which would have to be: (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions in which they were taken or deemed to have under such provisions of the SFO); or (b) recorded in the register required to be kept pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' RIGHT TO ACQUIRE SHARES

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

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

As at 31 December 2021, so far as the Directors are aware, the persons (other than a Director or the chief executive of the Company) who had an interest or short position in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or substantial shareholders as recorded in the register required to be kept by the Company under section 336 of the SFO, are as follows:

Name of shareholders	Capacity/Nature of Interest	Number of Shares held	Underlying Shares	Long/Short position	Approximate percentage of the Company's issued Shares
Elisabeta Ling	Beneficial owner	118,500,000	–	Long Position	7.54% *(Note 1)*
Wu Yuesheng (吳悅勝)	Beneficial owner	164,503,450	–	Long Position	8.72% *(Note 2)*
Yang Li (楊麗)	Beneficial owner	157,805,000	–	Long Position	8.36% *(Note 2)*

Notes:

Note 1: The percentage represents the number of Shares interested divided by the number of the Company's issued Shares as at 31 December 2021.

Note 2: The percentage of shareholding is calculated based on the maximum number of the total issued share capital of the Company upon completion of the Subscription, i.e., 1,887,020,702 Shares. Details of the Subscription should refer to the section headed "EVENTS AFTER 31 DECEMBER 2021".

So far as is known to any Director, there was no person other than a Director or the chief executive of the Company who, as at 31 December 2021, had an interest or short position in the Shares or underlying Shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other substantial shareholders whose interest or short position were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHAREHOLDERS' INTERESTS IN SECURITIES OF SIGNIFICANCE

Other than the interests disclosed above in respect of the substantial shareholders, as at 31 December 2021, no other person is individually and/or collectively entitled to exercise or control the exercise of five per cent. or more of the voting power at the general meetings of the Company and are able, as a practicable manner, to direct or influence the management of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

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

– The largest customer	27%
– Five largest customers	85%

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

– The largest supplier	21%
– Five largest suppliers	72%

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

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

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

COMPETING INTERESTS

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

DIRECTORS' SECURITIES TRANSACTIONS

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

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

REVIEW BY AUDIT COMMITTEE

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

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

RELATED PARTIES TRANSACTIONS

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

PUBLIC FLOAT

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to implementing good corporate governance practices. Information on the principal corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 16 to 28 of this annual report.

INDEPENDENT AUDITOR

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

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

EVENTS AFTER 31 DECEMBER 2021

(1) Subscription of new shares under general mandate

On 15 December 2021, the Company entered into subscription agreements with two independent third parties (the "Subscribers"), pursuant to which the Company has conditionally agreed to allot and issue, and the Subscribers have agreed to subscribe for an aggregate of 314,503,450 subscription shares at a price of HK$0.05 per share (the "Subscription"). The gross and net proceeds from the Subscription were approximately HK$15.73 million and HK$15.56 million, respectively. On 10 January 2022, the Subscription was completed and 314,503,450 subscription shares were allotted and issued to the Subscribers.

(2) Capital reorganisation

In January 2022, the Board proposed to implement capital reorganisation of the share capital of the Company involving the Share Consolidation, the Capital Reduction, the Share Subdivision and the Share Premium Reduction (hereinafter defined) (collectively, the "Capital Reorganisation") as follows:

(i) every ten issued and unissued Existing Shares of HK$0.05 each will be consolidated into one Consolidated Share of HK$0.50 each (the "Share Consolidation");

(ii) the issued share capital of the Company will be reduced through a cancellation of the paid-up capital of the Company to the extent of HK$0.49 on each of the issued Consolidated Shares such that the par value of each issued Consolidated Share will be reduced from HK$0.50 to HK$0.01 (the "Capital Reduction");

(iii) immediately following the Capital Reduction, each of the authorised but unissued Consolidated Shares of HK$0.50 each will be sub-divided into fifty New Shares of HK$0.01 each (the "Share Subdivision");

(iv) the entire amount standing to the credit of the share premium account of the Company will be cancelled (the "Share Premium Reduction"); and

(v) the credits arising in the books of the Company from (i) the cancellation of any fraction in the issued share capital of the Company which may arise from the Share Consolidation; (ii) the Capital Reduction; and (iii) Share Premium Reduction will be credited to the contributed surplus account of the Company within the meaning of the Companies Act.

Following the passing of the resolution of the Company to approve the Capital Reorganisation at the special general meeting held on 16 March 2022, the Capital Reorganisation became effective on 18 March 2022.

Save and except otherwise disclosed in this annual report, there is no other material events occurred subsequent to the date of consolidated statement of financial position.

On behalf of the Board

Wong Kin Hong
Chairman

Hong Kong, 30 June 2022

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TO THE SHAREHOLDERS OF SEAMLESS GREEN CHINA (HOLDINGS) LIMITED

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

Opinion

What we have audited

The consolidated financial statements of Seamless Green China (Holdings) Limited (the "Company") and its subsidiaries (the "Group") set out on pages 65 to 145, which comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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

Basis for Opinion

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

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

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

Key audit matters identified in our audit are summarised as follows:

- provision for impairment of trade receivables
- provision for impairment of property, plant and equipment for LED segment

Key Audit Matters	How our audit addressed the Key Audit Matters
Provision for impairment of trade receivables	
Refer to Note 3.1(b)(ii), Note 4(a) and Note 23 to the consolidated financial statements for related disclosures. As at 31 December 2021, the Group had gross trade receivables of HK$60.2 million and provision for impairment of trade receivables of HK$7.1 million. Provision is made for lifetime expected credit losses on trade receivables. Management applied judgment in assessing the expected credit losses. Receivables relating to customers with known financial difficulties, dispute or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. Expected credit losses are also estimated by grouping the remaining receivables based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customer and its ageing category, and applying expected credit loss rates to the respective gross carrying amounts of the receivables. The expected credit loss rates are determined based on historical credit losses experienced from the past 3 years and adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables.	Our audit procedures in relation to management's assessment on provision for impairment losses of trade receivables included: • Understood, evaluated and validated, on a sample basis, the key control procedures over the management's estimation of expected credit losses allowance and periodic review of aged receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors associated with estimating the expected credit losses. • Tested on a sample basis, the accuracy of ageing profile of trade receivables by checking to the underlying sales invoices. • Tested on a sample basis, the subsequent settlement of trade receivables against bank receipts. • Obtained management's assessment on the expected credit losses allowance of receivables. We corroborated and validated, on a sample basis, management's assessment based on the historical settlement pattern from the past 3 years, correspondence with the customers, evidence from external sources including market research regarding the relevant forward-looking information such as macroeconomic factors used in management assessment.

Key Audit Matters *(continued)*

Key Audit Matters	How our audit addressed the Key Audit Matters
Provision for impairment of trade receivables	
External valuations were obtained to support management's estimates of the expected credit losses of trade receivables. The valuations of the expected credit losses of trade receivables are dependent on certain key assumptions that require significant judgment, including the probability of default, loss given default and forward-looking adjustment. We focused on this area due to the magnitude of the trade receivables and the estimation and judgment involved in determining the expected credit losses allowance of the trade receivables.	• We considered the competency, capability and objectivity of the independent, professional and qualified valuer by considering its qualification, relevant experience and relationship with the Group. • We obtained the valuation report on the expected credit losses on trade receivables and involved our internal valuation specialist to understand the rationale and assess the reasonableness of key assumptions used and checked, on a sample basis, the accuracy of key inputs used in the valuation process, agreeing the ageing categories, and comparing the key parameters used, such as the probability of default and loss given default, against historical settlement records of the relevant debtors. Based upon the above, we found that the estimation and judgment made by management in respect of the expected credit losses allowance and the collectability of receivables were supportable by the available evidences.

Key Audit Matters *(continued)*

Key Audit Matters	How our audit addressed the Key Audit Matters

Provision for impairment of property, plant and equipment for LED segment

Refer to Note 4(g), Note 15 to the consolidated financial statements for related disclosures.

Management performs assessment whenever events or changes in circumstances indicate that the carrying amount of property, plant and equipment may not be recoverable. In carrying out the impairment assessment, management identified and determined cash-generating units ("CGUs") and performed the assessment for individual CGUs as required by HKAS 36 "Impairment of assets".

During the year ended 31 December 2021, one of the CGUs in LED segment has incurred losses significantly higher than budget previously prepared by management, and this represented impairment indicator of the property, plant and equipment within that CGU. The total property, plant and equipment of that CGU amounted to approximately RMB3,990,000 as at 31 December 2021. Management carried out the impairment assessment for the relevant CGU by determining the recoverable amount based on the higher of fair value less cost of disposal ("FVLCD") derived from market search and value-in-use ("VIU") calculation using discounted cash flows ("DCF").

We understood and evaluated the internal controls over the determination of individual CGUs, the identification of relevant CGU having impairment indicators and preparation of the cash flow forecasts and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud.

We understood and evaluated the appropriateness of management's assessment process on CGU determination and impairment indicator identification by:

- Enquiring of management on their basis of identifying impairment indicators;
- Challenging the judgments made in the identification of impairment indicators.

Key Audit Matters *(continued)*

Key Audit Matters	How our audit addressed the Key Audit Matters
Provision for impairment of property, plant and equipment for LED segment	
Preparation of DCF required the use of many assumptions and management exercised significant judgments in determining these assumptions. Key assumptions adoption and judgments exercised in the preparation of the DCF included: • Revenue growth rates; and • Discount rate Based on the results of management's impairment assessment, provision for impairment of approximately RMB2,401,000 in respect of property, plant and equipment of that CGU was made for the year ended 31 December 2021. We focused on this area due to the magnitude of the property, plant and equipment, the higher degree of estimation uncertainty and subjectivity in management's judgement involved to determine the its recoverable amount.	We tested management's impairment assessment of property, plant and equipment by assessing the DCF used in the calculation as set out below: • Comparing the key input data in management's DCF to the budget and the business plan approved by management. • Assessing the methodology adopted and the mathematical accuracy of the underlying DCF calculation. • Assessing the reasonableness of management's key assumptions adopted and judgments exercised in its DCF in relation to: – revenue growth rates in LED segment by comparing it to historical performance and business plan, as well as benchmarking against industry and market forecast; and – discount rate by comparing with the cost of capital of comparable companies with assistance of our internal valuation engagement team.

Key Audit Matters *(continued)*

Key Audit Matters	How our audit addressed the Key Audit Matters
Provision for impairment of property, plant and equipment for LED segment	
	We evaluated the sensitivity analysis to ascertain the extent of the change in the key assumptions that would result in the assets being impaired and discussed with management the likelihood of such a change in the key assumptions arising. We understood and evaluated the procedures performed by management in estimating the recoverable amount under FVLCD and reviewed and evaluated the source documents supporting management's estimation of the recoverable amounts under FVLCD. Based on the procedures performed, we found the significant judgments and assumptions made by management to identify whether any impairment indicators existed for property, plant and equipment and to determine its recoverable amount to be supportable by available evidence.

Other Information

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

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

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

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

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

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

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

The audit committee are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

(continued)

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

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

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

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

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

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

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

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

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

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

(continued)

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

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

Linksfield CPA Limited
Certified Public Accountants

Hong Kong, 30 June 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Note	**2021** HK$'000	2020 HK$'000
Revenue	*6*	**110,860**	142,047
Cost of sales	*8*	**(102,702)**	(129,715)
Gross profit		**8,158**	12,332
Other income and other losses, net	*7*	**2,819**	(2,497)
Selling and distribution expenses	*8*	**(1,542)**	(1,687)
Administrative and other operating expenses	*8*	**(16,315)**	(13,237)
Provision for impairment of property, plant and equipment	*15*	**(2,866)**	–
Reversal of/(provision for) impairment trade receivables	*23(a)*	**1,039**	(2,899)
Reversal of impairment of other financial assets carried at amortised cost	*23(b)*	**–**	20
Operating loss		**(8,707)**	(7,968)
Finance costs	*9*	**(3,142)**	(3,172)
Loss before income tax		**(11,849)**	(11,140)
Income tax (expense)/credit	*12*	**(544)**	180
Loss for the year		**(12,393)**	(10,960)
(Loss)/profit for the year attributable to:			
– Owners of the Company		**(13,006)**	(11,202)
– Non-controlling interests		**613**	242
		(12,393)	(10,960)
Loss per share for the loss attributable to the owners of the Company for the year			
– Basic (HK cents)	*13*	**(0.83)**	(0.71)
– Diluted (HK cents)	*13*	**(0.83)**	(0.71)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Loss for the year		**(12,393)**	(10,960)
Other comprehensive income/(loss), net of tax			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**1,772**	4,524
Items that will not be reclassified to profit or loss:			
Change in the fair value of financial assets at fair value through other comprehensive income	*20*	**–**	(328)
		1,772	4,196
Total comprehensive loss for the year, net of tax		**(10,621)**	(6,764)
Total comprehensive (loss)/income for the year attributable to:			
– Owners of the Company		**(11,333)**	(7,184)
– Non-controlling interests		**712**	420
		(10,621)	(6,764)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*15*	**2,902**	7,846
Right-of-use assets	*16(a)(i)*	**3,560**	3,113
Investment property	*17*	**13,134**	10,362
Intangible asset	*18*	**507**	507
Financial assets at fair value through other comprehensive income	*20*	**–**	–
Other financial assets carried at amortised cost	*23*	**105**	153
Total non-current assets		**20,208**	21,981
Current assets			
Inventories	*22*	**9,260**	9,897
Trade receivables and other financial assets carried at amortised cost	*23*	**63,014**	85,903
Other current assets	*24*	**21,665**	58,801
Cash and cash equivalents	*25*	**4,754**	11,245
Total current assets		**98,693**	165,846
Total assets		**118,901**	187,827
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Company			
Share capital	*26*	**78,626**	78,626
Reserves		**(56,294)**	(44,961)
		22,332	33,665
Non-controlling interests		**3,670**	2,958
Total equity		**26,002**	36,623

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Note	**2021** **HK$'000**	2020 HK$'000
LIABILITIES			
Non-current liabilities			
Other borrowings	*29*	**–**	51,588
Lease liabilities	*16(a)(ii)*	**1,941**	1,801
Deferred income tax liabilities	*30*	**485**	–
Total non-current liabilities		**2,426**	53,389
Current liabilities			
Trade and other payables	*31*	**39,039**	58,512
Contract liabilities	*5(b)*	**16,286**	9,936
Current income tax liabilities		**2,822**	2,731
Other borrowings	*29*	**15,582**	9,934
Promissory notes	*32*	**15,000**	15,000
Lease liabilities	*16(a)(ii)*	**1,744**	1,702
Total current liabilities		**90,473**	97,815
Total liabilities		**92,899**	151,204
Total equity and liabilities		**118,901**	187,827

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

The consolidated financial statements on pages 65 to 145 were approved by the Board of Directors on 30 June 2022 and were signed on its behalf.

Wong Tat Wa
Director

Leung Po Yee
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to the owners of the Company										
	Share capital HK$'000	**Share premium** HK$'000	**Financial assets at fair value through other comprehensive income reserve** HK$'000	**Exchange reserve** HK$'000	**Share-based payment reserve** HK$'000	**Other reserve** HK$'000	**Statutory reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
For the year ended 31 December 2020											
Balance at 1 January 2020	78,626	491,228	(766)	(7,813)	8,762	(776)	559	(528,971)	40,849	2,538	43,387
Comprehensive income											
Loss for the year	–	–	–	–	–	–	–	(11,202)	(11,202)	242	(10,960)
Other comprehensive income/(loss)											
Exchange differences on translation of foreign operations	–	–	–	4,346	–	–	–	–	4,346	178	4,524
Changes in the fair value of financial assets at fair value through other comprehensive income	–	–	(328)	–	–	–	–	–	(328)	–	(328)
Total comprehensive income/(loss) for the year	–	–	(328)	4,346	–	–	–	(11,202)	(7,184)	420	(6,764)
Transactions with owners:											
Transfer to statutory reserve	–	–	–	–	–	–	128	(128)	–	–	–
	–	–	–	–	–	–	128	(128)	–	–	–
Balance at 31 December 2020	78,626	491,228	(1,094)	(3,467)	8,762	(776)	687	(540,301)	33,665	2,958	36,623
For the year ended 31 December 2021											
Balance at 1 January 2021	**78,626**	**491,228**	**(1,094)**	**(3,467)**	**8,762**	**(776)**	**687**	**(540,301)**	**33,665**	**2,958**	**36,623**
Comprehensive income											
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(13,006)**	**(13,006)**	**613**	**(12,393)**
Other comprehensive income/(loss)											
Exchange differences on translation of foreign operations	**-**	**-**	**-**	**1,673**	**-**	**-**	**-**	**-**	**1,673**	**99**	**1,772**
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**1,673**	**-**	**-**	**-**	**(13,006)**	**(11,333)**	**712**	**(10,621)**
Transactions with owners:											
Transfer to statutory reserve	**-**	**-**	**-**	**-**	**-**	**-**	**94**	**(94)**	**-**	**-**	**-**
	-	**-**	**-**	**-**	**-**	**-**	**94**	**(94)**	**-**	**-**	**-**
Balance at 31 December 2021	**78,626**	**491,228**	**(1,094)**	**(1,794)**	**8,762**	**(776)**	**781**	**(553,401)**	**22,332**	**3,670**	**26,002**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Cash flows from operating activities			
Cash generated from/(used in) operations	*33(a)*	**42,524**	(22,749)
Income tax paid		**(57)**	(301)
Net cash generated from/(used in) operating activities		**42,467**	(23,050)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(155)**	(468)
Proceed from disposal of property, plant and equipment		**7**	–
Interest received		**14**	10
Net cash used in investing activities		**(134)**	(458)
Cash flows from financing activities			
Proceeds from other borrowings	*33(b)*	**11,777**	43,790
Repayment of other borrowings	*33(b)*	**(58,495)**	(14,238)
Interest paid on other borrowings		**–**	(2,957)
Principal elements of lease payments	*33(b)*	**(1,762)**	(1,852)
Interest elements of lease payments	*33(b)*	**(206)**	(215)
Net cash (used in)/generated from financing activities		**(48,686)**	24,528
Net (decrease)/increase in cash and cash equivalents		**(6,353)**	1,020
Cash and cash equivalents at beginning of the year		**11,245**	11,137
Effects of exchange rate changes on cash and cash equivalents		**(138)**	(912)
Cash and cash equivalents at end of the year	*25*	**4,754**	11,245

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

1 General information

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

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

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

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policy and disclosures

(a) *New and amended standards adopted by the Group*

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

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

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

(b) *New standards, amendments to standards, interpretations and accounting guidelines that have been issued but were not yet effective*

		Effective for annual periods beginning on or after
HKFRS 16 (Amendments)	Covid-19-Related Rent Concession Beyond 2021	1 April 2021
Annual Improvements Project (Amendments)	Annual Improvements 2018–2020 Cycle (Amendments)	1 January 2022
HKFRS 3, HKAS 16, HKAS 37 (Amendments)	Narrow-Scope Amendments	1 January 2022
Accounting Guideline 5 (Revised)	Revised Accounting Guideline 5 – Merger Accounting for Common Control Combination	1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-Current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 17 (Amendments)	Amendments to HKFRS 17	1 January 2023
Hong Kong Interpretation 5 (2020) (Amendments)	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be determined

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policy and disclosures *(continued)*

(b) New standards, amendments to standards, interpretations and accounting guidelines that have been issued but were not yet effective (continued)

The Group has assessed the financial impact of these new standards, amendments to standards, interpretations and accounting guidelines and are not expected to have a material impact on the Group in the future reporting periods and on foreseeable future transactions. The Group does not intend to early adopt these new standards, amendments to standards, interpretations and accounting guidelines before their respective effective dates.

2.1.2 Going concern

For the year ended 31 December 2021, the Group incurred loss attributable to owners of the Company of approximately HK$13.0 million. The directors of the Company have reviewed the Group's cash flow projections, which cover a period of 12 months from 31 December 2021. The directors are of the opinion that, taking into account of the following plans and measures, the Group will have sufficient working capital to meet its financial obligation as and when they fall due within the next 12 months from 31 December 2021:

(1) In January 2022, the Company completed the allotment and issuance of 314,503,450 subscription shares at the subscription price of HK$0.05 per share. The net proceeds from the share subscription amounted to approximately HK$15.6 million; and

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

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

2 Summary of significant accounting policies *(continued)*

2.2 Principles of consolidation and equity accounting

(i) Subsidiaries

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

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

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

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

(ii) Associates

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

(iii) Equity method

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

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

2 Summary of significant accounting policies *(continued)*

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

(iii) Equity method (continued)

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.10.

(iv) Changes in ownership interests

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

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

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

2 Summary of significant accounting policies *(continued)*

2.3 Business combinations

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the

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

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

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

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

2 Summary of significant accounting policies *(continued)*

2.4 Separate financial statements

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

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

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss.

2 Summary of significant accounting policies *(continued)*

2.6 Foreign currency translation *(continued)*

(b) Transactions and balances *(continued)*

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

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

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

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

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

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

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

2 Summary of significant accounting policies *(continued)*

2.7 Property, plant and equipment

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

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

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

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

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

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

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

2 Summary of significant accounting policies *(continued)*

2.8 Investment properties

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

2.9 Intangible assets

Goodwill

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

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

2.10 Impairment of non-financial assets

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

2.11 Investments and other financial assets

2.11.1 Classification

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

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

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

2 Summary of significant accounting policies *(continued)*

2.11 Investments and other financial assets *(continued)*

2.11.1 Classification *(continued)*

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

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

2.11.2 Recognition and derecognition

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

2.11.3 Measurement

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

Debt instruments

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

(1) Amortised cost

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

2 Summary of significant accounting policies *(continued)*

2.11 Investments and other financial assets *(continued)*

2.11.3 Measurement *(continued)*

Debt instruments *(continued)*

(2) Fair value through other comprehensive income

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

(3) Fair value through profit or loss

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

Equity instruments

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

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

2.11.4 Impairment

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

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

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

2 Summary of significant accounting policies *(continued)*

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.13 Financial guarantee contracts

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

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

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

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

2.14 Inventories

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

2.15 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

2 Summary of significant accounting policies *(continued)*

2.16 Cash and cash equivalents

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

2.17 Share capital

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

2.18 Trade and other payables

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

2.19 Borrowings

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

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

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

2 Summary of significant accounting policies *(continued)*

2.20 Borrowing costs

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

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

2.21 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

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

(b) Deferred income tax

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

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

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

2 Summary of significant accounting policies *(continued)*

2.21 Current and deferred income tax *(continued)*

(b) ***Deferred income tax*** *(continued)*

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

(c) ***Offsetting***

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

2.22 Employee benefits

(a) ***Pension obligations***

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

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

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

2 Summary of significant accounting policies *(continued)*

2.22 Employee benefits *(continued)*

(b) Employee leave entitlement

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

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

(c) Termination benefits

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

(d) Share-based payment

Equity-settled share-based payment transactions

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

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

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

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

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

2 Summary of significant accounting policies *(continued)*

2.23 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.24 Revenue recognition

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

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

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

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

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

2 Summary of significant accounting policies *(continued)*

2.24 Revenue recognition *(continued)*

Sales of products

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

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

2.25 Interest income

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

2.26 Earnings per share

(a) Basic earnings per share

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

(b) Diluted earnings per share

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

2.27 Leases (as the lessee for operating leases)

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

2 Summary of significant accounting policies *(continued)*

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

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

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed lease payments. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the Group, where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received and makes any adjustments specific to the lease, e.g. term, country, currency and security.

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

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

- the amount of the initial measurement of lease liability,
- prepayment, and
- any initial direct costs.

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

Payments associated with short-term leases of premises and all leases of low-valued assets are recognised on a straightline basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2.28 Dividend distribution

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

3 Financial risk management

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

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

For the reporting entities with HK$ as their functional currency

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

For the reporting entities with RMB as their functional currency

As at 31 December 2021, if HK$ had weakened/strengthened by 5% against RMB with all other variables held constant, post-tax loss for the year and equity of the Group would have been approximately HK$17,000 (2020: HK$17,000) higher/lower, respectively, mainly as a result of the foreign exchange difference on translation of cash and cash equivalents which denominated in HK$.

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(a) ***Market risk*** *(continued)*

(ii) Cash flow and fair value interest rate risk

The income and operating cash flows of the Group are substantially independent of changes in market interest rates. As at 31 December 2021 and 2020, expect for deposit placed with banks, the Group has no significant interest-bearing financial assets and liabilities with a floating interest rate, the Group's results and operating cash flows are substantially independent of changes in market interest rates.

As at 31 December 2021 and 2020, the Group's other borrowings and promissory notes are all issued at fixed rates which expose the Group to fair value interest rate risk. Management considers the fair value exposure of the fixed rate other borrowings and promissory notes are insignificant to the Group.

(iii) Price risk

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

As at 31 December 2021 and 2020, the price risk exposure of the equity security is insignificant to the Group.

(b) ***Credit risk***

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

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

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

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

(i) Risk management

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

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

The Group has concentration of credit risk on trade receivables. Sales of goods to the top five customers constituted 85% (2020: 92%) of the Group's revenue for the year ended 31 December 2021. They accounted for approximately 80% (2020: 87%) of the gross trade receivable balances as at 31 December 2021. Collections of outstanding receivable balances are closely monitored on an ongoing basis to minimise such credit risk.

(ii) Impairment of financial assets

Trade receivables

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

(a) Measurement of expected credit loss on individual basis

Receivables relating to customers with known financial difficulties, dispute or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. As at 31 December 2021, the balance of loss allowance in respect of these individually assessed receivables was HK$5,739,000 (2020: HK$3,331,000).

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets (continued)

Trade receivables *(continued)*

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

The following table presents the balances of gross carrying amount and the loss allowance in respect of the individually assessed receivables as at 31 December 2021 and 2020:

	2021	2020
	HK$'000	HK$'000
Gross carrying amount	**5,739**	3,331
Loss allowance	**(5,739)**	(3,331)
Net carrying amount	**–**	–

(b) Measurement of expected credit loss on collective basis

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets (continued)

Trade receivables *(continued)*

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

On that basis, the loss allowance for trade receivables as at 31 December 2021 and 2020 was determined as follows:

	0-365 days	**366-730 days**	**Total**
At 31 December 2021			
Gross carrying amount (HK$'000)	**54,450**	**–**	**54,450**
Expected loss rate (%)	**2.5%**	**0%**	**2.5%**
Loss allowance (HK$'000)	**(1,387)**	**–**	**(1,387)**
Net carrying amount (HK$'000)	**53,063**	**–**	**53,063**

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

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

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

(ii) Impairment of financial assets (continued)

Trade receivables *(continued)*

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

Others financial assets carried at amortised cost

The receivables relating to counterparties with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. As at 31 December 2021, the balance of loss allowance in respect of these individually assessed receivables was HK$7,235,000 (2020: HK$7,450,000).

Cash at banks

There is no loss allowance for cash and cash equivalents as at 31 December 2021 (2020: Nil).

(c) ***Liquidity risk***

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

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

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

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

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

	Undiscounted cash flows				
	On demand or less than 1 year	**1 to 2 years**	**2 to 5 years**	**Total**	**Carrying amount**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2021					
Promissory notes	**15,000**	**–**	**–**	**15,000**	**15,000**
Trade and other payables	**39,039**	**–**	**–**	**39,039**	**39,039**
Undiscounted lease liabilities	**1,892**	**1,456**	**561**	**3,909**	**3,685**
Other borrowing and corresponding interest (with repayment on demand clause)	**2,489**	**–**	**–**	**2,489**	**2,489**
Other borrowings and corresponding interest	**14,009**	**–**	**–**	**14,009**	**13,093**
	72,429	**1,456**	**561**	**74,446**	**73,306**
At 31 December 2020					
Promissory notes	15,000	–	–	15,000	15,000
Trade and other payables	58,512	–	–	58,512	58,512
Undiscounted lease liabilities	1,847	1,520	340	3,707	3,503
Other borrowing and corresponding interest (with repayment on demand clause)	4,054	–	–	4,054	4,054
Other borrowings and corresponding interest	5,901	54,303	–	60,204	57,468
	85,314	55,823	340	141,477	138,537

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk (continued)

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

	2021	2020
	HK$'000	HK$'000
Within 1 year	**2,664**	487
More than 1 year but less than 2 years	**–**	4,148
	2,664	4,635

3.2 Capital management

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

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

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

3 Financial risk management *(continued)*

3.2 Capital management *(continued)*

The gearing ratios as at 31 December 2021 and 2020 were as follows:

	2021 HK$'000	2020 HK$'000
Promissory notes	**15,000**	15,000
Lease liabilities	**3,685**	3,503
Other borrowings	**15,582**	61,522
Less: cash and cash equivalents	**(4,754)**	(11,245)
Net debt	**29,513**	68,780
Total equity	**26,002**	36,623
Total capital	**55,515**	105,403
Gearing ratio	**53.2%**	65.3%

The decrease in gearing ratio was attributable to the decrease in other borrowings during the year ended 31 December 2021.

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2021 and 2020 by level of inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

3 Financial risk management *(continued)*

3.3 Fair value estimation *(continued)*

The following table presents the Group's financial assets and liabilities that are at fair value at 31 December 2021 and 2020.

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2021				
Recurring fair value measurements:				
Financial assets:				
Investment property				
– Residential property in the PRC	**–**	**13,134**	**–**	**13,134**
At 31 December 2020				
Recurring fair value measurements:				
Financial assets:				
Investment property				
– Residential property in the PRC	–	10,362	–	10,362

3 Financial risk management *(continued)*

3.3 Fair value estimation *(continued)*

There were no transfers among Level 1, 2 and 3 during the years ended 31 December 2021 and 2020.

(a) Financial instruments in level 1

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

(b) Financial instruments in level 2

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

(c) Financial instruments in level 3

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

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

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

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

3.5 Offsetting financial assets and financial liabilities

No financial assets and financial liabilities were subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2021 and 2020.

4 Critical accounting estimates and judgments

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

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

(a) Provision for impairment of trade receivables

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

(b) Income and deferred income taxation

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

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

(c) Impairment on investments accounted for using equity method

Assets that have an indefinite useful life are tested annually for impairment; or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on the higher of value-in-use calculations or fair value less costs of disposal. These calculations require the use of judgments and estimates. Management judgment is required in the area of asset impairment particularly in assessing whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal and net present value of future cash flows which are estimated based upon the continued use of the asset in the business.

4 Critical accounting estimates and judgments *(continued)*

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

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

(d) Fair values of investment property

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

(e) Useful lives of property, plant and equipment

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

(f) Provision for impairment of inventories

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

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

4 Critical accounting estimates and judgments *(continued)*

(g) Impairment of property, plant and equipment and right-of-use assets

Assets that have an indefinite useful life are tested annually for impairment; or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on the higher of value-in-use calculations or fair value less costs of disposal. These calculations require the use of judgments and estimates. Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations.

5 Segment information

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

There are four operating segments as follows:

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

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

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

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

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

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

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

5 Segment information *(continued)*

Year ended 31 December 2021

	LED HK$'000	Optoelectronic HK$'000	Liquor HK$'000	Sapphire HK$'000	Total HK$'000
Year ended 31 December 2021					
Segment revenue:					
Sales to external customers	**107,886**	**2,685**	**289**	**–**	**110,860**
Segment results	**(2,323)**	**(368)**	**(2,079)**	**–**	**(4,770)**
Unallocated:					
Change in fair value of investment property					**2,422**
Unallocated corporate income					**14**
Unallocated corporate expenses					
– staff costs					**(1,902)**
– others					**(7,613)**
Loss before income tax					**(11,849)**
As at 31 December 2021					
Segment assets	**98,591**	**33**	**953**	**–**	**99,577**
Unallocated:					
Cash and cash equivalents					**4,754**
Investment property					**13,134**
Other unallocated assets					**1,436**
Total assets					**118,901**

5 Segment information *(continued)*

Year ended 31 December 2021 *(continued)*

	LED HK$'000	Optoelectronic HK$'000	Liquor HK$'000	Sapphire HK$'000	Total HK$'000
Segment liabilities	(43,292)	(5,981)	(47)	–	(49,320)
Unallocated:					
Promissory notes					(15,000)
Other borrowings					(15,582)
Current income tax liabilities					(2,822)
Deferred income tax liabilities					(485)
Other unallocated liabilities					(9,690)
Total liabilities					(92,899)

	LED HK$'000	Optoelectronic HK$'000	Liquor HK$'000	Sapphire HK$'000	Unallocated HK$'000	Total HK$'000
Other segment information:						
Capital expenditure	(155)	–	–	–	–	(155)
Interest income	–	–	–	–	14	14
Finance costs	(160)	(2)	–	–	(2,980)	(3,142)
Depreciation of property, plant and equipment and right-of-use assets	(3,471)	(9)	–	–	(641)	(4,121)
Income tax expense	(101)	–	35	–	(478)	(544)
Provision for impairment of inventories	–	–	(1,574)	–	–	(1,574)
Provision for impairment of property, plant and equipment	(2,866)	–	–	–	–	(2,866)
Reversal of/(provision for) impairment of trade receivables	1,040	–	(1)	–	–	1,039

5 Segment information *(continued)*

Year ended 31 December 2020

	LED HK$'000	Optoelectronic HK$'000	Liquor HK$'000	Sapphire HK$'000	Total HK$'000
Year ended 31 December 2020					
Segment revenue:					
Sales to external customers	138,897	2,702	448	–	142,047
Segment results	2,446	(738)	(363)	–	1,345
Unallocated:					
Change in fair value of investment property					(2,704)
Provision for impairment of other financial assets carried at amortised cost					20
Unallocated corporate income					72
Unallocated corporate expenses					
– staff costs					(1,896)
– others					(7,977)
Loss before income tax					(11,140)
As at 31 December 2020					
Segment assets	161,256	–	2,711	–	163,967
Unallocated:					
Cash and cash equivalents					11,245
Investment property					10,362
Other unallocated assets					2,253
Total assets					187,827

5 Segment information *(continued)*

Year ended 31 December 2020 *(continued)*

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

	LED HK$'000	Optoelectronic HK$'000	Liquor HK$'000	Sapphire HK$'000	Unallocated HK$'000	Total HK$'000
Other segment information:						
Capital expenditure	(464)	–	–	–	(4)	(468)
Interest income	–	–	–	–	10	10
Finance costs	(155)	–	–	–	(3,017)	(3,172)
Depreciation of property, plant and equipment and right-of-use assets	(3,275)	–	(1)	–	(786)	(4,062)
Income tax credit/(expense)	(591)	–	–	–	771	180
Provision for impairment of inventories	(261)	–	–	–	–	(261)
Reversal of impairment of other receivables	–	–	–	–	20	20
Provision for impairment of trade receivables	(2,899)	–	–	–	–	(2,899)

Geographic Information

(a) Revenue from external customers

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

	2021 HK$'000	2020 HK$'000
The PRC	**107,901**	138,995
Hong Kong	**2,959**	3,052
	110,860	142,047

5 Segment information *(continued)*

Geographic Information *(continued)*

(b) Non-current assets

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

	2021	2020
	HK$'000	HK$'000
The PRC	**19,648**	20,781
Hong Kong	**560**	1,200
	20,208	21,981

Key Customers

For the year ended 31 December 2021, there were five customers (2020: four) which individually contributed over 10% of the Group's revenue, the revenue contributed from each of these customers was as follows:

	2021	2020
	HK$'000	HK$'000
Customer A	**30,356**	19,263
Customer B	**23,770**	26,448
Customer C	**14,790**	–
Customer D	**12,941**	–
Customer E	**12,344**	51,990
Customer F	**–**	21,223

Contract assets

The Group did not recognise any revenue-related contract assets during the year ended 31 December 2021 (2020: Nil).

5 Segment information *(continued)*

Contract liabilities

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

	2021 **HK$'000**	2020 HK$'000
Contract liabilities	**16,286**	9,936

(a) Significant change in contract liabilities

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

(b) Revenue recognised in relation to contract liabilities

The follow table shows the revenue recognised for the year ended 31 December 2021 and 2020 relates to carried-forward contract liabilities.

	2021 **HK$'000**	2020 HK$'000
Sales of LED and related products	**9,936**	2,118

(c) Unsatisfied contracts

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

6 Revenue

	2021	2020
	HK$'000	HK$'000
Revenue from external customers and recognised at point in time		
Sales of LED and related products	**107,886**	138,897
Sales of optoelectronic products	**2,685**	2,702
Sales of liquor products	**289**	448
	110,860	142,047

7 Other income and other losses, net

	2021	2020
	HK$'000	HK$'000
Change in fair value of investment property *(Note 17)*	**2,422**	(2,704)
Gain on remeasurement of lease liabilities as at termination of leases *(Note 16)*	**351**	–
Interest income	**14**	10
Others	**32**	197
	2,819	(2,497)

8 Expenses by nature

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

	2021	2020
	HK$'000	HK$'000
Auditor's remuneration		
– Audit services	**688**	668
Depreciation		
– property, plant and equipment *(Note 15)*	**2,281**	2,206
– right-of-use assets *(Note 16(a))*	**1,840**	1,856
Cost of inventories sold *(Note 22)*	**93,363**	123,882
Provision for impairment of inventories *(Note 22)*	**1,574**	261
Employee benefit expenses (including directors' emoluments) *(Note 10)*	**7,090**	5,864
Foreign exchange (gains)/losses	**(323)**	46
Lease payments for short-term leases *(Note 16(b))*	**317**	114
Legal and professional fee	**4,176**	3,883
Loss on disposal of properly, plant and equipment	**105**	–
Research and development	**1,576**	–
Subcontracting fee	**1,204**	355
Transportation	**1,175**	410
Others	**5,493**	5,094
Total cost of sales, selling and distribution expenses and administrative and other operating expenses	**120,559**	144,639

9 Finance costs

	2021	2020
	HK$'000	HK$'000
Interest expense on other borrowings from independent third parties	**1,937**	2,361
Interest expense on other borrowings from directors	**999**	596
Interest expense on lease liabilities *(Note 16(b))*	**206**	215
	3,142	3,172

10 Employee benefit expenses (including directors' emoluments)

	2021 HK$'000	2020 HK$'000
Wages, salaries and other staff costs	**6,852**	5,729
Social security and pension cost	**238**	135
	7,090	5,864

Notes:

(a) As at 31 December 2021, there were no forfeited contributions available to offset future retirement benefit obligations of the Group (2020: Nil).

(b) Five highest paid individuals

The five highest paid individuals during the year ended 31 December 2021 included three directors (2020: four directors), details of whose remuneration are set out in Note 11. Details of the remuneration for the year ended 31 December 2021 of the remaining two (2020: one) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2021 HK$'000	2020 HK$'000
Salaries, allowances and benefits in kind	**659**	312
Pension cost	**16**	16
	675	328

The emoluments fell within the following bands:

	Number of individuals 2021	2020
Nil to HK$1,000,000	**2**	1

(c) During the year ended 31 December 2021, no emoluments have been paid by the Group to the directors or the five highest paid individuals mentioned above as an inducement to join or upon joining the Group, or as compensation for loss of office (2020: Nil).

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

(a) Directors' and chief executive's emoluments

The remuneration paid or payable to each director and chief executive for the years ended 31 December 2021 and 2020 is set out below:

For the year ended 31 December 2021

Name	Fees	Salary	Discretionary bonuses	Allowances and benefits in kind	Employer's contribution to a retirement benefit scheme	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:							
Mr. Wong Kin Hong	**240**	**–**	**–**	**–**	**–**	**–**	**240**
Mr. Huang Yonghua	**144**	**230**	**–**	**–**	**7**	**–**	**381**
Mr. Wong Tat Wa	**144**	**360**	**–**	**–**	**–**	**–**	**504**
Ms. Leung Po Yee	**144**	**360**	**–**	**–**	**18**	**–**	**522**
	672	**950**	**–**	**–**	**25**	**–**	**1,647**
Independent non-executive directors:							
Mr. Yan Guoniu	**120**	**–**	**–**	**–**	**–**	**–**	**120**
Mr. Tang Rong Gang	**120**	**–**	**–**	**–**	**–**	**–**	**120**
Mr. Ou Wei An	**120**	**–**	**–**	**–**	**–**	**–**	**120**
Mr. Ng Yu Ho, Steve	**120**	**–**	**–**	**–**	**–**	**–**	**120**
	480	**–**	**–**	**–**	**–**	**–**	**480**
Total	**1,152**	**950**	**–**	**–**	**25**	**–**	**2,127**

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

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

For the year ended 31 December 2020

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

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

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

	For the year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the Company or its subsidiary undertaking	**–**	–
Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking	**–**	–
	–	–

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the year ended 31 December 2021 (2020: Nil).

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year ended 31 December 2021 (2020: Nil).

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

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

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

During the year ended 31 December 2021, there is no loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled body corporates and connected entities of such directors (2020: Nil).

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

Unless elsewhere stated, no significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted as at 31 December 2021 or at any time for the year ended 31 December 2021 (2020: Nil).

12 Income tax (expense)/credit

	2021	2020
	HK$'000	HK$'000
Current income tax		
– PRC Corporate Income Tax ("CIT")	**(377)**	(591)
– Over-provision in prior year	**311**	–
Deferred income tax *(Note 30)*	**(478)**	771
	(544)	180

Hong Kong profits tax has been provided for as there is business operation that is subject to Hong Kong profits tax. Under the two-tiered profits tax rates regime, for the years ended 31 December 2021 and 2020, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% remaining on the estimated assessable profits. The profits of group entities not qualified for the two-tiered profits tax rates regime continue to be taxed at a flat rate of 16.5%.

CIT is provided on the assessable income of entities within the Group incorporated in the PRC. The applicable CIT tax rate is 25% (2020: 25%) unless preferential tax rates were applicable.

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

	2021	2020
	HK$'000	HK$'000
Loss before income tax	**11,849**	11,140
Tax calculated at domestic tax rates applicable to profits in the respective countries	**2,116**	2,062
Expenses not deductible for taxation purposes	**(2,922)**	(1,841)
Income not subject to taxation	**606**	–
Tax losses for which no deferred income tax asset was recognised	**(655)**	(41)
Over-provision in prior year	**311**	–
	(544)	180

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

The weighted average applicable tax rate was 17.9% (2020: 21.0%). The change is carried by a change in the profitability mix of the Group's subsidiaries in the respective countries.

13 Loss per share

(a) Basic

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

	2021	2020
Loss attributable to the owners of the Company *(HK$'000)*	**(13,006)**	(11,202)
Weighted average number of ordinary shares in issue *(thousand shares)*	**1,572,517**	1,572,517
Basic loss per share attributable to the owners of the Company *(HK cents)*	**(0.83)**	(0.71)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume exercise of all potentially dilutive ordinary shares. The Company has one (2020: one) category of potentially dilutive ordinary shares: share options (2020: share options) (Note 27). For the share options, a calculation has been done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares for the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

For the years ended 31 December 2021 and 2020, diluted loss per share is same as the loss per share as the exercise of potential ordinary shares in relation to the share options issued were not assumed to be exercised as they would have an anti-dilutive impact to the basic loss per share (2020: same).

14 Dividends

The directors did not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

15 Property, plant and equipment

	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2020					
Cost	679	56,923	1,048	104	58,754
Accumulated depreciation and impairment	(212)	(48,781)	(713)	(3)	(49,709)
Net book amount	467	8,142	335	101	9,045
Year ended 31 December 2020					
Opening net book amount	467	8,142	335	101	9,045
Additions	–	433	35	–	468
Depreciation	(64)	(1,957)	(151)	(34)	(2,206)
Currency translation difference	29	488	16	6	539
Closing net book amount	432	7,106	235	73	7,846
At 31 December 2020 and 1 January 2021					
Cost	723	57,997	1,112	111	59,943
Accumulated depreciation and impairment	(291)	(50,891)	(877)	(38)	(52,097)
Net book amount	432	7,106	235	73	7,846
Year ended 31 December 2021					
Opening net book amount	**432**	**7,106**	**235**	**73**	**7,846**
Additions	**–**	**109**	**46**	**–**	**155**
Disposal	**–**	**(115)**	**–**	**–**	**(115)**
Depreciation	**(66)**	**(2,035)**	**(144)**	**(36)**	**(2,281)**
Impairment loss	**(373)**	**(2,493)**	**–**	**–**	**(2,866)**
Currency translation difference	**7**	**150**	**5**	**1**	**163**
Closing net book amount	**–**	**2,722**	**142**	**38**	**2,902**
At 31 December 2021					
Cost	**744**	**57,480**	**1,178**	**114**	**59,516**
Accumulated depreciation and impairment	**(744)**	**(54,758)**	**(1,036)**	**(76)**	**(56,614)**
Net book amount	**–**	**2,722**	**142**	**38**	**2,902**

Depreciation expense of HK$2,185,000 (2020: HK$2,074,000) has been charged to cost of sales and HK$96,000 (2020: HK$132,000) has been charged to administrative and other operating expenses.

15 Property, plant and equipment *(continued)*

For impairment assessment, the Group assess the recoverable amount of the property, plant and equipment with reference to the higher of the assets' fair value less costs to disposal and value-in-use ("VIU"). An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount.

The recoverable amounts of the above assets were determined on a VIU calculation using cash flow projections approved by the management. The cash flow projection is discounted at pre-tax discount rate of 13% per annum which reflects the specific risks relating to the Group. Key assumptions for the value-in-use calculation include expected product sales, budgeted gross margin and operating costs, which were determined based on past performance, the Group's business plan and management expectations for the market development.

Based on the result of the assessment, management of the Group determined that the estimated recoverable amounts of the above assets determined under the VIU method are lower than their carrying amounts. Based on the VIU calculation and the allocation, impairment losses of approximately HK$2,866,000 (2020: Nil) have been recognised against the carrying amounts of property, plant and equipment.

16 Right-of-use assets and lease liabilities

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

(i) Right-of-use assets

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

	Office premises and staff quarter	**Factories and warehouse**	**Total**
	HK$'000	HK$'000	HK$'000
Balance as at 1 January 2020	1,596	2,665	4,261
Additions	537	–	537
Depreciation	(913)	(943)	(1,856)
Currency translation difference	21	150	171
Balance as at 31 December 2020	1,241	1,872	3,113
Balance as at 1 January 2021	**1,241**	**1,872**	**3,113**
Additions	**655**	**3,245**	**3,900**
Termination of leases	**(74)**	**(1,616)**	**(1,690)**
Depreciation	**(835)**	**(1,005)**	**(1,840)**
Currency translation difference	**12**	**65**	**77**
Balance as at 31 December 2021	**999**	**2,561**	**3,560**

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

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

(ii) Lease liabilities

	2021	2020
	HK$'000	HK$'000
Current	**1,744**	1,702
Non-current	**1,941**	1,801
	3,685	3,503

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

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

	2021	2020
	HK$'000	HK$'000
Gain on remeasurement of lease liabilities as at termination of leases *(Note 7)*	**351**	–
Interest expense on lease liabilities *(Note 9)*	**(206)**	(215)
Lease payments for short-term leases (included in property rental and related expenses)	**(317)**	(114)

Depreciation expenses of HK$1,069,000 (2020: HK$885,000) has been charged to cost of sales and HK$771,000 (2020: HK$971,000) has been charged to administrative and other operating expenses respectively.

Total cash outflows for leases for the year ended 31 December 2021 was HK$2,285,000 (2020: HK$2,067,000).

17 Investment property

	2021	2020
	HK$'000	HK$'000
At the beginning of the year	**10,362**	12,321
Change in fair value of investment property *(Note 7)*	**2,422**	(2,704)
Currency translation difference	**350**	745
At end of the year	**13,134**	10,362

17 Investment property *(continued)*

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

As at 31 December 2021, the Group had no unprovided contractual obligations for future repairs and maintenance (2020: Nil).

The valuation of the Group's investment property was performed by an independent valuer, Ravia Global Appraisal Advisory Limited, who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment property valued to determine the fair values of the investment property as at 31 December 2021 and 2020. The fair value gain or loss is recognised in "other income and other losses, net" in the consolidated statement of profit or loss.

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

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

There were no transfers between levels 1, 2 and 3 during the year ended 31 December 2021 and 2020.

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

There were no changes to the valuation techniques used during the years ended 31 December 2021 and 2020.

18 Intangible asset

	Goodwill	
	2021	2020
	HK$'000	HK$'000
As at 31 December 2021 and 2020	**507**	507

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

As at 31 December 2021 and 2020, the Group's goodwill of HK$507,000 is attributable to the acquisition of a subsidiary, 東莞市楓樺電子科技有限公司 ("東莞楓樺").

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

19 Investments accounted for using the equity method

Set out below are associated companies of the Group as at 31 December 2021 and 2020:

	2021	2020
	HK$'000	HK$'000
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	**–**	–

As at 31 December 2021, investments accounted for using the equity method were fully impaired (2020: same).

As at 31 December 2021, loan receivables from associates with principal amount of approximately HK$7,006,000 (2020: HK$7,006,000), which were unsecured, non-interest bearing and denominated in HK$, were past due for over than one year and were fully impaired (Note 23).

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

Particulars of the Group's associates as at 31 December 2021 and 2020 are as follows:

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

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

20 Financial assets at fair value through other comprehensive income

As at 31 December 2021 and 2020, the Group's financial assets at FVOCI represents listed equity investment which are not held for trading, and the Group was irrevocably elected at initial recognition in this category. These are strategic investments and the Group considers this classification more relevant.

	2021	2020
	HK$'000	HK$'000
Balance at 1 January	**–**	328
Fair value loss on revaluation recognised in other comprehensive income	**–**	(328)
Balance at 31 December	**–**	–

The fair values of equity investment listed outside Hong Kong is based on current bid prices. As at 31 December 2021 and 2020, the market value of equity securities approximate to zero.

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

21 Financial instruments by category

The Group holds the follow financial instruments:

	2021	2020
	HK$'000	HK$'000
Financial assets		
Financial assets at amortised cost:		
– Trade receivables and other financial assets carried at amortised cost	**63,119**	86,056
– Cash and cash equivalents	**4,754**	11,245
Financial assets at FVOCI	**–**	–
	67,873	97,301

21 Financial instruments by category *(continued)*

	2021	2020
	HK$'000	HK$'000
Financial liabilities		
Liabilities at amortised cost:		
– Trade and other payables	**39,039**	58,512
– Promissory notes	**15,000**	15,000
Other borrowings	**15,582**	61,522
Lease liabilities	**3,685**	3,503
	73,306	138,537

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

22 Inventories

	2021	2020
	HK$'000	HK$'000
Raw materials	**7,889**	7,811
Finished goods	**2,111**	1,135
Merchandise	**1,975**	2,053
	11,975	10,999
Less: Provision for impairment	**(2,715)**	(1,102)
	9,260	9,897

The cost of inventories included in cost of sales during the year ended 31 December 2021 amounted to HK$93,363,000 (2020: HK$123,882,000).

22 Inventories *(continued)*

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

	2021	2020
	HK$'000	HK$'000
At the beginning of the year	**1,102**	781
Provision for impairment	**1,574**	261
Currency translation difference	**39**	60
At the end of the year	**2,715**	1,102

The provision of obsolete and slow-moving inventories amounted to HK$1,574,000 (2020: HK$261,000) were included in cost of sales during the year ended 31 December 2021.

23 Trade receivables and other financial assets carried at amortised cost

	2021	2020
	HK$'000	HK$'000
Trade receivables	**60,189**	90,271
Less: Provision for impairment	**(7,126)**	(7,942)
Trade receivables, net	**53,063**	82,329
Other financial assets carried at amortised cost	**17,291**	11,177
Less: Provision for impairment	**(7,235)**	(7,450)
Other financial assets carried at amortised cost, net	**10,056**	3,727
Total trade receivables and other financial assets carried at amortised cost	**63,119**	86,056
Less: Non-current portion	**(105)**	(153)
Current portion	**63,014**	85,903

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

(a) Trade receivables

The Group's credit terms to trade debtors mainly range from 30 to 180 days (2020: 60 to 180 days). As at 31 December 2021 and 2020, the ageing analysis of the trade receivables based on invoice date is as follows:

	2021	2020
	HK$'000	HK$'000
Within 30 days	**9,960**	14,397
31 – 180 days	**10,417**	62,778
181 – 365 days	**33,799**	53
Over 365 days	**6,013**	13,043
	60,189	90,271

Trade receivables that were neither past due nor impaired amounted to approximately HK$19,889,000 as at 31 December 2021 (2020: HK$74,973,000).

As of 31 December 2021, trade receivables of HK$33,174,000 (2020: HK$7,356,000) were past due but not impaired. These relate to a number of independent debtors for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables is as follows:

	2021	2020
	HK$'000	HK$'000
Less than 1 month past due	**4,458**	–
1 to 3 months past due	**14,874**	217
Over 3 months	**13,842**	7,139
	33,174	7,356

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

	2021	**2020**
	HK$'000	**HK$'000**
At beginning of the year	**7,942**	**4,644**
(Reversal of)/provision for impairment	**(1,039)**	**2,899**
Currency translation difference	**223**	**399**
At end of the year	**7,126**	**7,942**

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

(a) Trade receivables *(continued)*

Based on the assessment of the expected credit losses (refer to Note 3.1(b)(ii)), the Group has made a reversal of impairment for the trade receivables of HK$3,314,000 during the year ended 31 December 2021 (2020: provision of impairment of HK$2,918,000).

The fair values of trade receivables net-off provision of impairment at amortised cost approximate their carrying values as at 31 December 2021 and 2020 and are denominated in the following currencies:

	2021	2020
	HK$'000	HK$'000
RMB	**52,515**	81,774
HK$	**548**	555
	53,063	82,329

(b) Other financial assets carried at amortised cost

Other financial assets carried at amortised cost were unsecured, interest-free and repayable on demand (2020: same).

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

	2021	2020
	HK$'000	HK$'000
At beginning of the year	**7,450**	7,462
(Reversal of)/provision for impairment	**–**	(20)
Currency translation difference	**(215)**	8
At end of the year	**7,235**	7,450

(c) The maximum exposure to credit risk at the reporting date is the carrying values of each class of receivables mentioned above. The Group did not hold any collateral as security for these receivables as at 31 December 2021 (2020: same).

24 Other current assets

	2021 HK$'000	2020 HK$'000
Prepayments to suppliers	**17,851**	57,552
Others	**3,814**	1,249
	21,665	58,801

25 Cash and cash equivalents

	2021 HK$'000	2020 HK$'000
Cash and cash equivalents	**4,754**	11,245
Maximum exposure to credit risk	**4,555**	11,101

Cash and cash equivalents are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
RMB	**3,743**	10,673
HK$	**992**	553
USD	**19**	19
	4,754	11,245

As at 31 December 2021, the cash and cash equivalents of the Group amounted to HK$4,064,000 (2020: HK$10,919,000), were deposited in bank accounts opened with banks in the PRC where the remittance of funds is subject to foreign exchange control.

26 Share capital

Ordinary shares issued and fully paid:

	Number of shares in issue (thousand shares)	Ordinary share of HK$0.05 each HK$'000
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	1,572,517	78,626

27 Share option scheme

The Company operated a share option scheme (the "2011 Scheme"), which was adopted by the Company on 8 March 2011 for a period of 10 years, expired on 7 March 2021 after which no further share options may be granted thereunder, although the provisions of the 2011 Scheme in all other respects shall remain in full force and effect, and the options which were granted during the life of the 2011 Scheme may continue to be exercisable subject to their respective terms of issue and the provisions of the 2011 Scheme.

The Company operates another share option scheme on 8 March 2021 (the "2021 Scheme"), unless otherwise cancelled or amended, will remain valid and effective for a period of 10 years. No share option was granted under the 2021 Scheme.

The purpose of both share option schemes is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the schemes include the Company's Directors, employees or any business consultant of the Group retained on mid to long term basis to provide services to the Group in its ordinary and usual course of business.

The total number of shares which may be issued upon exercise of all options to be granted under the 2021 Scheme shall not in aggregate exceed 10% of the total number of shares of the Company in issue on the adoption date of the 2021 Scheme. The maximum number of shares of the Company in respect of which share options may be granted under the 2021 Scheme and any other schemes of the Company must not, in aggregate, exceed 30% of the total number of shares in issue from time to time. The total number of shares to be issued upon exercise of the options granted to each eligible person (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue. The exercise price (subscription price) shall be such price as determined by the Board in its absolute discretion at the time of the making of the offer but in any case the exercise price shall not be lower than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the offer date; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a share.

27 Share option scheme *(continued)*

As at 31 December 2021, options to subscribe for a total of 67,343,940 (2020: 67,343,940) option shares are still outstanding and exercisable under the 2011 Scheme which represents approximately 4.3% (2020: 4.3%) of the issued ordinary shares of the Company. The options outstanding as at 31 December 2021 have a weighted average remaining contractual life of 3.4 years (2020: 4.4 years) and weighted average exercise price of HK$0.318 per share (2020: HK$ 0.318 per share).

Details of the specific categories of options as at 31 December 2021 and 2020 are as follows:

Date of grant	Exercise period		Original exercise price	Adjusted exercise price	Number of outstanding share options
	From	**To**	HK$	HK$	
Employees and consultants					
19/11/2013	19/5/2014	18/11/2023	1.594	1.503	5,143,940
13/7/2015	13/7/2015	12/7/2025	0.220	N/A	62,200,000
					67,343,940

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

No share option were granted, exercised, cancelled or lapsed during the year ended 31 December 2021 (2020: same).

28 Reserves

Statutory reserve

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

29 Other borrowings

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

	2021			2020		
	Within one year or on demand	**Non-current**	**Total**	Within one year or on demand	Non-current	Total
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Loans from directors	**13,093**	**–**	**13,093**	9,518	22,188	31,706
Loans from non-financial institutions	**2,489**	**–**	**2,489**	416	29,400	29,816
	15,582	**–**	**15,582**	9,934	51,588	61,522

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

	2021	2020
	HK$'000	HK$'000
Within 1 year	**15,582**	5,880
Between 1 and 2 years	**–**	55,642
	15,582	61,522

As at 31 December 2021, the Group's other borrowings bore effective interest rate of 5.25% to 12.0% (2020: 4.9% to 12.2%) per annum, carrying amount of approximately HK$0.8 million and HK$14.8 million (2020: HK$50.6 million and HK$11.0 million) was denominated in RMB and HK$, respectively and approximate their fair values.

30 Deferred income tax

The analysis of deferred income tax liabilities is as follows:

	2021	2020
	HK$'000	HK$'000
Deferred income tax liabilities:		
– to be recovered after more than 12 months	**485**	–

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

	Revaluation of investment property	
	2021	2020
	HK$'000	HK$'000
At 1 January	**–**	744
Credited to profit or loss	**478**	(771)
Currency translation difference	**7**	27
At 31 December	**485**	–

At 31 December 2021, the Group has unused tax losses of approximately HK$86,427,000 (2020: HK$83,110,000) available for offset against future profits. The tax losses of HK$5,527,000 (2020: HK$4,205,000) will expire 2022 to 2026 (2020: 2021 to 2025) and HK$80,901,000 (2020: HK$78,906,000) can be carried forward indefinitely under current tax legislation. No deferred income tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

At 31 December 2021, no deferred income tax asset has been recognised in relation to the deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised (2020: same).

As at 31 December 2021, deferred income tax liabilities have not been provided for in the consolidated financial statements in respect of the withholding tax that would be payable on unremitted earnings of the PRC subsidiaries of the Company amounting to approximately HK$7.6 million (2020: HK$6.6 million), as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

31 Trade and other payables

	2021 **HK$'000**	2020 HK$'000
Trade payables	**9,524**	35,789
Accrued interest expenses	**5,445**	2,426
Consideration payable	**3,150**	3,058
Amount due to a director	**1,302**	631
Other payables and accruals	**19,618**	16,608
	39,039	58,512

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

Trade payables are denominated in the following currencies:

	2021 **HK$'000**	2020 HK$'000
RMB	**8,883**	35,148
HK$	**641**	641
	9,524	35,789

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

	2021 **HK$'000**	2020 HK$'000
Within 30 days	**2,821**	3,538
31 – 180 days	**868**	5,735
181 – 365 days	**504**	21,764
Over 365 days	**5,331**	4,752
	9,524	35,789

The average credit period granted by the Group's suppliers ranges from 0 to 180 days (2020: 0 to 60 days).

32 Promissory notes

	2021 HK$'000	2020 HK$'000
At 1 January and 31 December	**15,000**	15,000

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

During the year ended 31 December 2012, Promissory Notes at amortised cost of HK$9,733,000 were early repaid by cash at nominal value of HK$13,000,000. During the year ended 31 December 2015, the Company further repaid HK$43,000,000 on maturity. The remaining balance of HK$15,000,000 has not yet been repaid as at 31 December 2021 (2020: Same).

33 Notes to the consolidated statement of cash flows

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

	2021 HK$'000	2020 HK$'000
Loss before income tax	**(11,849)**	(11,140)
Adjustments for:		
Depreciation		
– property, plant and equipment	**2,281**	2,206
– right-of-use assets	**1,840**	1,856
Provision for/(reversal of) impairment of		
– Property, plant and equipment	**2,866**	–
– Inventories	**1,574**	261
– Trade receivables	**(1,039)**	2,899
– Other financial assets carried at amortised cost	**–**	(20)
Change in fair value of investment property	**(2,422)**	2,704
Gain on remeasurement of lease liabilities as at termination of lease	**(351)**	–
Loss on disposal of property, plant and equipment	**105**	–
Interest income	**(14)**	(10)
Finance costs	**3,142**	3,172

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

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

	2021	2020
	HK$'000	HK$'000
Operating (loss)/profit before working capital changes	**(3,867)**	1,928
Changes in working capital		
Inventories	**(679)**	(1,933)
Trade receivables and other financial assets carried at amortised cost	**26,132**	(21,078)
Other current assets	**38,444**	(34,330)
Trade and other payables	**(23,471)**	25,208
Contract liabilities	**5,965**	7,456
Net cash generated from/(used in) operations	**42,524**	(22,749)

(b) Reconciliation of liabilities arising from financing activities

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

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

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

	Lease liabilities HK$'000	Other borrowings HK$'000	Total HK$'000
As at 1 January 2021	**3,503**	**61,522**	**65,025**
Net cash outflows, net	**(1,968)**	**(46,718)**	**(48,686)**
Non-cash flows:			
– Additions on lease	**3,900**	**–**	**3,900**
– Interest expense	**206**	**–**	**206**
– Remeasurement of lease liabilities as at termination of leases	**(2,041)**	**–**	**(2,041)**
Currency translation difference	**85**	**778**	**863**
As at 31 December 2021	**3,685**	**15,582**	**19,267**

34 Related party transactions

(a) Transactions and balances with related parties

Except for those disclosed below and elsewhere on the consolidated financial statements, the Group has the following significant transactions and balances with related parties during the years ended 31 December 2021 and 2020.

	2021 HK$'000	2020 HK$'000
Balance with a related party		
Contract liabilities		
廣東順太電容電器有限公司	**–**	2,000

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

35 Litigation

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

35 Litigation *(continued)*

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

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

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

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

Save as disclosed above, there is no other development for these litigation, neither the Company nor any of its subsidiaries was involved in any material litigation at the end of the reporting period.

36 Contingent liabilities

As at 31 December 2021 and 2020, the Group had no material contingent liabilities.

37 Subsidiaries

(a) Particulars of the principal subsidiaries

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Nominal value of issued shares/ registered share capital	Ownership interest held by the Group 2021	2020
Oriental Light International Limited	BVI, limited liability company	Trading of optoelectronic products in Hong Kong	Issued and paid-up USD1	**100%**	100%
Rich Point International Limited	Hong Kong, limited liability company	Trading of liquor in Hong Kong	Issued and paid-up HK$2	**100%**	100%
象山弘通投資管理諮詢有限公司	PRC, limited liability company	Property investment in the PRC	Registered and paid-up USD1,324,000	**100%**	100%
All Like Limited	Hong Kong, limited liability company	Investment holding and trading of LED and related products in Hong Kong	Issued and paid-up HK$1	**100%**	100%
廣州無縫綠色科技有限公司	PRC, limited liability company	Trading of LED and related products in the PRC	Registered: HK$73,000,000 Paid-up: HK$65,000,000	**100%**	100%
東莞楓樺	PRC, limited liability company	Trading of LED and related products in the PRC	Registered: RMB10,000,000 Paid-up: RMB5,390,870	**51%**	51%
江門市新會區嘉熙年電子科技有限公司	PRC, limited liability company	Manufacturing and trading of LED and related products in the PRC	Registered and paid-up RMB1,000,000	**100%**	100%
易富酒業（深圳）有限公司	PRC, limited liability company	Trading of liquor in the PRC	Registered and paid-up RMB500,000	**100%**	100%

37 Subsidiaries *(continued)*

(b) Material non-wholly-owned subsidiaries

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

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Assets and liabilities		
Current assets	**23,406**	38,889
Non-current assets	**5,201**	5,867
Current liabilities	**(19,443)**	(37,409)
Non-current liabilities	**(1,676)**	(1,311)

	Year ended 31 December	
	2021	2020
Profit or loss		
Revenue	**38,643**	47,489
Profit for the year	**1,252**	494
Other comprehensive income	**201**	362
Total comprehensive income	**1,453**	856
Profit allocated to non-controlling interests	**613**	242
Dividend paid to non-controlling interests	**–**	–

	Year ended 31 December	
	2021	2020
Cash flows		
Net cash inflow from operating activities	**3,426**	1,660
Net cash outflow from investing activities	**(36)**	(425)
Net cash outflow from financing activities	**(1,106)**	(1,011)
	2,284	224

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

37 Subsidiaries *(continued)*

(c) Transaction with non-controlling interests

There were no transactions with non-controlling interests in 2021 and 2020.

38 Statement of financial position and reserves movement of the Company

(a) Statement of financial position of the Company

	Note	**2021** HK$'000	2020 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**9**	16
Right-of-use assets		**179**	447
Investments in subsidiaries	*37(a)*	**–**	–
Financial assets at fair value through other comprehensive income		**–**	–
Other financial assets carried at amortised cost		**–**	48
Total non-current assets		**188**	511
Current assets			
Other financial assets carried at amortised cost		**51**	7
Other current assets		**260**	435
Amounts due from subsidiaries		**21,537**	24,043
Cash and cash equivalents		**518**	205
Total current assets		**22,366**	24,690
Total assets		**22,554**	25,201
EQUITY			
Share capital	*26*	**78,626**	78,626
Reserves	*38(b)*	**(85,998)**	(79,498)
Total deficit		**(7,372)**	(872)

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

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

	Note	**2021** **HK$'000**	2020 HK$'000
LIABILITIES			
Non-current liabilities			
Other borrowings		**–**	6,900
Lease liabilities		**–**	186
Total non-current liabilities		**–**	7,086
Current liabilities			
Other payables and accruals		**7,840**	3,721
Other borrowings		**6,900**	–
Promissory notes		**15,000**	15,000
Lease liabilities		**186**	266
Total current liabilities		**29,926**	18,987
Total liabilities		**29,926**	26,073
Total equity and liabilities		**22,554**	25,201

The statements of financial position of the Company was approved by the Board of Directors on 30 June 2022 and were signed on its behalf.

Wong Tat Wa	**Leung Po Yee**
Director	*Director*

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

(b) Reserves movement of the Company

	Share premium	Financial assets at fair value through other comprehensive income reserve	Share-based payment reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2020	491,228	(766)	8,762	(569,862)	(70,638)
Loss for the year	–	–	–	(8,532)	(8,532)
Change in the fair value of financial assets at fair value through other comprehensive income	–	(328)	–	–	(328)
Total comprehensive loss for the year	–	(328)	–	(8,532)	(8,860)
At 31 December 2020	491,228	(1,094)	8,762	(578,394)	(79,498)
Balance at 1 January 2021	**491,228**	**(1,094)**	**8,762**	**(578,394)**	**(79,498)**
Loss for the year	**–**	**–**	**–**	**(6,500)**	**(6,500)**
Total comprehensive loss for the year	**–**	**–**	**–**	**(6,500)**	**(6,500)**
At 31 December 2021	**491,228**	**(1,094)**	**8,762**	**(584,894)**	**(85,998)**

39 Events after the reporting period

(a) Subscription of new shares under general mandate

On 15 December 2021, the Company entered into subscription agreements with two independent third parties (the "Subscribers"), pursuant to which the Company has conditionally agreed to allot and issue, and the Subscribers have agreed to subscribe for an aggregate of 314,503,450 subscription shares at a price of HK$0.05 per share (the "Subscription"). The gross and net proceeds from the Subscription were approximately HK$15.73 million and HK$15.56 million, respectively. On 10 January 2022, the Subscription was completed and 314,503,450 subscription shares were allotted and issued to the Subscribers.

39 Events after the reporting period *(continued)*

(b) Capital reorganisation

In January 2022, the Board proposed to implement capital reorganisation of the share capital of the Company involving the Share Consolidation, the Capital Reduction, the Share Subdivision and the Share Premium Reduction (hereinafter defined) (collectively, the "Capital Reorganisation") as follows:

(i) every ten issued and unissued Existing Shares of HK$0.05 each will be consolidated into one Consolidated Share of HK$0.50 each (the "Share Consolidation");

(ii) the issued share capital of the Company will be reduced through a cancellation of the paid-up capital of the Company to the extent of HK$0.49 on each of the issued Consolidated Shares such that the par value of each issued Consolidated Share will be reduced from HK$0.50 to HK$0.01 (the "Capital Reduction");

(iii) immediately following the Capital Reduction, each of the authorised but unissued Consolidated Shares of HK$0.50 each will be sub-divided into fifty New Shares of HK$0.01 each (the "Share Subdivision");

(iv) the entire amount standing to the credit of the share premium account of the Company will be cancelled (the "Share Premium Reduction"); and

(v) the credits arising in the books of the Company from (i) the cancellation of any fraction in the issued share capital of the Company which may arise from the Share Consolidation; (ii) the Capital Reduction; and (iii) Share Premium Reduction will be credited to the contributed surplus account of the Company within the meaning of the Companies Act.

Following the passing of the resolution of the Company to approve the Capital Reorganisation at the special general meeting held on 16 March 2022, the Capital Reorganisation became effective on 18 March 2022.

FIVE YEARS FINANCIAL SUMMARY

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

	Year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**110,860**	142,047	146,602	121,060	40,680
Loss before income tax	**(11,849)**	(11,140)	(9,633)	(5,270)	(14,786)
Income tax (expense)/credit	**(544)**	180	(657)	(1,425)	(1,054)
Loss for the year	**(12,393)**	(10,960)	(10,290)	(6,695)	(15,840)
(Loss)/profit for the year attributable to:					
– Owners of the Company	**(13,006)**	(11,202)	(10,557)	(6,723)	(15,862)
– Non-controlling interests	**613**	242	267	28	22
	(12,393)	(10,960)	(10,290)	(6,695)	(15,840)

	As at 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Non-current assets	**20,208**	21,981	26,630	17,974	20,167
Current assets	**98,693**	165,846	103,886	100,693	85,278
Non-current liabilities	**2,426**	(53,389)	(6,641)	(1,048)	(1,121)
Current liabilities	**90,473**	(97,815)	(80,488)	(65,002)	(39,777)
Net assets	**26,002**	36,623	43,387	52,617	64,547
Attributable to:					
– Owners of the Company	**22,332**	33,665	40,849	52,617	65,351
– Non-controlling interests	**3,670**	2,958	2,538	–	(804)
Total equity	**26,002**	36,623	43,387	52,617	64,547

SUMMARY OF INVESTMENT PROPERTY

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