Alltronics Holdings Limited
華訊股份有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 833

ANNUAL REPORT 2021

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. LAM Yin Kee *(Chairman)*
Mr. LAM Chee Tai, Eric *(Chief Executive)*
Ms. YEUNG Po Wah
Ms. LAM Oi Yan, Ivy
Mr. SO Kin Hung

Non-executive Director

Mr. FAN, William Chung Yue

Independent Non-executive Directors

Mr. PANG Kwong Wah
Mr. YAU Ming Kim, Robert
Mr. YEN Yuen Ho, Tony
Mr. LIN Kam Sui

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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18 Whitfield Road
Hong Kong

COMPANY SECRETARY

Mr. LEUNG Fuk Cheung

STOCK CODE

833

INDEPENDENT AUDITOR

Grant Thornton Hong Kong Limited

AUDIT COMMITTEE

Mr. PANG Kwong Wah *(Chairman)*
Mr. YAU Ming Kim, Robert
Mr. YEN Yuen Ho, Tony

PRINCIPAL BANKERS

Hang Seng Bank Limited
Chong Hing Bank Limited
Fubon Bank (Hong Kong) Limited

SHARE REGISTRARS AND TRANSFER OFFICE

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

In Cayman Islands
Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3, Building D
P. O. Box 1586, Gardenia Court, Camana Bay
Grand Cayman KY1-1100
Cayman Islands

WEBSITE

http://www.irasia.com/listco/hk/alltronics/index.htm

On behalf of the board (the "Board") of directors (the "Directors") of Alltronics Holdings Limited (the "Company", and together with its subsidiaries, the "Group"), I am pleased to present to you the annual report for the year ended 31 December 2021.

BUSINESS REVIEW

During the year, both local and global economies continued to be affected by the new coronavirus (the "COVID-19") and its variants such as Delta and Omicron. Total turnover for the year had dropped by approximately 24.8 % which was mainly due to the decrease in demand for the Group's electrostatic disinfectant sprayers during the second half of the year. On the other hand, sales of other electronic products had remained stabled with moderate growth. The increases in raw materials prices, shipping costs and production overheads have resulted in a drop in overall gross profit margin by approximately 3.1%. As a result of the drop in total sales revenue and gross profit margin, the Group has recorded a net profit attributable to owners of the Company of approximately HK$69.3 million this year, as compared to a net profit of HK$122.4 million for the year 2020.

PROSPECTS

The Group will focus on consolidating its resources to expand its electronic products business in the year ahead. Although the COVID-19 pandemic will continue during the year 2022, with the relax of travel control and other COVID-19 related control measures in most of the developed economies worldwide recently, I expect the global economy will recover gradually over time and the business performance this year would be better than last year. I am confident that the Group will overcome all difficulties and challenges and will continue to look for new opportunity to diversify its product range and to provide a better return to all shareholders.

DIVIDEND

An interim dividend of HK1.0 cent per ordinary share has been paid in October 2021. In order to retain more cash to finance the working capital requirements and future development of the Group, the Board did not recommend the payment of a final dividend for the year. The Board will consider future dividend distribution in due course according to dividend policy.

APPRECIATION

On behalf of the Board, I would like to thank the management team and all our staff for their hard work and contribution in the past year, especially during the hard time of COVID-19 pandemic.

Lastly, I wish to extend my sincere gratitude to all our shareholders, customers and business partners for their continuing support.

Lam Yin Kee
Chairman

Hong Kong, 30 March 2022

BUSINESS AND FINANCIAL REVIEW

The Group is principally engaged in the manufacture and trading of electronic products, plastic moulds, plastic and other components for electronic products; the trading of biodiesel products and provision of energy efficient gas stoves; and the provision of energy saving business solutions. The revenue from sales of electronic products is the major source of income of the Group, which comprises sales of finished electronic products, plastic moulds and components, and other components for electronic products.

Revenue

Total turnover for the year ended 31 December 2021 had dropped by 24.8% to HK$1,656.4 million, as compared to HK$2,203.8 million for the year 2020. The decrease in turnover was mainly due to the decrease in sales of electronic products.

The turnover analysis by business segments for the two years ended 31 December 2021 and 2020 respectively is as follows:

	2021 **HK$'000**	2020 HK$'000
Revenue from sales of electronic products	**1,654,180**	2,199,775
Revenue from biodiesel products and energy efficient gas stoves	**477**	1,344
Revenue from energy saving business	**1,731**	2,642
	1,656,388	2,203,761

During the year, the new coronavirus (the "COVID-19") pandemic continued to disrupt economies across the globe. Total sales revenue from electronic products during the year had decreased by 24.8% from HK$2,199.8 million to HK$1,654.2 million. The decrease was mainly due to the significant drop in sales of electrostatic disinfectant sprayer products, which had decreased from HK$972.3 million in 2020 to HK$160.5 million in 2021. There were sudden and huge demand for electrostatic disinfectant sprayer products at the early stage of the COVID-19 pandemic in last year, but demand for these products had dropped significantly this year. On the other hand, demand for irrigation controller products had increased steadily with total sales revenue increased by approximately HK$111.7 million to HK$608.3 million, as compared to HK$496.6 million in the year 2020. Management expects that the sales revenue from irrigation controller products will continue to dominate the income stream of the Group in the year ahead. Sales of walkie-talkie products had decreased slightly by approximately HK$7.3 million. Total revenue from sales of components for electronic products, including transformers, adapters and solenoids, had increased by approximately HK$120.9 million and sales of plastic moulds and plastic components had also increased by approximately HK$9.9 million.

The operation of the biodiesel products and energy efficient gas stoves business segment in Hong Kong continued to be affected by the COVID-19 pandemic and had remained at a low level during the year, with total revenue of approximately HK$0.5 million.

Regarding the energy saving business segment, total sales revenue for the year were HK$1.7 million, representing mainly sales revenue from trading of LED lighting equipment. There was no energy saving sharing revenue during the year, as the installation work at the retail stores of Suning.com Co., Ltd. ("Suning") had ceased since last year.

In terms of geographical market, customers in the United States continued to be the major market for the Group's products and services which accounted for approximately 74.0% of the total revenue for the year (2020: 79.8%). The decrease in percentage of sales to customers in the United States was due to the decrease in sales of electrostatic disinfectant sprayers to a customer located in the United States. On the other hand, sales to customers in the PRC had increased by approximately HK$43.0 million during the year.

Gross profit

Total gross profit for the year had dropped by HK$154.7 million mainly due to the decrease in total sales revenue. The overall gross profit margin had also reduced from 18.8% for the year 2020 to 15.7% for the year 2021. The COVID-19 pandemic had led to rising raw material prices, including chips and plastic resins, and global shortage of shipping containers as well as increases in average labour costs and overheads. The appreciation of RMB against USD had also resulted in increases in labour costs and production overheads. During the year, the Group had experienced increasing difficulty in recruiting sufficient number of skilled workers to cope with production needs.

Expenses and finance costs

Distribution costs had decreased significantly from HK$61.7 million in the year 2020 to HK$24.3 million in the year 2021. The decrease was mainly due to the reduction in sales commission paid for the sales of electrostatic disinfectant sprayers.

Administrative expenses had decreased by HK$7.1 million during the year. The decrease was mainly due to the decrease in overall administrative staff costs. Total administrative staff costs for the year, including directors' emoluments, had decreased by approximately HK$5.8 million when compared to prior year.

Total finance costs had decreased by HK$3.0 million which was mainly due to the decrease in bank interest rates when compared to prior year.

Other operating expenses, net

During the year, the net other operating expenses amounted to approximately HK$4.5 million which was mainly due to exchange losses of HK$12.8 million, net off with government subsidies of HK$8.3 million received from PRC local government authorities.

Share of losses of associates

Share of losses of associates for the year amounted to HK$27.0 million as the associate at Yichun was still operating at loss due to the impact of COVID-19 in the PRC and there were impairment losses made by the associate during the year.

Profit attributable to owners of the Company

The profit for the year attributable to owners of the Company was HK$69.3 million, compared to a profit of HK$122.4 million for the year 2020. The drop in profit was mainly due to the decrease in sales revenue and the reduction in gross profit margin during the year. On the other hand, the impairment losses on financial assets had reduced by HK$29.5 million.

PRODUCTION FACILITIES

The Group currently has three production facilities in the PRC for the manufacturing of electronic products and components, two of which are located in Shenzhen, and one in Yichun. During the year, the Group spent approximately HK$8.4 million to acquire property, plant and equipment to enhance its production capacity.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

At 31 December 2021, the Group's total cash and cash equivalents, net of current bank overdrafts, amounted to HK$132.9 million. The net funds are sufficient to finance the Group's working capital and capital expenditure plans.

At 31 December 2021, total borrowings of the Group amounted to HK$265.6 million, comprising bank overdrafts of HK$5.5 million, bank loans of HK$259.1 million and trust receipt loans of HK$1.0 million, out of these HK$55.9 million were denominated in United States dollars, HK$148.4 million were denominated in Hong Kong dollars and HK$61.3 million were denominated in Renminbi respectively.

The Group's trade receivable turnover, inventory turnover and trade payable turnover were approximately 76 days, 103 days and 76 days respectively. These turnover periods are consistent with the respective policies of the Group on credit terms granted to customers and obtained from suppliers.

As at 31 December 2021, the Group's total current assets were HK$1,015.4 million compared to HK$982.2 million as at 31 December 2020, and the Group's total current liabilities were HK$771.5 million compared to HK$812.4 million as at 31 December 2020. The current ratio (current assets/current liabilities) as at 31 December 2021 was 1.32 times, compared to 1.21 times as at 31 December 2020.

During the year, the Company had not issued any new shares and had not repurchased any of its own shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

At 31 December 2021, the Company had in issue a total of 946,116,360 ordinary shares. A share option scheme (the "2016 Share Option Scheme") has been adopted by the shareholders of the Company at the annual general meeting of the Company held on 7 June 2016. There were no share options granted, exercised, lapsed or cancelled since the adoption of the 2016 Share Option Scheme. As at 31 December 2021, the Company did not have any share options outstanding.

CASH FLOWS

The net balance of cash, cash equivalents and bank overdrafts at 31 December 2021 was HK$132.9 million, which had decreased by HK$56.1 million compared to the balance at 31 December 2020.

The net cash generated from operating activities for the year was HK$14.7 million. The net cash used in investing activities amounted to HK$45.8 million, which was mainly due to HK$8.4 million being paid for the acquisition of property, plant and equipment; HK$13.0 million being placed as restricted deposits and HK$18.9 million being paid for the purchase of financial asset at FVTPL.

On the other hand, there was a net cash outflow of HK$28.6 million from financing activities. During the year, new borrowings of HK$359.7 million were obtained, and HK$355.6 million was used to repay borrowings and principal repayment of lease liabilities. During the year, the Company paid dividend of HK$28.4 million to its shareholders.

CAPITAL EXPENDITURE

During the year, the Group acquired property, plant and equipment at a total cost of HK$8.4 million, mainly financed by internal resources of the Group.

SIGNIFICANT INVESTMENT AND MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the year, the Group did not have any significant investment nor any material acquisition or disposal of subsidiaries.

PLEDGE OF ASSETS

At 31 December 2021, the Group had total bank borrowings of HK$265.6 million, out of which HK$107.0 million were secured by the land and buildings and right-of-use assets of HK$161.0 million in aggregate, HK$7.6 million were secured by short-term bank deposits of HK$3.8 million and HK$6.1 million were secured by plant and machinery of HK$11.1 million.

DEBT POSITION AND GEARING

As at 31 December 2021, the Group has net debts (being total bank and other borrowings and lease liabilities excluding trade debts and net of cash and cash equivalents) of approximately HK$216.7 million (2020: HK$135.7 million). The total equity was approximately HK$518.3 million (2020: HK$465.6 million). The gearing percentage as at 31 December 2021 was approximately 41.8% (2020: 29.2%).

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the maintaining appropriate debt and equity balance. The Directors review the capital structure of the Group on a regular basis. As part of this review, the Directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through various alternatives including the payment of dividends, new share issues and share buy-backs as well as the issue of new debts or the redemption of existing debts.

CONTINGENT LIABILITIES

(a) Potential litigation related to a fire incidence in the United States

During the fourth quarter of 2020, the Group was informed by a customer (the "Customer") that a fire was occurred at a school in the United States involving an electrostatic disinfectant sprayer manufactured by the Group. Based on preliminary investigations subsequently conducted by the insurance company, the Customer and some experts, and other information available, the Group believes that the root cause of the fire is most likely the defective design and manufacturing of the lithium-ion battery pack which powers the sprayer. The battery pack was designed and manufactured by a supplier designated by the Customer. However, not all the electrostatic disinfectant sprayers sold by the Customer were embedded with the subject lithium-ion battery pack. The Customer also informed the Group that there were some other reports of property damage but no reports of injury involving the subject lithium-ion battery pack. In February 2021, in view of the potential risk that the battery pack can overheat and melt and potentially causing a fire or an explosion, the Customer decided to recall voluntarily in the market four models of electrostatic sprayers embedded with the subject lithium-ion battery pack.

Management currently is of the view that the issue is the direct result of the defective design and manufacturing of the lithium-ion battery pack and the Customer understands that the Group was not involved with the design and manufacturing of the subject battery pack. The supplier of the subject battery pack was chosen and introduced to the Group by the Customer and the Group cannot change the supplier of the subject battery pack unless written consent from the Customer is obtained. Management believes that the Group does not have any responsibility or significant potential liability on this issue. The Group has engaged a lawyer firm and a cause and origin expert in the United States to handle the issue. The Company will closely monitor the situation and announcement(s) will be made by the Company to keep its shareholders and potential investors informed of any material development as and when appropriate.

(b) Litigation related to alleged non-payment of four purchase orders

Shenzhen Allcomm Electronic Co., Ltd. ("Shenzhen Allcomm"), being a wholly-owned subsidiary established by the Group in the PRC, received a "Writ of Summons" (傳票) attaching a "Civil Complaint" (民事起訴狀) (the "Litigation") from the Dongguan No. 3 People's Court* (東莞市第三人民法院) (the "Court") in relation to the claims made by Dongguan Hongjun Packaging Products Co., Ltd.* (東莞市宏俊包裝制品有限公司) (the "Plaintiff"), a supplier of Shenzhen Allcomm, against Shenzhen Allcomm as the defendant for the alleged non-payment of four purchase orders (the "Purchase Orders") for purchase of components for the Group's electrostatic disinfectant sprayer products. The Plaintiff seeks for court order for payment of the purchase costs under the Purchase Orders and other related costs and costs incurred in connection with the Litigation amounting to approximately RMB10.8 million in aggregate. The Plaintiff has also obtained a property preservation order (the "Court Order") from the Court to freeze deposit balances of Shenzhen Allcomm at a bank, amounting to approximately RMB10.8 million, for a period of one year.

The Plaintiff is a designated supplier chosen and introduced to the Customer of the Group's electrostatic disinfectant sprayer products and the Purchase Orders were placed with the Plaintiff under the instructions of the Customer. The Customer subsequently requested the Group to terminate the Purchase Orders with the Plaintiff. The Plaintiff also failed to deliver the ordered goods within the delivery dates as specified in the purchase orders. The first court hearing of the Litigation was scheduled on 24 February 2022. Shenzhen Allcomm has engaged a law office in Shenzhen (the "Legal Advisor") to handle the Litigation and the Legal Advisor has attended the first hearing held on 24 February 2022. As at the date of this report, the Court has not rendered any judgement on the first hearing. The Company believes that the Litigation and the Court Order will not have any material adverse effect on the Group and the business and operations of the Group remain normal. The Company will keep the shareholders and potential investors of the Company informed of any further material development by way of announcement as and when appropriate.

Save for the Litigation as disclosed above, the Group was not a defendant in any other legal proceedings against the Group during the year ended 31 December 2021 and as at 31 December 2021 and 31 December 2020.

Save as disclosed above, the Group did not have any other material contingent liabilities as at both 31 December 2021 and 31 December 2020.

UPDATE ON SETTLEMENT OF OVERDUE CONSIDERATION AND DEBT

On 15 April 2019, the Group has completed a very substantial disposal transaction (the "VSD Transaction") in relation to the disposal of the Group's investment properties business segment. On 15 July 2020, the Group has engaged a solicitor firm at Beijing to commence arbitration proceedings against the purchaser (the "Purchaser") and the guarantor (the "Guarantor") for collection of the overdue consideration of RMB100 million (the "Consideration") and accrued interests in relation to the VSD Transaction. On 12 March 2021, the arbitration hearing was conducted at the Beijing Arbitration Commission (the "BAC") and the arbitral award has been issued by the BAC on 5 August 2021. Under the arbitral award, it was decided by the BAC that, amongst other things, (i) the Purchaser and the Guarantor pay the overdue Consideration and accrued interests thereon to the Group, (ii) the Purchaser and the Guarantor bear the arbitration fees and the legal and other costs related to the arbitration, and (iii) the Purchaser and the Guarantor should settle all the amounts due to the Group within fifteen days from the date the arbitral award is delivered to the Purchaser and the Guarantor. As at the date of this report, the Group has not received the overdue Consideration and accrued interests thereon from the Purchaser and the Guarantor.

Alltronics Energy Saving (Shenzhen) Limited ("Alltronics Energy Saving", being an indirect wholly-owned subsidiary of the Group) has filed an official civil complaint* (民事起訴狀) (the "Complaint") at the Shenzhen Intermediate People's Court* (深圳市中級人民法院, the "Shenzhen court") on 2 January 2020. Under the Complaint, Alltronics Energy Saving requested for immediate settlement of the debt of approximately RMB212 million (the "Debt") and accrued interests thereon from the borrower (the "Borrower") and the Guarantor in relation to the VSD Transaction.

On 28 April 2021, Alltronics Energy Saving has entered into a settlement agreement (the "Settlement Agreement") with the Borrower and the Guarantor. Pursuant to the Settlement Agreement, the Borrower and the Guarantor have agreed to settle the Debt in accordance with the following schedule:

(a) RMB20,000,000 on or before 31 May 2021;

(b) RMB80,000,000 on or before 30 June 2021; and

(c) the remaining balance on or before 31 December 2021.

Alltronics Energy Saving has submitted the Settlement Agreement to the Shenzhen Court for judicial recognition and confirmation. On 28 May 2021, the Shenzhen Court has delivered its judgement on the Settlement Agreement and it has become effective and legally binding on all parties. The Borrower and the Guarantor have not made any payment subsequently in accordance with the repayment terms in the Settlement Agreement. The full amount of the Debt and the accrued interests thereon became due immediately. On 15 July 2021, Alltronics Energy Saving has applied to the Shenzhen Court for execution of the Settlement Agreement and the Shenzhen Court has accepted the application for execution of the Settlement Agreement. As at the date of this report, the Group has not received the overdue Debt and accrued interests thereon from the Borrower and the Guarantor.

The Group's legal advisers in Beijing and Shenzhen advised that Henan Luohe Intermediate People's Court * (河南省漯河市中級人民法院) (the "Henan Court") has accepted an application for bankruptcy liquidation against the Guarantor and a bankruptcy administrator of the Guarantor has been appointed by the Henan Court on 5 July 2021. The Group's legal advisers in Beijing and Shenzhen have already filed the relevant documents for the declaration of creditor's right to the bankruptcy administrator of the Guarantor to declare and to register all the amounts due from the Guarantor to the Group so as to protect the interests of the Group. The first creditors' meeting of the Guarantor was held on 31 August 2021.

As at the date of this report, the bankruptcy administrator of the Guarantor is still reviewing and verifying the declared debts of the Guarantor. Depending on the determination of the bankruptcy liquidation, it is uncertain whether the Group can recover the full amount of the Consideration and the Debt or can only recover a portion of these. The bankruptcy liquidation process may take some time, or years, to complete and the distribution plans to be proposed by the bankruptcy administrator are subject to approval at the creditors' meeting. The Group has also applied for a freezing order on the investment properties held by the Borrower. However, other creditors of the Borrower, including the two mortgage banks lending a total of RMB1.5 billion to the Borrower, have also applied for freezing orders on these investment properties, and their claims rank ahead of the Group's claim on the investment properties. The Group is advised by the Group's lawyer at Shenzhen that these investment properties will most likely be sold through public auction and the proceeds from public auction will be distributed to the creditors in accordance with the relevant PRC laws. As the Group is not a priority creditor of the Borrower, it is uncertain whether the Group will receive any significant distribution from the proceeds of the public auction of these investment properties.

The Group is in discussion with its legal advisers in Beijing and Shenzhen to consider the further actions available against the Purchaser, the Borrower and the Guarantor to recover the overdue Consideration and the Debt and accrued interests thereon.

Full impairment losses on the Consideration and the Debt have been made in the Group's audited consolidated financial statements for the year ended 31 December 2019. The Company will closely monitor the situation and further announcement(s) will be made by the Company to keep its shareholders and potential investors informed of any material development as and when appropriate.

EMPLOYEES

At 31 December 2021, the Group had 2,944 employees, of which 66 were employed in Hong Kong and 2,878 were employed in the PRC. Salaries of employees are maintained at competitive levels. The Group operates a defined contribution mandatory provident fund retirement benefits scheme for all its employees in Hong Kong, and provides its PRC employees with welfare schemes as required by the applicable laws and regulations in the PRC. The Group also offers discretionary bonuses to its employees by reference to the performance of individual employees and the overall performance of the Group.

No share options had been granted, exercised, lapsed or cancelled since the adoption of the 2016 Share Option Scheme. As at 31 December 2021, there were no share options remained outstanding.

The Group did not experience any significant labour disputes or substantial changes in the number of its employees that led to any disruption of its normal business operations. The Board believes that the Group's management and employees are the most valuable assets of the Group and they have contributed to the success of the Group.

FOREIGN EXCHANGE EXPOSURE

Most of the Group's sales are denominated in United States dollars and Renminbi, and most of the purchases of raw materials are denominated in Renminbi and Hong Kong dollars. Furthermore, most of the Group's monetary assets are denominated in Hong Kong dollars, United States dollars and Renminbi.

The Group's principal production facilities are located in the PRC whilst its sales proceeds are primarily settled in United States dollars, Hong Kong dollars or Renminbi. As such, management is aware of the potential foreign currency risk that may arise from the fluctuation of exchange rates between United States dollars, Hong Kong dollars and Renminbi. Management will consider various actions to minimise the risk, including the entering into forward foreign exchange contracts with major and reputable financial institutions to hedge its foreign exchange risk exposure. These were for hedging against foreign exchange risk exposure relating to the production costs and certain outstanding payables denominated in Renminbi. As at 31 December 2021, the Group did not have any outstanding forward foreign exchange contracts. Management will continue to evaluate the Group's foreign currency exposure and take further actions as appropriate to minimise the Group's exposure whenever necessary.

OUTLOOK

Electronic products segment

Although most of the countries worldwide have implemented COVID-19 vaccination programs since the beginning of 2021, the global market is expected to be continuously unpredictable and challenging with the new COVID-19 variants. It is expected that the impacts of the COVID-19 will continue to post threats to the global economy in 2022. Depending on the spread or containment of COVID-19, the pace of vaccine dissemination, and the level of global stress, the global economy activities are still uncertain and difficult to predict. It is also anticipated that the shortage of electronic raw materials will remain unabated within this year, and the global economy may take longer-than-expected before returning to full speed. Management will keep alert and will remain cautious on the performance in 2022. Besides the uncertainties on the impacts of the COVID-19, the ongoing trade disputes between the United States and the PRC may further escalate geopolitical tensions and may lead to negative impact to the global economy. The effects of the various sanctions imposed or to be imposed on Hong Kong by the United States and other countries are still challenging. On the other hand, the risk of fluctuation in exchange rate of Renminbi against United States dollars and Hong Kong dollars and the risk of fluctuation in interest rate will also affect the performance of the Group's electronic products segment. The management of the Group is of the view that the difficult business environment may last for some time. The Group will continue its efforts to manage these factors and to tighten controls over production costs and overheads, and to improve production efficiency to maximise the gross profit margin.

In terms of products, management expects that irrigation controllers will remain to be the core product of the Group's electronic products segment, and expects that the performance of the Group's irrigation controller products will remain strong with steady growth. The demand for other electronic products will also remain stable. On the other hand, management is also striving to launch new products to provide new momentum for growth in revenue.

In terms of geographical market, the Group foresees that United States will continue to be the major market for its products in the year ahead.

The COVID-19 pandemic has affected the business operations of the Group's associated companies. Management expects that the share of profits or loss from associated companies in the coming year will not be significant when compare to the results of the core electronic business of the Group.

The Group will continue to explore opportunities for new electronic products with other potential customers to broaden its revenue base and to maintain its growth momentum.

Biodiesel products and energy saving gas stoves segment

The Group foresees that the revenue from biodiesel products and energy efficient gas stoves will remain at existing level during the year 2022.

Energy saving business

The Group foresees that the revenue from the energy saving business will remain at a low level during the year 2022 as the Group has already ceased the installation work at Suning stores.

Going forward, we see both challenges and opportunities. The Group will focus on its core electronic products segment and will continue to explore opportunities for new products and projects with existing and potential customers in Hong Kong, in the PRC and overseas to provide a better return to all shareholders.

DIVIDENDS

In order to retain more cash to finance the working capital requirements and future development of the Group, the Board does not recommend the payment of any final dividend for the year ended 31 December 2021 (2020: Final dividend of HK2.0 cents per ordinary share). An interim dividend of HK1.0 cent per ordinary share for the year ended 31 December 2021 was paid in October 2021. The Board will consider future dividend distribution in due course according to dividend policy.

* *For identification purpose only*

DIRECTORS

Executive Directors

Mr. Lam Yin Kee (林賢奇), aged 75, is an executive Director and the Chairman of the Company. Mr. Lam was also the Chief Executive of the Company until 12 June 2020. Being the founder of the Group, Mr. Lam has over 50 years of marketing experience in the electronic industry and he is responsible for the Groups' overall strategic planning and business development. He is also responsible for overseeing the overall operation in the sales and marketing and administration management of the Group. Prior to establishing the Group in 1997, Mr. Lam was the vice-chairman of a listed group in Hong Kong engaging in the manufacture and sales of electronic products for over 20 years. Mr. Lam is the spouse of Ms. Yeung Po Wah and the father of Mr. Lam Chee Tai, Eric and Ms. Lam Oi Yan, Ivy.

Ms. Yeung Po Wah (楊寶華), aged 72, is an executive Director of the Company. Ms. Yeung is a co-founder of the Group and is responsible for the overall administrative functions and strategic planning of the Group. From 1967 to 1984, Ms. Yeung worked at the Bank of Tokyo with the last position being assistant manager of the remittance department. Ms. Yeung is the spouse of Mr. Lam Yin Kee and the mother of Mr. Lam Chee Tai, Eric and Ms. Lam Oi Yan, Ivy.

Mr. Lam Chee Tai, Eric (林子泰), aged 42, was appointed as an executive Director of the Company on 30 March 2012. On 12 June 2020, Mr. Lam was appointed as the Chief Executive of the Company. Mr. Lam holds a Bachelor Degree in Commerce (Marketing) and a Master Degree in Business Systems from Monash University, Australia. Mr. Lam joined the Group as an assistant Marketing Manager in June 2004 and is currently the General Manager of a major subsidiary of the Group. Mr. Lam has extensive experience in production and customer management and is mainly responsible for the overall supervision of the Group's manufacturing operations in China and for business development in China market. Mr. Lam is the son of Mr. Lam Yin Kee and Ms. Yeung Po Wah. Mr. Lam is also the brother of Ms. Lam Oi Yan, Ivy.

Mr. So Kin Hung (蘇健鴻), aged 65, was appointed as an executive Director of the Company on 1 August 2008. Mr. So graduated from the University of East London (previously known as "North East London Polytechnic") in the United Kingdom in 1982, with a degree of Bachelor of Science (Electrical and Electronic Engineering). Mr. So joined the Group since 1997 and is also the general manager of two of the Group's subsidiaries, namely Alltronics Tech. Mftg. Limited and Shenzhen Allcomm Electronic Co. Ltd. He has over 40 years of experience in the electronic industry and is responsible for the marketing and engineering operations of the Group. Prior to joining the Group in 1997, Mr. So worked for a Hong Kong listed company as the assistant general manager.

Ms. Lam Oi Yan, Ivy (林藹欣), aged 44, was appointed as an executive Director of the Company on 12 June 2020. Ms. Lam joined the Group as an assistant Marketing Manager in March 2003 and has extensive experience in marketing, administrative management and investor relations. Ms. Lam is mainly responsible for the administrative management and investor relations of the Group. Ms. Lam holds a Bachelor Degree in Business (Marketing) from Central Queensland University, Australia. Ms. Lam is a member of the YIC Youth of the Hong Kong Young Industrialists Council since 2003 and is also a director of the Lifeline Express Hong Kong Foundation since 2013. Ms. Lam is the daughter of Mr. Lam Yin Kee and Ms. Yeung Po Wah. Ms. Lam is also the sister of Mr. Lam Chee Tai, Eric.

Non-executive Director

Mr. Fan, William Chung Yue (范仲瑜), aged 81, is a non-executive Director appointed by the Group in June 2005. Mr. Fan is a solicitor in Hong Kong and has officially retired in April 2013. Mr. Fan was an independent non-executive director of National Agricultural Holdings Limited from January 2015 to November 2019, which was a company listed on the Main Board of the Stock Exchange until 21 November 2019. Mr. Fan was also a non-executive director of Chinney Investments, Limited from May 1987 to August 2017, which is a company listed on the Main Board of the Stock Exchange.

Independent Non-executive Directors

Mr. Pang Kwong Wah (彭廣華), aged 76, is an independent non-executive Director appointed by the Group in June 2013. Mr. Pang graduated from the University of Southern California in the United States of America with a Master of Business Administration and has extensive experience in finance and administration, business and general management. Mr. Pang was a principal of corporate services division of an international audit firm during 1985 to 1988 and had held senior positions including the chief operating officer and chief executive officer of a listed company in Hong Kong during 1988 to 2002. Mr. Pang was also a non-executive director of a listed company in Hong Kong during 2004 to 2005.

Mr. Yau Ming Kim, Robert (丘銘劍), aged 83, is an independent non-executive Director appointed by the Group in September 2009. Mr. Yau graduated from Wah Yan College and has extensive experience in the textile and clothing industry and worldwide trade affairs. He served as a trade officer in the Hong Kong Government from 1964 to 1971. In 1970, he was seconded to the General Agreement on Tariffs and Trade ("GATT") Secretariat (now known as "World Trade Organisation") in Geneva, Switzerland and was awarded GATT Fellowship. Mr. Yau had held senior positions including chief executive and managing director of various major international and local apparel companies since 1971. In addition, from 1998 to 2004, he was appointed as the vice chairman of Hong Kong Exporters' Association, member of the Executive Committee of The Hong Kong Shippers' Council and member of the Garment Advisory Committee of the Hong Kong Trade Development Council.

Mr. Yau is currently an independent non-executive director of Parkson Retail Group Limited and Tungtex (Holdings) Company Limited since 1 January 2007 and 18 September 2006 respectively. The shares of these two companies are listed on the Main Board of the Stock Exchange.

Mr. Yen Yuen Ho, Tony (嚴元浩), aged 74, is an independent non-executive Director appointed by the Group in August 2016. Mr. Yen is a solicitor of Hong Kong and the United Kingdom. He is also a barrister and solicitor of Australia. From August 1994 to March 2007, he was the Law Draftsman of the Department of Justice of Hong Kong. He was also a member of the Hong Kong Government's Law Reform Commission. Mr. Yen was conferred the Silver Bauhinia Star Medal by the Hong Kong Government in 2000. Currently, he is an adjunct professor at the Hong Kong Shue Yan University and the Beijing Normal University. Mr. Yen is an Honorary Court Member of the Hong Kong University of Science and Technology and an Honorary Fellow of the Faculty of Education, University of Hong Kong. He is the director of two secondary schools, the chairman of the Neighbourhood Advice Action Council and a member of Heep Hong Society's Executive Council. He is an honorary adviser to the Pok Oi Hospital and the Hong Kong Academy of Nursing. From April 2009 to April 2015, Mr. Yen was the vice chairman of the Hong Kong Government's Social Welfare Department Lump Sum Grant Independent Complaints Handling Committee. From January 2013 to January 2019, Ms. Yen was a member of the Hong Kong Government's Panel of Review Board on School Complaints.

Mr. Yen is an independent non-executive director of Jinchuan Group International Resources Company Limited (stock code: 2362) and WWPKG Holdings Company Limited (stock code: 8069), whose shares are listed on the Main Board and GEM of the Stock Exchange respectively, and also an independent director of China Minsheng Jiaye Investment Co., Limited. Mr. Yen also served as an independent non-executive director of Beijing Energy International Holding Co., Ltd. (stock code: 686) from 6 April 2011 to 18 June 2021, whose shares are listed on the Main Board of the Stock Exchange. Mr. Yen also served as an independent non-executive director of Link Holdings Limited (stock code: 8237) from 20 June 2014 to 16 October 2014, whose shares are listed on GEM of the Stock Exchange.

Mr. Lin Kam Sui (連金水), aged 72, is an independent non-executive Director appointed by the Group in June 2017. Mr. Lin was graduated from Hong Kong Technical College (now known as Hong Kong Polytechnic University) in 1970 and awarded the Higher Diploma in Mechanical Engineering. He is also a holder of the Full Technological Certificate in Electrical Engineering Practice of City and Guilds of London Institute, the Diploma in Management for Executive Development of the Chinese University of Hong Kong, and completed the General Management Programme of Ashridge Management College in the United Kingdom and Graduate Certificate in Management by Monash of Australia.

Mr. Lin has over 50 years of experience in the field of electrical and mechanical engineering. He joined the Jardine Engineering Corporation, Limited upon graduation from Hong Kong Technical College in 1970 and held various senior positions until he retired from the company in 2015, after 45 years of services. Mr. Lin currently is the Business Development Director of Midea Electric (HK) Limited.

Mr. Lin is a Chartered Engineer of the Engineering Council UK, a Fellow Member of The Chartered Institution of Building Services Engineers (UK), a Fellow Member of The Hong Kong Institution of Engineers, and a Life Member of American Society of Heating, Refrigerating and Air Conditioning Engineers. Mr. Lin is also the Honorary Life President of The Hong Kong Air Conditioning and Refrigeration Association Limited.

Mr. Lin has served the Hong Kong Government in various capacities, including as a member of the Electrical and Mechanical Services Industry Training Advisory Committee, a member of the Contractors' Registration Committee, a member of the Appeal Board Panel (under Construction Workers Registration Ordinance), a member of the Registered Contractors' Disciplinary Board Panel, a Sector/Subject Specialist of Hong Kong Council for Academic and Vocational Qualification and a member of the Employees Retraining Board.

PUBLIC SANCTION

On 28 June 2021, the Stock Exchange publicly censured the Company for its breaches of Rules 14.49 and 14A.36 of the Listing Rules for failing to obtain the required shareholders' approval for a very substantial disposal transaction, and publicly censured Mr. Lam Yin Kee, Ms. Yeung Po Wah, Mr. Lam Chee Tai, Eric, Mr. So Kin Hung, Mr. Fan, William Chung Yue, Mr. Yau Ming Kim, Robert, Mr. Yen Yuen Ho, Tony, Mr. Lin Kam Sui and publicly criticised Mr. Pang Kwong Wah for their breach of Rule 3.08(f) of the Listing Rules and directors' undertakings in failing to exercise reasonable skill, care and diligence to protect the interests of the Company and to seek professional advice on the Rule implications.

All the directors being censured and criticised completed 21 hours of training on regulatory and legal topics including Listing Rules compliance (the "Training"). The Training includes at least three hours on each of (i) directors' duties; (ii) the Corporate Governance Code; (iii) the requirements for Chapter 14 of the Listing Rules; and (iv) the requirements for Chapter 14A of the Listing Rules.

SENIOR MANAGEMENT

Mr. Ieong Kin San, Sunny (楊建燊), aged 71, is a co-founder of a major subsidiary, Southchina Engineering and Manufacturing Limited ("Southchina"), and currently is the marketing director and general manager of Southchina. He is responsible for overseeing the sales and marketing activities of Southchina and has over 40 years of management experience in manufacturing field.

Mr. Lam On Bong (林安邦), aged 70, is a co-founder of Southchina and currently is the operation director of Southchina. He is responsible for the overall management of Southchina's production facilities in the PRC and has over 40 years of management experience in manufacturing field.

Mr. Leung Hon Kwong, Jackson (梁漢光), aged 69, is a co-founder of Southchina and is currently the financial and purchasing director of Southchina. He is responsible for overseeing the purchasing and financial functions of Southchina and has over 40 years of management experience in manufacturing field.

Mr. Leung Fuk Cheung (梁福祥), aged 58, is the company secretary and qualified accountant of the Group. Mr. Leung is responsible for the Group's overall financial administration. He has extensive experience in finance, accounting, auditing and company secretarial practice and is currently a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of the Chartered Certified Accountants. Mr. Leung has worked for international accounting firms for over 12 years. Prior to joining the Group in August 2002, Mr. Leung worked as the financial controller for a jewelry manufacturing company.

ABOUT THIS REPORT

This environmental, social and governance report (the "Report") discloses the Group's actions and achievements in environmental, social and governance issues in the past year. This Report complies with all "comply or explain" provisions set out in the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") issued by the Stock Exchange, and contains all recommended disclosures in the ESG Reporting Guide.

SCOPE OF REPORTING

This Report covers the operations of the factory of the Group in Shenzhen (the "Shenzhen Factory") which mainly manufactures electronic products. The Shenzhen Factory is the main production base and the main source of income of the Group. Unless otherwise stated, all key performance indices in this Report cover only data from the Shenzhen Factory. The reporting period is from 1 January to 31 December 2021, which is the same as the fiscal period of the annual report.

REPORTING PRINCIPLES

Materiality: The Group identifies the material social issues through interviews with management and questionnaire surveys targeted at internal and external stakeholders, as well as evaluating the impact of various environmental, social and governance issues on the operations of the Group. For more information, please refer to the "Materiality Assessment" chapter.

Quantitative: This report would perform annual performance comparison with suitable quantitative data recorded and estimated by relevant departments of the Group when applicable, and state the information of the standards, methodologies, assumptions and/or calculation references wherever appropriate.

Balance: The source of information and cases of this Report were mainly derived from the Group's statistical reports, relevant documents and internal communication documents for 2021. The Group undertakes that there is no false record and misleading statement in this Report, both in terms of progress made and continuing challenges that we are dealing with.

Consistency: Since 2016, we have reported in accordance with the Stock Exchange's ESG Reporting Guide. If there are any changes that may affect the comparison with previous reports, the Group has added remarks to the corresponding content of this report.

BOARD STATEMENT ON ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Alltronics Holdings Limited (the "Company" or "Alltronics") and its subsidiaries (the "Group" or "we") are pleased to release the sixth environmental, social and governance report (the "Report"), which is designed to describe the Group's system construction and performance in fulfilling its environmental and social responsibilities in 2021, so as to address stakeholders' concerns and expectations regarding the Group's sustainable development management and information disclosure.

Sustainable Development Strategy

The Board of the Group takes full responsibility for sustainable development and leads the team to fulfil the social responsibility for corporate development, environmental protection, and ecological balance. Upholding to the historical mission of "Green" in pursuit of environmental protection since its establishment, the Group has incorporated the environmental protection ideas into its production, procurement, marketing, consumption and other process and injected green culture into different levels by using green technology, developing new green products, implementing green production and commencing green marketing and green services.

The Group's sustainability strategy is built upon four priority pillars, namely the Environment, Employee, Operation and Community. This reinforces our commitment to creating value for our stakeholders and ensures our commitment is delivered in a systematic manner.

Our Sustainable Development Strategy:

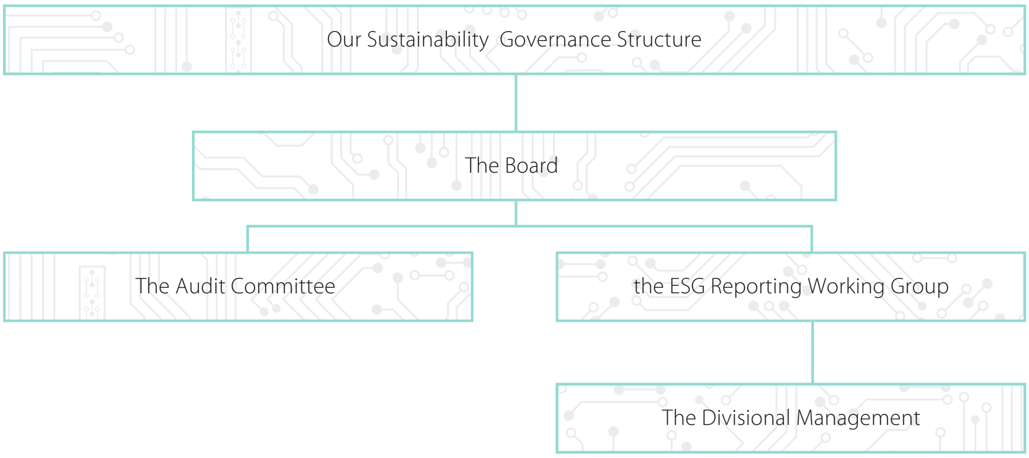
Operation	Ethics and Governance	Operate on the principles of integrity and comply with applicable laws and regulations.
		Achieve a high standard of corporate governance and emphasise a quality board, sound internal control, transparency and accountability to all stakeholders.
Environment	Environmental Management	Monitor various environmental parameters regularly to minimise related environmental impacts.
	Climate Change Strategy	Review the Group's approach to climate change and formulate a sustainable development plan to identify and respond to relevant entities and transformational risks and opportunities.
Employee	Caring for Employees	Provide employees with adequate support to strengthen a good relationship with employees.
	Nurturing Talents	Foster an environment for continuous learning and encourage employees to develop their careers in the company.
	Embracing Diversity	Respect the labour rights and human rights of all employees, clearly specify human resources management policies, and promote an inclusive culture within the company.
	Work Safety	Promote healthy and safe workplaces.
		Zero fatal accidents in our workplaces.

Our Sustainable Development Strategy:

Community	Community Investment	Cooperate with local charities to support the vulnerable groups and those in need.
		Provide job and training opportunities for young people.
	Quality Services	Improve the quality, safety and environmental performance of service management through innovative technology, in order to provide customers with better experience.
		Comply with all applicable regulations on data protection and cybersecurity, and minimise the risk of business interruption caused by cyberattack.
	Responsible Procurement	Suppliers are required to comply with all aspects of the Group's environmental standards, including work processes, products or services, child labour, basic human rights, working conditions, compensation, occupational health and safety, and business ethics.
		The Group will only work with suppliers and business partners who adhere to our requirements.

Governance Structure

The Board is responsible for the continued monitoring and review of its effectiveness. The Board reviews and manages the issues and risks related to the environmental, social and governance every year, and ensures that they are incorporated into the Group's strategy, that leading the Group to formulate and achieve long-term strategies and goals. The Group has set up an Environmental, Social and Governance Reporting Working Group (the "ESG Working Group") involving staff from the Group's environmental protection group, human resources and administration department, security office, procuring department, system office, maintenance team and marketing department. The ESG Working Group is responsible for monitoring sustainability performance and targets, reviewing opinions from stakeholders, collecting data and information regarding the environmental, social and governance, in order to prepare the ESG Report to be reported to the Board. This Report has been approved by the Board on 30 March 2022.



Internal Control and Risk Management

The Group has established a risk management and internal control system. Each year, the Audit Committee under the Board reviews the implementation results of the system and major control measures, including but not limited to financial, operational and compliance control and sustainability operations, and the Board engages independent third-party professionals to help identify and assess the Group's risks through interviews. The Board is of the view that the risk management and internal control system is effective and adequate. The Board is in overall charge of developing the Group's environmental, social and governance strategies and reports, as well as monitoring and managing ESG-related risks.

As a responsible corporate citizen, we are determined to promote the Group's business growth in a sustainable way and bringing better changes to the surrounding communities and the environment in a positive way. Our management strictly monitors the management of emissions and optimises the use of energy. Our business units incorporate a series of sustainability principles into their policies and operations. We strive to build an awareness of environmental management within the Group, and to improve our sustainability performance and resource efficiency.

The Board would like to take this opportunity to express its gratitude to all the stakeholders, especially our employees. Our success, whether in the past, present or future, depends on their support. As such, the Group makes great efforts to meet the needs of employees, including workplace benefits and supervision of occupational health and safety, so as to ensure their well-being.

The regulators and investors are increasingly concerned about sustainability issues and related risks. Looking forward, on the premise of ensuring corporate safety and the safety of employees, we will fully leverage the Group's comprehensive strengths and seize opportunities from global transformation and industry integration, to consolidate our core business, and continue to uphold the sustainability principles in business operations and development. We will also enhance risk identification and assessment, thus enabling the Group to deal with sustainability issues more effectively and respond to stakeholders' expectations.

COMMUNICATION WITH STAKEHOLDERS AND MATERIALITY ASSESSMENT

The Group strives to accommodate views and interests of stakeholders (including shareholders, customers, employees, suppliers, regulatory authorities and the public) through constructive communications with them to determine the direction of the Company's long-term development and maintain close relationships with stakeholders. The operating data and overall performance of the Group are summarized in the Company's interim report and annual report semi-annually and reported to investors through the Company's official website. The annual shareholders' meeting provides an effective platform for the Board to exchange opinions with shareholders and review their needs. In addition to the annual shareholders' meeting, the Group, with an aim to maintain close relations with customers, suppliers and other stakeholders, maintains communication with all stakeholders from time to time via visits, teleconferences or meetings (such as the delivery and quality review meetings with suppliers), mails and emails, and follow-up services of marketing staff, with a view to listening to their opinions and demands. The Group's overall performance is also reported to all investors in its annual report. Set out below are the issues of concern to some of our stakeholders.

Stakeholders	Focus areas of ESG	Opinion collection channels	Issues of concern
Employees	Employment, health and safety, development and training	Questionnaires, meetings	Employees generally show concern for compensation, promotion opportunities, and health and safety of the work environment
Suppliers	Supply chain responsibility, product liability, use of resources	Questionnaires, emails, meetings	Suppliers attach importance to delivery dates, product quality and liability issues, as well as contracting and bidding procedures and prices
Customers	Product liability, supply chain management, environment and natural resources	Questionnaires, emails, meetings	Customers care about delivery dates, product quality and liability issues, as well as environmental issues involved in the production process

During the year, the Group appointed an independent consultancy to conduct stakeholder communication activities and materiality analysis, including management interviews, external and internal stakeholders' survey, in order to understand stakeholders' awareness and vision on ESG.

We adopted a four-step process in preparation for our Materiality Assessment:

1. Identification

- To identify major ESG issues that are considered relevant and important to our businesses and stakeholders based on the ESG guidelines issued by the Stock Exchange, company policies and management strategies, characteristics of the industry, and business risks and opportunities.

2. Collecting Opinions

- To conduct a questionnaire survey and invite stakeholders including the board, employees, suppliers and customers to evaluate the importance of each issue from their own perspectives.

3. Prioritisation

- To select the important issues, draw the materiality assessment matrix, and obtain the preliminary evaluation results, so as to determine the strategic focus of sustainable development and improve the governance of sustainable development.

4. Confirmation

- The ESG Working Group will discuss about and identify the assessment result to get final results of the materiality assessment. Final results are reported to the Board.

Topics of High Materiality	Product Quality Health and Safety Customer Service Talent Management and Development Intellectual Property Protection Information Security and Personal Data Protection	Corporate Governance and Risk Management Procurement and Supply Chain Management Employee Benefit and Welfare Equal Opportunity Innovative Product
Topics of Moderate Materiality	Anti-competitive Conduct Waste and Recycled Materials Management Energy Management	Management of Packaging Materials Exhaust Emissions Greenhouse Gases Emissions
Topics of Less Materiality	Climate Change Environment and Natural Resources	Water Management Community Participation

A. ENVIRONMENT

1. EMISSIONS

As a responsible enterprise, the Group has attached great importance to environmental protection and pollution prevention over the years. The Group actively abides by the relevant national and local environmental laws and regulations, regulatory requirements and related standards, in order to fulfil its commitment of "the earth is our home; environmental protection depends on everyone; quality and the environment should go hand in hand". We have established and implemented an environment and quality management system in keeping with the times and with a focus on pollution prevention. With an aim to reduce energy consumption and waste and increase recycling and reuse, we identify relevant issues to constantly make environmental and quality improvements. We adhere to the bottom line and always comply with relevant laws and regulations concerning the control of environmental and hazardous chemical substances related to the Company's activities, products and services while meeting customers' requirements. We strive to enhance group-wide environmental awareness and encourage employees to protect the environment.

The Group strictly complies with all applicable environmental laws and regulations, such as the Environmental Protection Law of The People's Republic of China (the "PRC") (《中華人民共和國環境保護法》). During the reporting period, there was no case of violation.

Exhaust will inevitably be produced in the production process. The Group endeavours to reduce the impact of exhaust so produced on the surrounding environment. We installed air extraction and exhaust devices in the workshops of the Shenzhen Factory to collect exhaust through pipelines and then treat it centrally by the activated carbon system. The Group strictly requires that the facilities for the prevention and control of exhaust pollution in the our factories may not be dismantled or left idle without authorization. We also require the production departments to maintain and preserve the exhaust treatment equipment to ensure that the concentration of the treated exhaust meets the requirements in the Occupational Exposure Limits of Workplace Hazardous Substance (GBZ2-2002).

The annual emissions data of gas fuels and vehicles of the Shenzhen Factory in 2021 are as follows:

Pollutant	Unit	Exhaust emissions
Nitrogen Oxide (NO_x)	tonne	164.39
Sulfur Oxides (SO_x)	tonne	1.68
Particles (PM)	tonne	15.01

The greenhouse gas emissions of the Shenzhen Factory in 2021 are as follows:

Greenhouse gas emission category	Unit	Greenhouse gas emissions
Total greenhouse gas emissions	tonnes of CO_2e	3,804.89
Direct emissions (Scope 1)	tonnes of CO_2e	333.86
Energy indirect emissions (Scope 2)	tonnes of CO_2e	3,470.17
Other energy indirect emissions (Scope 3)	tonnes of CO_2e	0.86
Total greenhouse gas emission intensity	tonnes of CO_2e/employee	3.68

Note: The calculations were based on the Reporting Guidance on Environmental KPIs issued by the Stock Exchange, 2006 IPCC Guidelines for National Greenhouse Gas Inventories, IPCC Fifth Assessment Report, and latest grid emission factors;

Scope 1 includes emissions from stationary combustion of liquefied petroleum gas, emissions from direct combustion of diesel from mobile sources, and fugitive emissions from refrigeration equipment;

Scope 2 includes indirect energy emissions from purchased electricity; and

Scope 3 includes CO_2 emissions from the treatment of paper waste.

The Group attaches great importance to the management of solid waste. During the year, the Group has set a target for a year-on-year reduction of waste produced by 2-4%, in order to achieve waste reduction. We have strengthened our management and monitoring system. We carry out stringent 3R waste management measures, by minimising the generation of waste (Reduce) and considering reuse (Reuse) and recycling (Recycle) before disposal to achieve our target for waste reduction.

The Group's non-hazardous waste mainly comes from the garbage generated by employees in the Group's living areas. The Group classifies and manages non-hazardous waste, picks out useful resources, and then hands over the remaining waste to an approved recycling contractor for disposal in accordance with national laws and regulations such as the Law on the Prevention and Control of Environmental Pollution by Solid Waste (《固體廢物污染環境防治法》) and the Measures for the Management of Municipal Solid Waste (《城市生活垃圾管理辦法》). For example, corner scraps, waste defective products, packaging wastes and other general solid wastes will be disposed of by the sanitation department or recycled by the manufacturers. Other non-reusable waste will be sent to the government's waste treatment facility for treatment.

For hazardous waste, we have identified hazardous waste in our factories with reference to the requirements of the state's Directory of National Hazardous Waste 2017, and put all hazardous waste in collection containers for recycling and store them in temporary storage locations designated for hazardous waste according to the laws and regulations such as the Law on the Prevention and Control of Environmental Pollution by Solid Waste (《固體廢物污染環境防治法》), Hazardous Waste Transfer Management Measures (《危險廢物轉移聯單管理辦法》), and Provisional Regulations on the Administration of Hazardous Waste Transfer Records in Guangdong Province (《廣東省危險廢物轉移報告聯單管理暫行規定》). In addition, we have taken protective measures and posted warning signs in accordance with the requirements of hazardous waste management, and handed over hazardous waste to institutions with professional treatment qualifications for hazardous waste for centralized treatment.

The hazardous and non-hazardous waste generation of the Shenzhen Factory in 2021 are as follows:

Waste category	Unit	Waste generation
Hazardous waste	tonne	2.83
Hazardous waste intensity	tonne/employee	0.003
Non-hazardous waste	tonne	111.50
Non-hazardous waste intensity	tonne/employee	0.108

2. Use of Resources

In order to make more effective and prudent use of all resources including energy, water and other natural resources, we have established the "Energy Conservation Policy", the "Water Conservation Policy for Daily Operations" and the "Green Office Resource Policy", and have also provided our staff with more specific advices and measures for the management of energy, water and packaging materials.

Energy Management

During the year, the Group has set a target for a year-on-year reduction of power consumed by 2-4%, in order to achieve waste reduction. We advocate the use of energy-saving, efficient and environmentally-friendly construction equipment, machinery and office appliances recommended by the state and the industry. Besides, our Shenzhen Factory has partially commissioned the solar power system, whereby the power supply has increased for 3 times as compared to 2020, which representing 2% of the total power consumption of the Group. In the future, the Group will explore the opportunities of engaging renewable energy, to lessen our dependence on fossil-based energy. Also, we keep updated on the latest environmental news, adopt high performance equipment and use products with low emissions to optimise our existing services, so as to reduce environmental pollution.

The total energy consumption of the Shenzhen Factory in 2021 are as follows:

Type of energy	Unit	Energy consumption
Total energy consumption	kWh	5,543,442.54
Total energy consumption intensity	kWh/employee	5,355.98
Direct energy consumption	kWh	1,060,468.54
Direct energy consumption intensity	kWh/employee	1,024.61
Including:		
Diesel consumption	kWh	614,249.46
Diesel consumption intensity	kWh/employee	593.48
Gasoline Consumption	kWh	446,219.08
Gasoline Consumption Intensity	kWh/employee	431.13
Indirect energy consumption	kWh	4,380,973.00
Indirect energy consumption intensity	kWh/employee	4,232.82
Including:		
Power consumption	kWh	4,380,973.00
Power consumption intensity	kWh/employee	4,232.82
Renewable energy (solar) consumption	kWh	102,001.00
Renewable energy (solar) consumption intensity	kWh/employee	98.55

Note: The unit for energy data is converted to kWh with reference to lower heating value. Fuel oil includes unleaded gasoline and diesel. Fuel gas includes liquefied petroleum gas and natural gas.

Water Management

The water consumed by our Group comes from municipal water supplies, there were no issues related to sourcing water. In order to cherish the precious water resources, the Group makes every effort to maximise the water resources used in its business operations. During the year, the Group has set a target for a year-on-year reduction of water consumed by 3-5%, in order to achieve waste reduction. The water we consume is mainly the domestic water used by employees. Therefore, our equipment management department is responsible for implementing water-saving policies and regulations of the Group, formulating the Group's water-saving measures and standards, and formulating water-saving action plan and assessment indicators for annual water-saving plan. We issue assessment indicators and control plans for energy and water resources to the whole factory by means of a formal submission. factory, and put them in place by phases.

The total water consumption for the Shenzhen Factory in 2021 is as follows:

	Unit	Water consumption
Water consumption	m^3	187,498.00
Water consumption intensity	m^3/employee	181.16

In addition to main power and water resources, the Group is concerned about the use of other resources, such as packaging plastics and office paper. As to packaging plastics, subject to relevant requirements, we endeavour to minimise the amount of plastic packaging materials used in production to avoid unnecessary plastic consumption while reducing the generation of plastic waste. As to office paper, the Group used to use a large amount of paper for printing, mostly single-sided printing, but now we shift from single-sided printing to double-sided printing to improve paper utilization. We also advocate paperless and green office.

During the year, the Shenzhen Factory improved the design of the connection point for printed circuit board ("PCB") so that it can pass directly through the wave furnace, which reduces the amount of adhesive tape used for protection and the operating cost of the pasting process. Going forward, we will continue to seek ways to improve product design and the application of environmentally friendly materials to reduce the consumption of packaging materials and the use of resources.

The total consumption of packaging materials for the Shenzhen Factory in 2021 is as follows:

	Unit	**Total consumption of packaging materials**
Packaging materials	tonne	3,089.34

3. Environment and Natural Resources

To live up to the Group's commitment to sustainable development, the Group has already obtained the Cleaner Production Certificate for ten years. Its cleaner production projects include improving production, maintaining various facilities and processes, replacing materials, saving natural resources, recycling and reusing materials, which are designed to reduce and eliminate all types of consumption including water and energy. With the ongoing improvement in production technologies and management level, there will emerge more advanced, cleaner and safer production technologies and equipment. As such, we will continue to review and promote cleaner production every year, and continuously research, develop and apply new cleaner production technologies.

The Group actively promotes sustainable development to its supply chain. At meetings with stakeholders, the Group often advocates the importance of "reducing carbon emissions" and introduces the environmental benefits of its products in product promotion publications. The Group also attaches great importance to the environmental protection training of employees. In the first quarter of each year, the personnel department organizes various departments to put forward annual training needs in the Shenzhen Factory. Employees of different departments implement environmental protection training to employees of different departments. We also encourage our employees to attend environmental seminars during office hours to raise their awareness of environmental protection.

The Group has formulated the Green Procurement Policy which requires giving preference to environment-friendly materials on the basis of meeting our requirements. The Policy also requires suppliers to obtain ISO 14001 environmental management system certification. The Group implements a full set of green measures. The materials, processes and equipment we use must meet the requirements of RoHS, REACH and Halogen Free in order to eliminate the use of toxic and hazardous substances and reduce the impact on the environment.

4. Climate Change

The Group realises that the impacts related to climate change may bring different risks to the Group's operations. Therefore we regularly assess and review climate change risks, and plan ahead for future financial risks that may arise and make arrangements accordingly.

Type of Risk	Description of the Risk	Risk Response Measures
Policies and laws	Environmental related regulatory requirements in operations, products and services have been tightening, leading to increasing operating costs, including costs of compliance and product development costs.	Each of the Group's factories has implemented a number of energy-saving and emission-reduction measures, as well as fully complied with all environmental-related laws and regulations in the past. During the year, the Group also set targets for reducing waste, electricity consumption and water consumption, that go beyond basic legal requirement, in order to minimise regulatory risk.
Long-term Risks	Certain climate changes such as a reduction in annual rainfall precipitation, adverse weather conditions and novel virus, that could have led to an adverse effect on employees' health and "office hour mode". This results in a raise in the cost of medical provisions for employees and further arrangements need to be made to adjust working timetables.	In response to the Covid-19 crisis, we have implemented policies to ensure the health and safety of our employees. This includes allowing employees to work from home during pandemic, in order to resume our business more quickly. The Group has two or more long-term suppliers for each raw material, who are from the neighbouring country and city, that facilitates the Group to resume work and maintain normal production in a short time over the world's lockdown.
Market Risk	Customers are increasingly concerned about climate change, so they will give priority to green products, however, the Group failed to provide green products to meet customer needs.	The Group implements clean production, reduces pollutant discharge, and saves energy, raw materials and reduces water consumption, thereby resulted in a lower cost of production cost. From 2020, we improved the design of the connection position of the printed circuit board ("PCB board") to reduce the amount of adhesive tape used for protection and the operating cost of the sticking process. In the future, the Group will seek to improve product design methods and the application of environmentally friendly materials, and carry out green certification for products, so as to increase the confidence of external stakeholders in the Group's products.

Type of Risk	Description of the Risk	Risk Response Measures
Reputational Risk	The Group failed to deal with problem of climate change effectively, such as failing to adopt carbon reduction policy and lower the increase in temperature, so that the Group could not result in a positive market response.	In line with the requirement specified in the Environmental, Social and Governance Reporting Guide issued by the Stock Exchange of Hong Kong, we enhance the disclosure of the Group's Environmental, Social and Governance performance, in order to provide stakeholders with a full understanding of the Group's sustainable development strategy, governance structure, policies and measures.

B. SOCIETY

1. Equal Opportunity

In the process of business development, the Group always keeps in mind its social responsibilities and upholds the belief of mutual respect and harmony. It is dedicated to the best possible treatment of employees and customers. At the same time, we are actively participating in and sponsoring meaningful community programs and activities. We also have a dedicated human resources committee to regularly review and improve the relevant policies, so as to ensure that they are in compliance with local laws and industry guidelines.

The Group respects the personal freedom of employees and has built a diverse culture. We have formulated the Personnel and Logistics Management Measures to standardise the recruitment procedures and ensure that job candidates are not treated differently based on gender, place of origin, registered residence, etc. The job candidates shall not be discriminated against due to ethnicity, national origin, race, sex, language, and religious belief. The Group prohibits any form of discrimination, respects the personal freedom of employees, and protects personal privacy of employees.

The Group is committed to attracting and retaining outstanding talents by providing competitive remuneration packages in the market, determining the remuneration based on the value of the position, and giving higher remuneration to outperforming employees to encourage continuous improvement. When considering the employee's promotion system, our group will refer to the employee's work performance, experience and personal ability as the conditions for employee promotion. In order to give employees clear and specific promotion ladders and criteria, we have developed criteria for performance appraisal and set up an internal performance management system, and conduct employee performance appraisal on a regular basis.

The Group provides its employees with relevant benefits according to the Social Insurance Law of the People's Republic of China, Regulation on Work-Related Injury Insurances and other regulations, to make contribution to medical insurance for employees, provide them with statutory leave and vacation, and paternity and maternity leaves that go beyond the legal requirements, including five types of social insurances and one housing fund, namely, pension insurance, medical insurance, work injury insurance, unemployment insurance, maternity insurance and housing provident fund. The holidays it provides include national statutory holidays, marriage leave, maternity leave, prenatal check-up leave, breastfeeding leave, paternity leave, work injury leave, bereavement leave and annual leave. The Group signs employment contracts with all employees and follows the standards stipulated in the contracts when the dismissal procedures need to be executed.

As a responsible employer, the Group has set up a rigorous and prudent dismissal process in accordance with the "Labour Law of the PRC" and the "Hong Kong Employment Ordinance". We have formulated the Retirement Policy and the Compensation Policy. The Group will handle retirement formalities for employees who have reached the statutory retirement age in accordance with the relevant regulations and will go through any dismissal procedures according to the Labour Law. In the event of a work-related accident, the Group will make reasonable compensation and handle it properly in accordance with relevant laws.

The Group regards every employee as the most important family member and strives to provide employees with a work-life balance as part of our commitment to employees. We hope that employees will feel reassured and steadily build a bright future with the Group. To this end, the Group has formulated the Life Balance Policy and built recreation facilities in our factories to enrich the lives of staff, including karaoke rooms, table tennis, billiards, basketball and badminton facilities and a reading room. Each year, we organise various welfare lottery and cultural and recreational activities according to the production plan and holiday schedule of the year to enrich the lives of employees, increase their work enthusiasm and improve employee cohesion.

The Group strictly complies with relevant laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare, such as the Labour Law of the PRC (《中華人民共和國勞動法》). There was no case of violation during the reporting period.

The number of employees of the Shenzhen Factory by category as at 31 December 2021 is as follows:

Category	Total number of employees (person)
By gender	
Male	747
Female	288
By employment type	
Full-time	1,035
Part-time	0
Apprentices and interns	0
By age group	
Under 25	191
Aged 25 to 34	676
Aged 35 to 44	168
Aged 45 to 54	0
Aged 55 to 64	0
Over 65	0
By region	
China	1,035

Note: The calculation was based on the Reporting Guide for Social Key Performance Indicators issued by the Stock Exchange.

The Shenzhen Factory's employee turnover rate by category in 2021 is as follows:

Category	Monthly employee turnover rate (%)
By gender	
Male	6.44%
Female	7.96%
By age group	
Under 25	3.75%
Aged 25 to 34	6.56%
Aged 35 to 44	11.51%
Aged 45 to 54*	0%
Aged 55 to 64	0%
Over 65	0%
By region	
China	6.86%

Note: The calculation was based on the Reporting Guide for Social Key Performance Indicators issued by the Stock Exchange.

* There were only two employees aged 45 to 54 for the year, both of whom have left in 2021

2. Health and Safety

To implement the production safety policy of "Safety First, Prevention Foremost and Comprehensive Treatment", we endeavour to create the safest and most agreeable working environment and achieve the goal of zero work accident. We take various measures to prevent the occurrence of occupational diseases and industrial casualties among our staff. We have in place a sound mechanism to manage occupational health and safety-related matters, including identifying risks inherent in our operations and conducting regular reviews and assessments, so as to comply with laws and requirements including Fire Protection Law of the PRC (《中華人民共和國消防法》), Production Safety Law of the PRC (《中華人民共和國安全生產法》) and the Law of the PRC on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》).

All employees of the Group are required to comply with its safety rules which stipulate the responsibilities and safety concerns of different positions in the workplace. In order to improve the Group's ability to cope with risks and prevent accidents, protect employees from occupational hazards during production and operations, and prevent occupational safety accidents and occupational diseases, a safety team has been established to be responsible for safety management, accident prevention, emergency rescue, and occupational health of employees. It is also responsible for providing employees with adequate occupational health and safety training and regularly promote workplace safety culture, so as to identify high-risk areas in the workplace and develop countermeasures, reduce work risks, prevent work-related accidents and cut down occupational hazards.

The occupational safety and health measures taken by the Group include adopting safety technical measures to protect employees from work-related accidents, covering protective devices, safety devices, signal devices, fire and explosion-proof facilities, etc. The Group conducts regular maintenance and overhaul of occupational disease protective equipment, emergency rescue facilities and personal occupational disease protection articles, and regularly tests their performance and effects to ensure that they are in normal condition. The Group also adopts occupational health measures to prevent occupational diseases and improve the occupational health environment, including measures such as dust prevention, poison prevention, noise prevention, ventilation, lighting, heating, and cooling. In order to protect the safety and health of employees, we actively improve the working conditions and create a working environment that meets hygiene standards and safety and health requirements. Moreover, we encourage employees to use protective equipment correctly, so as to avoid accidents in the production process.

The Group welcomes and values employees' opinions. Employees can express their opinions and communicate with the management in different ways. There are suggestion boxes in the plant area for employees to anonymously express their opinions which will be handled by the dedicated personnel from the Personnel Department. We also encourage employees to provide constructive suggestions on the management measures and methods of the Company. The Company will grant certain rewards as appropriate to the personnel whose suggestions are adopted.

The Group strictly abides by laws and regulations concerning the provision of a safe working environment and the protection of employees from occupational hazards, such as the Law of the PRC on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》). There was no case of violation during the Reporting Period.

Number of lost days due to work-related injuries and work-related fatalities over past three years are as follow:

	2019	2020	**2021**
Work-related fatalities	0	0	**0**
Lost days due to work injury	0	0	**0**

3. Talent Management and Development

The Group adopts a people-oriented approach in its concepts of management and we have established the Training Control Programme. We trust our employees and encourage them, with a view to enhancing the value of our team and the professional quality of employees and promoting the achievement of business targets. The Personnel Department of the Group will conduct a survey to collect training needs of various departments, and formulate a List of Annual Training Needs based on the Group's business strategies and plans and employees' feedback. We have developed a series of career development plans, including internal and external training programmes, to encourage employees to learn advanced knowledge, skills and management practices, so as to improve their quality in an all-round manner. New employees are required to receive orientation training to familiarize with their respective department's business operations and quickly meet the job requirements.

- On-the-job training of employees will be organised systematically based on the actual needs of the Group and the personal capabilities of employees to facilitate the development of employees in their positions. Each worker to be engaged in technical work must receive training before taking a job.

- Employees have the right to participate in training, the opportunity to receive training and the responsibilities to provide training for others. In addition to actively participating in various training sessions organised by the Company and different departments, employees should always focus on improving their expertise, work skills and comprehensive quality through independent study while making specific plans for their own career development and implementing such plans under the guidance of their direct superiors and the departments concerned.

- Where the Company pays special training expenses for professional technical training of an employee, the employee shall follow the arrangement of the Company to engage in relevant technical work and undertake internal training and counselling work for other employees of the Company.

- Depending on to the Company's business development needs, it organises executives or technicians to go abroad on a tour of observation and study.

The Group's career development path combines the needs of the enterprise with the career development goals, interests and expertise of employees, so that the Group and the employees can grow together; and guides employees to realize their potential and life goals through accumulation of knowledge and skill improvement.

The percentage of employees trained by different categories and the average number of hours of training completed by each employee of the Shenzhen Factory in 2021 are as follows:

Category	**Percentage of employees trained (%)**	**Average hours of training completed per employee (hour)**
By gender		
Male	72.17%	2.00
Female	27.83%	2.00
By employee category		
Senior management	0.77%	2.00
Middle management	0.48%	2.00
Supervisor	2.22%	2.00
General employee	96.53%	2.00

Note: The calculation was based on the Reporting Guide for Social Key Performance Indicators issued by the Stock Exchange.

4. Employee Benefit and Welfare

The Company conducts staff recruitment and management in strict accordance with the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China and the Regulations on the Prohibition of Child Labour and Employee Ordinance of Hong Kong and other applicable labour laws in where the Company operates. It is absolutely forbidden to employ any child labour and any form of forced labour. We have outlined our principles or policies relating to compensation, benefits, employment and dismissal, promotion, occupational health and safety, prevention of child and forced labour, anti-discrimination, etc. in our employee handbook. We disseminate the handbook to all our staff to keep them well informed of our principles and policies.

Before employing a candidate, the Group conducts a thorough check of various documents and files related to the applicant's age and takes effective measures to verify the age to ensure that the applicant has reached the statutory age for work. The employment contracts of the Group comply with the requirements of local laws and regulations and specify the rights and responsibilities of both parties to ensure that employees receive their due rights. The Group prohibits any form of forced labour. It ensures that all employees work on a willing basis and forbids the use of any form of servitude or bonded labour, corporal punishment, imprisonment and threats of violence.

The Group strictly complies with relevant laws and regulations on the prevention of child labour or forced labour, such as the Labour Law of the PRC (《中華人民共和國勞動法》). There was no case of violation during the Reporting Period.

5. Procurement and Supply Chain Management

The Group strove to create supply-demand partnership relationship with suppliers on the basis of mutual benefit and win-win, and then made devotion to sustainable development of the industry and the society. Our Shenzhen Factory has developed and implements the Management Procedure for Supplier Evaluation and the Management Procedures for Procurement to manage suppliers and the processes, products and services provided by them, so as to ensure that they will not adversely affect the Group's ability to consistently deliver qualified products and services to customers.

The Group enters into commission contracts with suppliers based on their products and quality management system capabilities and compliance with relevant legal requirements to agree on both parties' obligations and the operating procedures. The Group convenes a supplier review meeting with relevant departments in every six months. The procurement department requires suppliers to meet the same standards as the Company is required to meet on the management system of Environment and Quality, and review their operating condition. Based on the review results, we will require suppliers with relevant risks to improve their existing mechanisms and performance, and terminate cooperation with suppliers that fail to meet our requirements, so as to ensure that the quality, environment and safety of the supply chain are in line with the Group's policy.

During material procurement and outsourcing, the Group will also comprehensively consider the environmental performance of suppliers, for example, suppliers will be evaluated in advance and all materials used by the Group must meet the standards of RoHS environmental protection requirements. Meanwhile, we require them to abide by the Group's principles of sustainable development, such as labour treatment, etc., so as to promote the Group's environmental protection vision throughout the supply chain.

The number of suppliers by region of the Shenzhen Factory as at 31 December 2021 is as follows:

Region	Number of suppliers
China	428
Hong Kong	188
Others	14

6. Product Liability

Product Quality

The Group's quality policy is to "put quality and customers first, make continuous improvements, and pursue excellence", so as to provide reliable and high-quality products for customers.

The Group has formulated and implemented the Procedures for Management Review and conduct management review at least once a year to ensure that our quality control system is appropriate, adequate, and effective, and aligned with our strategy. For years, the Group has maintained a sound ISO9001 quality system and made continuous improvements thereon, in a mission to provide quality products and services to meet customer requirements. During operations, the Group strictly abides by national laws and regulations and industry quality standards and constantly improves quality management to protect the basic rights and interests of customers.

In order to ensure that its products meet the reasonable expectations of customers, the Group has formulated and implemented the Management Procedures for Review of Orders. Our quality control department is responsible for checking products and services at appropriate stages to ensure that our products meet quality and technical requirements and to correct any serious problems in a timely manner, thereby ensuring that the reviewed products and services meet the requirements of laws and regulations and the quality requirements of customers and the Group.

Customer Service

Customer feedback is the biggest contributor to driving the Group forward, and hence we maintain good communication with our customers to understand their requirements for improvement of our products and services. The Group conducts surveys by visiting customers and issuing the "Customer Satisfaction Survey Form" to them to learn about their requirements. The Marketing Department of the Group is responsible for regularly reviewing customers' opinions on the products or services provided and developing measures to improve customer satisfaction. When necessary, the Group will provide customers with after-sales service for products. To this end, we have formulated and implement the Procedures for Maintenance and Repair Service Management.

Fair Advertising

The Group understands the importance of advertising and sales pitches. As such, we have formulated the "Fair Publicity Policy" to regulate all our marketing staff who are required to provide customers with accurate and true information in the course of marketing, so as to ensure the effectiveness of marketing and avoid relevant legal risks in the process. The Group provides service and/or product awareness training for relevant employees, such as sales staff and customer service staff, to ensure that they provide accurate information in the sales and service process.

Intellectual Property Protection

The Group endeavours to protect intellectual property rights and refuses to provide products or services that infringe copyright or intellectual property rights. The Group undertakes to use only genuine products. Our purchasing managers will review the goods to be purchased to prevent the Group from purchasing illegal products. In terms of production, our engineering managers are responsible for reviewing every design to avoid using unauthorised photos and designs from third parties.

Information Security and Personal Data Protection

The Group takes customer information security seriously. We strictly implement the information security management system, raise all employees' awareness of information security, constantly improve the information security measures, and encrypt and manage sensitive data to protect the interests of relevant parties.

The Group strictly abides by the laws and regulations on product health and safety, advertising, labelling, remedies and protection of intellectual property rights, and complies with the laws and regulations related to privacy issues, such as the Drug Administration Law of the PRC (《中華人民共和國藥品管理法》). The Group had no violation of the above laws and regulation during the Reporting Period.

7. Anti-Corruption

In order to create a good corporate atmosphere, guide and standardize the daily work behaviours of employees, maintain normal operations and management, prevent fraud that harms the interests of the Group, and improve work efficiency and effectiveness, the Group has formulated internal control measures to manage anti-fraud investigation and publicity and conflicts of interest among employees.

The Group has set up whistleblowing channels and an investigation mechanism. When receiving any report of fraud, we will record it, collect relevant information on fraud, conduct preliminary analysis, and set up an investigation team to initiate investigation if necessary. The investigation team will conduct an investigation, estimate the losses caused by fraud and prepare an investigation report. After the final review of the investigation report, the handling plan will specify that the Group will terminate the labour contract with the party involved in the fraud and hand him/her over to the judicial authority for handling. Internally, we will take remedial measures to rectify any procedural defects or implementation loopholes found in the fraud incident and follow up the implementation of such remedial measures, so as to avoid recurrence of similar fraud incidents.

The Group regularly promotes anti-corruption for the entire group. The Group would compile anti-corruption promotion materials by collecting the latest relevant anti- corruption information, including recent major corruption incidents in various industries and the handling measures, etc., and combine them with the analysis of the Group's summarised business characteristics. All the information will be compiled and distributed to all employees for self-learning in order to create a good anti-corruption environment within the Group. During the year, the anti-corruption training provided by the Group to employees cover topics such as prevention of bribery policy, conflict of interest declaration policy, extortion prevention policy, money laundering prevention policy, fraud prevention policy, etc., in order to enhance their awareness of business ethics.

The Group strictly abides by the laws and regulations on the prevention of bribery, extortion, fraud and money laundering, such as the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》), and had no violation of such laws and regulations during the Reporting Period.

8. Community Investment

The Group respects the diverse cultures and existing traditions of various regions, takes the expectations and opinions of community groups very seriously, and undertakes to respond to the opinions of community members in due course. In addition, the Group will support projects that benefit the needs of the community where feasible, and collaborate with groups with a common vision to win and maintain mutual trust with all stakeholders, with a view to continuously contributing to the long-term development of the community. The Group proactively contacts community groups that match the Group's corporate responsibility to learn about community needs.

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CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and recognises the importance of good corporate governance to the Company's healthy development. The Company's corporate governance practices are based on the principles and code provisions (the "Code Provisions") set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange.

During the year ended 31 December 2021, the Company has complied with the Code Provisions of the CG Code. The Board will review and update the current practices regularly to ensure compliance with the latest practices in corporate governance to protect and maximise the interests of shareholders.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding Directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors of the Company, all Directors of the Company confirmed that they had complied with the required standards as set out in the Model Code throughout the year ended 31 December 2021.

In addition, the Board also established written guidelines on no less exacting terms than the Model Code for relevant senior management of the Company in respect of their dealings in the securities of the Company.

THE BOARD OF DIRECTORS AND BOARD MEETINGS

The Board's primary responsibilities are to formulate the Group's long-term corporate strategy, to oversee the management of the Group and to evaluate the performance of the Group. The Board is also responsible for the approval of annual and interim results, risk management, major acquisitions, and other significant operational and financial matters. Matters not specifically reserved to the Board and necessarily relate to the daily operations of the Group are delegated to the management under the supervision of the respective Directors and the leadership of the Chairman.

At the annual general meeting of the Company held on 3 June 2021, Mr. Lam Chee Tai, Eric, Ms. Lam Oi Yan, Ivy, Mr. Fan William Chung Yue and Mr. Pang Kwong Wah retired by rotation in accordance with the articles of association of the Company and were re-elected as Directors by the shareholders at the annual general meeting. Other than the above, there were no other changes in the board of directors of the Company during the year. The Board currently comprises five executive Directors, one non-executive Director and four independent non-executive Directors as follows:

Executive Directors:	Mr. Lam Yin Kee *(Chairman)* Mr. Lam Chee Tai, Eric *(Chief Executive)* Ms. Yeung Po Wah Mr. So Kin Hung Ms. Lam Oi Yan, Ivy
Non-executive Director:	Mr. Fan, William Chung Yue
Independent non-executive Directors:	Mr. Pang Kwong Wah Mr. Yau Ming Kim, Robert Mr. Yen Yuen Ho, Tony Mr. Lin Kam Sui

Mr. Lam Yin Kee is an executive Director and the Chairman of the Group. Ms. Yeung Po Wah is an executive Director of the Group and the spouse of Mr. Lam Yin Kee. Mr. Lam Chee Tai, Eric is an executive Director and the Chief Executive of the Group and the son of Mr. Lam Yin Kee and Ms. Yeung Po Wah. Ms. Lam Oi Yan, Ivy is an executive Director of the Group and the daughter of Mr. Lam Yin Kee and Ms. Yeung Po Wah. Ms. Lam Oi Yan, Ivy is also the sister of Mr. Lam Chee Tai, Eric. Apart from these, there is no other direct family relationship amongst the members of the Board.

The background and qualification of the Chairman of the Company and the other Directors are set out on pages 12 to 14 of this annual report. All Directors have sufficient experience to hold their positions to carry out their duties effectively and efficiently, and all of them have given sufficient time and attention to the affairs of the Group. The non-executive Director and the four independent non-executive Directors are person of high caliber with academic and professional qualifications in the fields of accounting, finance, law, worldwide trade affairs and business management. They bring a broad range of financial, regulatory and commercial experience and skills to the Board, which contribute to the effective strategic management of the Group.

Each of the non-executive Director and the independent non-executive Directors has been appointed with a formal letter of appointment setting out the terms and conditions of their respective appointment. Mr. Fan, William Chung Yue is appointed for a term of one year commencing from 17 June 2005, and such appointment shall continue thereafter from year to year until terminated by either party with one month's written notice served to the other party. Mr. Yau Ming Kim, Robert was appointed as an independent non-executive Director of the Company from 1 September 2009 and was re-elected at the annual general meeting of the Company held on 28 May 2010. The appointment of Mr. Yau Ming Kim, Robert, shall continue thereafter from year to year until terminated by either party with one month's notice in writing. Mr. Pang Kwong Wah was appointed as an independent non-executive Director of the Company from 21 June 2013 and was re-elected at the annual general meeting of the Company held on 29 May 2014. The appointment of Mr. Pang Kwong Wah shall continue thereafter from year to year until terminated by either party with one month's notice in writing. Mr. Yen Yuen Ho, Tony was appointed as an independent non-executive Director of the Company for a term of 3 years from 12 August 2016, and was re-elected at the annual general meeting of the Company held on 1 June 2017. The appointment of Mr. Yen Yuen Ho, Tony shall continue thereafter from year to year until terminated by either party with one month's notice in writing. Mr. Lin Kam Sui was appointed as an independent non-executive Director of the Company for a term of 3 years from 1 June 2017, and was re-elected at the annual general meeting of the Company held on 7 June 2018. The appointment of Mr. Lin Kam Sui shall continue thereafter from year to year until terminated by either party with one month's notice in writing.

The Board considers that the independent non-executive Directors can make independent judgment effectively and fulfill the independence guidelines set out in Rule 3.13 of the Listing Rules. Each of the independent non-executive Directors has given a written confirmation to the Company confirming that he has met the criteria set out in Rule 3.13 of the Listing Rules regarding the guidelines for the assessment of independence of Directors in respect of the year ended 31 December 2021.

The Board schedules to hold at least four full board meetings a year at approximately quarterly intervals. During the year ended 31 December 2021, four full board meetings were held and the attendance of the Directors is set out as follows:

	Number of meetings attended during the year ended 31 December 2021	
	Board meetings	AGM/EGM *
Executive Directors		
Mr. Lam Yin Kee	4/4	1/1
Mr. Lam Chee Tai, Eric	4/4	1/1
Ms. Yeung Po Wah	4/4	1/1
Mr. So Kin Hung	4/4	1/1
Ms. Lam Oi Yan, Ivy	4/4	1/1
Non-executive Director		
Mr. Fan, William Chung Yue	4/4	1/1
Independent non-executive Directors		
Mr. Pang Kwong Wah	4/4	1/1
Mr. Yau Ming Kim, Robert	3/4	1/1
Mr. Yen Yuen Ho, Tony	4/4	1/1
Mr. Lin Kam Sui	4/4	1/1

* During the year ended 31 December 2021, the 2021 AGM was held on 3 June 2021 and there was no extraordinary general meeting held during the year.

Every Board member has a duty to act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders. Each Director is required to make disclosure of his/her interests or potential conflict of interests, if any, in any proposed transactions or issues discussed by the Directors at the Board and Board Committees' meetings. Any Director shall not vote on any resolution of the Board and Board Committees approving any contract or arrangement or any other proposal in which he/she (or his/her associates) is materially interested nor shall he/she be counted in the quorum present at the meeting.

Apart from the above regular meetings of the year, the Board will meet on other occasions when a board-level decision on a particular matter is required. The Chairman of the Board also held a meeting with the non-executive Directors (including independent non-executive Directors) of the Company during the year without the executive Directors present. Directors shall have full access to information on the Group and are able to obtain independent professional advice whenever deemed necessary by the Directors. The company secretary shall prepare minutes and keep record of matters discussed and decisions resolved at all Board meetings, which will be available for inspection by Directors upon request.

The Company has arranged for appropriate liability insurance to indemnify its directors and officers for their liabilities arising out of corporate affairs. The insurance coverage is reviewed annually. During the year, no claim was made against the Directors and officers of the Company.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the functions set out in the Code Provision D.3.1 of the CG Code. The Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in the corporate governance report. The Board is also satisfied that all Directors have contributed sufficient time in performance of their responsibilities as directors of the Company.

The Board held meetings from time to time whenever necessary. At least 14 days notice of regular Board meetings is given to all Directors and they can include matters for discussion in the agenda as they think fit. The agenda together with Board papers are sent to all Directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the Directors to review the documents. Minutes of every Board meeting are circulated to all Directors for their perusal and comments. Minutes are open for inspection at any reasonable time on reasonable notice by any Director. The Board also ensures that it is supplied in a timely manner with the agenda and all necessary information in a form and of a quality appropriate to enable it to discharge its duties. Every Board member has full access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they can make an informed decision and to discharge their duties and responsibilities.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Upon appointment to the Board, each newly appointed Director receives a comprehensive package covering the Group's business and the general, statutory and regulatory obligations of being a director of a listed company to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements. The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and senior executives to enroll in a wide range of professional development courses or seminars relating to the Listing Rules, Companies Ordinance and corporate governance practices organised by professional bodies so that they can continuously update their relevant knowledge and skills. The company secretary also organises and arranges seminars on the latest development of applicable laws, rules and regulations for the Directors to assist them in discharging their duties.

During the year ended 31 December 2021, the Company engaged a professional training institution to provide all Directors with relevant training. All Directors had complied with the requirements set out in the Code Provision A.6.5 and had provided their training records as follows:

	Type of training	
	Read materials	**Attending seminars/ workshops**
Executive Directors:		
Mr. Lam Yin Kee	✓	✓
Mr. Lam Chee Tai, Eric	✓	✓
Ms. Yeung Po Wah	✓	✓
Mr. So Kin Hung	✓	✓
Ms. Lam Oi Yan, Ivy	✓	✓
Non-executive Director:		
Mr. Fan, William Chung Yue	✓	✓
Independent non-executive Directors:		
Mr. Pang Kwong Wah	✓	✓
Mr. Yau Ming Kim, Robert	✓	✓
Mr. Yen Yuen Ho, Tony	✓	✓
Mr. Lin Kam Sui	✓	✓

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

In accordance with the Company's Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if the number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation.

Mr. Lam Chee Tai, Eric, Ms. Lam Oi Yan, Ivy, Mr. Fan William Chung Yue and Mr. Pang Kwong Wah had been re-appointed at the last Annual General Meeting held on 3 June 2021. Pursuant to Articles 86(3) and 87 of the Company's Articles of Association, Ms. Yeung Po Wah, Mr. So Kin Hung, Mr. Yau Ming Kim, Robert and Mr. Yen Yuen Ho, Tony shall retire at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

All Directors (including executive, non-executive and independent non-executive Directors) are subject to election for appointment by shareholders at the annual general meeting at lease once every three years. None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within three years without payment of compensation (other than statutory compensation).

The notice period for the termination of the service contracts with executive Directors by either party is not less than three months. The notice period for the termination of appointment of non-executive Directors and independent non-executive Directors by either party is not less than one month.

NOMINATION COMMITTEE

The Company had set up a nomination committee (the "Nomination Committee") on 1 April 2012 with written terms of reference. The Nomination Committee has a minimum of five members, comprising a majority of independent non-executive Directors. The Nomination Committee is chaired by Mr. Lam Yin Kee (the Chairman of the Board) and other current members include Ms. Yeung Po Wah, Mr. Pang Kwong Wah, Mr. Yau Ming Kim, Robert and Mr. Yen Yuen Ho, Tony.

The terms of reference of the Nomination Committee are posted on the Company's website and the Stock Exchange's website. The primarily roles and functions of the Nomination Committee include reviewing the structure, size and composition of the Board at least once every year, making recommendations on any proposed changes to the Board to complement the Group's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting individuals nominated for directorship (if necessary), assessing the independence of the independent non-executive directors and making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive officer.

The Company acknowledges that the diversification of the members of the Board has positive effects on enhancing the Group's performance, and has adopted a board diversity policy with effect from 1 September 2013. The Company sees the diversification of the members of the Board as an important supporting factor for the Group to achieve its strategic goal and maintain sustainable growth. In deciding the composition of the Board, the Company will consider the Board diversity from various perspectives, including but not limited to sex, age, cultural and academic background, race, professional experience, skills, knowledge and terms of services. All our Directors are appointed according to the principle of meritocracy while all candidates are being selected objectively, and the benefit of Board diversity will also be taken into full consideration. The nomination committee will review the diversity of the composition of the Board on regular basis, and will monitor the implementation of this policy to ensure this policy has been effectively implemented.

During the year, the Nomination Committee has held one meeting and among other matters, (i) reviewed the structure, size and diversity of the Board; (ii) assessed the independence of the independent non-executive Directors; and (iii) reviewed the Board Diversity Policy.

Name of committee member	Number of meeting attended
Mr. Lam Yin Kee	1/1
Ms. Yeung Po Wah	1/1
Mr. Pang Kwong Wah	1/1
Mr. Yau Ming Kim, Robert	0/1
Mr. Yen Yuen Ho, Tony	1/1

The Board adopted a nomination policy that the Nomination Committee will evaluate, select and recommend candidate(s) for directorship(s) to the Board by giving due consideration to the criteria, including but not limited to Board diversity, qualifications, experience, independence, reputation for integrity and potential contributions that the individual(s) can bring to the Board before making recommendation to the Board. The Nomination Committee may consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertising, recommendations from a third party agency firm, and may evaluate the suitability of the candidate(s) by interviews, background checks etc.

REMUNERATION COMMITTEE

The Company has set up a remuneration committee (the "Remuneration Committee") on 22 June 2005 with written terms of reference in compliance with the Listing Rules. The Remuneration Committee has a minimum of five members, comprising a majority of independent non-executive Directors. The Chairman of the Remuneration Committee is Mr. Pang Kwong Wah and other current members include Mr. Lam Yin Kee, Ms. Yeung Po Wah, Mr. Yau Ming Kim, Robert and Mr. Yen Yuen Ho, Tony. The Remuneration Committee schedules to meet at least once every year and the quorum necessary for meeting is two.

The terms of reference of the Remuneration Committee are posted on the Company's website and the Stock Exchange's website. The primarily duties of the Remuneration Committee include:

(a) to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

(b) to have the delegated responsibility to determine the specific 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 of the remuneration of non-executive Directors. The Remuneration Committee shall consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration;

(c) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(d) to review and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

(e) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;

(f) to ensure that no Director or any of his associates is involved in deciding his own remuneration;

(g) to advise shareholders on how to vote with respect to any service contracts of Directors that required shareholders' approval under Rule 13.68 of the Listing Rules; and

(h) to consider other topics, as defined by the Board.

The Remuneration Committee had held one meeting in 2021, and has discussed and reviewed the remuneration policy for all Directors and senior management of the Group; the bonus payment policy and the pay trend for salary adjustment.

Name of committee member	Number of meeting attended
Mr. Lam Yin Kee	1/1
Ms. Yeung Po Wah	1/1
Mr. Pang Kwong Wah	1/1
Mr. Yau Ming Kim, Robert	0/1
Mr. Yen Yuen Ho, Tony	1/1

The emoluments payable to Directors will depend on their respective contractual terms under employment contracts. Details of the emoluments of Directors during the year ended 31 December 2021 are set out in note 9 to the consolidated financial statements of this annual report. The emoluments paid to the highest paid individuals, who were not directors of the Company, as set out in note 10 to the consolidated financial statements of this annual report during the year ended 31 December 2021 were within the following bands:

	Number of individuals
HK$1,500,001 to HK$2,000,000	1
HK$2,000,001 to HK$2,500,000	1

The Company has adopted a share option scheme at the annual general meeting held on 7 June 2016, which serves as an incentive to attract, retain and motivate talented eligible staff, including Directors. Details of the share option scheme are set out in the Report of the Directors on pages 52 and 53 of this annual report.

The share option scheme has a term of 10 years and will be expired on 6 June 2026.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") on 22 June 2005 with written terms of reference in compliance with the Listing Rules. The Audit Committee comprises members of independent non-executive Directors only.

Mr. Pang Kwong Wah has been the chairman of the Audit Committee since 20 June 2013, the other two current members are Mr. Yau Ming Kim, Robert and Mr. Yen Yuen Ho, Tony. Mr. Pang Kwong Wah has appropriate professional qualifications as required under Rule 3.10(2) of the Listing Rules.

The Audit Committee meets at least twice every year and the quorum necessary for meeting is two. Two meetings were held during the year under review. Details of the attendance of the Audit Committee meetings are as follows:

Name of committee member	Number of meetings attended
Mr. Pang Kwong Wah	2/2
Mr. Yau Ming Kim, Robert	2/2
Mr. Yen Yuen Ho, Tony	2/2

The terms of reference of the Audit Committee are posted on the Company's website and the Stock Exchange's website. The primarily duties of the Audit Committee are as follows:

Relationship with the Company's independent auditor

(a) to be primarily responsible for making recommendation to the Board on the appointment, re-appointment and removal of the independent auditor, and to approve the remuneration and terms of engagement of the independent auditor, and any questions of resignation or dismissal of that auditor;

(b) to review and monitor the independent auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Audit Committee should discuss with the independent auditor the nature and scope of the audit and reporting obligations before the audit commences;

(c) to develop and implement policy on the engagement of the independent auditor to supply non-audit services. The Audit Committee shall ensure that the provision by the independent auditor of non-audit services does not impair the independent auditor's independence or objectivity;

Review of financial information of the Company

(d) to monitor integrity of financial statements of the Company and the Company's annual reports and accounts, interim reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained therein, before submission to the Board;

(e) In regard to (d) above:

   (i) members of the Audit Committee should liaise with the Company's Board, senior management and the person appointed as the Company's qualified accountant. The Audit Committee must meet, at least twice a year, with the Company's independent auditor;

   (ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Company's qualified accountant, compliance officer or independent auditor; and

   (iii) the Audit Committee should discuss problems and reservation arising from the financial statements, annual reports and accounts, interim reports and quarterly reports (if applicable) and any other matters the independent auditor may wish to discuss (in the absence of management of the Company where necessary);

Oversight of the Company's financial reporting system, risk management and internal control procedures

(f) to review the Company's financial controls, risk management and internal control systems, and its statement in relation thereto prior to endorsement by the Board;

(g) to discuss with the management the risk management and internal control systems and to ensure that management has discharged its duty to have an effective risk management and internal control system;

(h) to consider any major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

(i) where an internal audit function exists, to review the internal audit programme, to ensure co-ordination between the internal and independent auditor, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

(j) to review the Company and its subsidiaries' financial and accounting policies and practices;

(k) to review the independent auditor's management letter, any material queries raised by the independent auditor to management about accounting records, financial accounts or systems of control and management's response;

(l) to ensure that the Board will provide a timely response to the issues raised in the independent auditor's management letter;

(m) to review arrangements by which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management and internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action;

(n) to act as the key representative body for overseeing the Company's relations with the independent auditor;

(o) to report to the Board on the matters set out in this term of reference; and

(p) to consider other topics, as defined by the Board.

The Audit Committee also ensures that the Directors have conducted an annual review of the adequacy of resources, qualifications and experience of staff for the Company's accounting and financial reporting function, and training programmes and budget.

The Group's interim results and annual results for the year ended 31 December 2021 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with applicable accounting standards and requirements and that adequate disclosures have been made.

During the year ended 31 December 2021, the Audit Committee has met with the independent auditor with no executive Directors present.

EXECUTIVE COMMITTEE

The Company had set up an executive committee (the "Executive Committee") with written terms of reference effective from 12 November 2012. The Executive Committee has a minimum of three members. Mr. Lam Yin Kee is the chairman of the Executive Committee and other current members included Ms. Yeung Po Wah and the company secretary. The primarily roles and functions of the Executive Committee are to review, evaluate and make recommendations to the Board regarding any investment opportunities, payments or guarantees in excess of HK$20,000,000.

INDEPENDENT AUDITOR

The Group's independent auditor for the year ended 31 December 2021 is Grant Thornton Hong Kong Limited ("GT"). GT is responsible for auditing and forming an independent opinion on the Group's annual consolidated financial statements.

The fees paid and payable by the Group to GT in respect of audit and non-audit services for the year ended 31 December 2021 are HK$1,890,000 and HK$257,000 respectively.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of financial statements of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2021, the Directors have selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and have prepared the accounts on the going concern basis.

The Directors' responsibilities for the financial statements and the responsibilities of the independent auditor to the shareholders are set out on in the Independent Auditor's Report on pages 64 and 65 of this annual report.

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.

INTERNAL CONTROLS AND RISK MANAGEMENT

Internal control systems have been designed to allow Directors to monitor the Group's overall financial position, safeguard its assets, provide reasonable assurance against fraud and errors, and to manage the risks in failing to achieve the Group's objectives. Executive Directors monitor the business activities closely. The Group from time to time updates and improves the internal controls.

The Group has conducted an annual review of its internal control systems to ensure that they are effective and adequate. The Company convenes management meeting periodically to discuss financial, operational and risk management control. The Audit Committee also reviews the internal control system and evaluates its adequacy, effectiveness and compliance on a regular basis. The Board is satisfied that such systems are effective and appropriate actions have been taken.

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives and ensuring that the Group establishes and maintains appropriate and effective risk management system. The Board oversees management in the design, implementation and monitoring of the risk management system.

DIVIDEND POLICY

The Board may declare dividends after taking into account the Group's operations, earnings, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to the Company's constitutional documents and the applicable laws, including the approval of the Shareholders. Future declarations of dividends may or may not be reflected from the Company's historical declarations of dividends and will be at the absolute discretion of the Board.

COMPANY SECRETARY

The company secretary is responsible to the Board for ensuring that Board procedures are followed and that the activities of the Board are carried out efficiently and effectively. The company secretary assists the Chairman to prepare agendas and Board papers for meetings and disseminates such documents to the Directors and board committees in a timely manner. The company secretary also advises the Directors on their obligations in respect of disclosure of interests in securities, connected transactions and inside information and ensures that the standards and disclosures required by the Listing Rules are observed.

With respect to the secretarial function of the Group, the company secretary maintains formal minutes of the Board meetings and other Board committee meetings. During the year, Mr. Leung Fuk Cheung, the company secretary of the Company, has undertaken no less than 15 hours of professional training to update his skills and knowledge.

INVESTOR RELATIONS

The Company has disclosed all necessary information to the shareholders in compliance with the Listing Rules and uses a number of formal communication channels to account to shareholders and investors for the Company. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or extraordinary general meeting providing a forum for shareholders of the Company to raise comments and exchange views with the Board; (iii) meetings are held with media and investors periodically; (iv) the Company replies to enquiries from shareholders timely; (v) the Company's share registrar in Hong Kong serves the shareholders regarding all share registration matters; and (vi) the Company will publish voluntary announcement to keep the shareholders and potential investors of the Company informed of the latest business development of the Company and its subsidiaries as and when necessary.

The Company's annual general meeting provides a good opportunity for communications between the Board and its shareholders. Shareholders are encouraged to attend the annual general meeting. Notice of the annual general meeting and related papers are sent to shareholders at least 20 clear business days before the meeting and the said notice is also published on the Stock Exchange's website and the Company's website. The Chairman and Directors will answer questions on the Group's business at the meeting.

SHAREHOLDERS' RIGHTS

Putting forward proposals at general meetings

The annual general meeting and other general meetings of the Company are primary platform for communication between the Company and its shareholders. The Company shall provide shareholders with relevant information on the resolution(s) proposed at a general meeting in a timely manner in accordance with the Listing Rules. The information provided shall be reasonably necessary to enable shareholders to make an informed decision on the proposed resolution(s).

There are no provisions in the Company's articles of association or the Cayman Islands Companies Law for shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the below paragraph.

As regards proposing a person for election as a director of the Company, please refer to the procedures posted on the Company's website.

Convening an extraordinary general meeting by shareholders

Pursuant to the articles of association of the Company, any one or more member(s) of the Company 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 of the Company by mail at Unit 408, 4/F, Citicorp Centre, 18 Whitfield Road, Hong Kong to require an extraordinary 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 months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting forward enquiries to the Board

The Company has disclosed all necessary information to the shareholders in compliance with Listing Rules. Updated and key information of the Group is also available on the Company's website at http://www.irasia.com/listco/hk/alltronics/index.htm. The Company also replied the enquiries from shareholders timely. The Directors host the annual general meeting each year to meet the shareholders and answer their enquiries.

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

Note: The Company will not normally deal with verbal or anonymous enquiries.

Contact details

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary whose contact details are as follows:

Unit 408, 4/F, Citicorp Centre, 18 Whitfield Road, Hong Kong
Fax: (852) 2977 5633
Email: roger.leung@alltronics.com.hk

Shareholders may also make enquiries with the Board at the general meetings of the Company.

CONSTITUTIONAL DOCUMENTS

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

The Board of Directors (the "Board") is pleased to present its annual report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company acts as an investment holding company and provides corporate management services to its group companies. The principal activities of the subsidiaries as set out in note 1 to the consolidated financial statements are primarily the manufacture and trading of electronic products, plastic moulds, plastic and other components for electronic products, the trading of biodiesel products and provision of energy efficient gas stoves, and the provision of energy saving business solutions. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2021.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the consolidated financial statements.

BUSINESS REVIEW

Details of the activities during the year as required by Schedule 5 to the new Hong Kong Companies Ordinance (Cap. 622), including a review of the Group's business, an analysis of the Group's performance during the year using financial key performance indicators, a description of the principal risks and uncertainties facing the Group and an indication of the future development in the Group's business, are set out in the sections "Chairman's Statement" on page 3 and "Management Discussion and Analysis" on pages 4 to 11 of this annual report, and the notes to the consolidated financial statements.

Particulars of important events affecting the Group that have occurred since the end of the reporting period can also be found in the abovementioned sections and the notes to the consolidated financial statements. The discussions on the Group's compliance with the relevant laws and regulations are set out on page 50 of this annual report. An account of the Company's relationship with its key stakeholders is included in the "Relationship with Employees, Customers and Suppliers" and "Substantial Shareholders' Interests and/or Short Positions in the Shares and Underlying Shares of the Company" on pages 51 and 57 of this annual report respectively.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group has formulated some policies in accordance with international environmental standards and has adopted environmentally-friendly production by improving energy efficiency while reducing energy consumption and pollutant emissions. Production factories of the Group have passed the certification of ISO 9001 quality control system and ISO 14001 environmental management system.

Details of the environmental, social and governance of the Group are set out in the "Environmental, Social and Governance Report" on pages 15 to 36 of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group recognises the importance of compliance with the requirements of relevant laws and regulations. During the year, as far as the Board and management are aware of, there was no material breach or non-compliance with any applicable laws and regulations by the Group that has a significant impact on the businesses and operations of the Group.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. During the year, there were no material and significant disputes between the Group and its employees, customers and suppliers, except the disclosure in note 34 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of profit or loss on page 66 of this annual report.

During the year, the Company has declared and paid an interim dividend of HK1.0 cent per ordinary share, totalling HK$9,461,164. The Board does not recommend the payment of any final dividend for the year ended 31 December 2021.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$471,000.

SHARES ISSUED DURING THE YEAR

Details of the movements in the share capital of the Company during the year ended 31 December 2021 are set out in note 27 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, share premium is distributable to shareholders, subject to the condition that immediately following the date on which the distribution or dividend is proposed to be made, the Company is able to pay its debts as they fall due in the ordinary course of business. Distributable reserves of the Company as at 31 December 2021, calculated according to the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to HK$309,743,000 (2020: HK$311,633,000).

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and there was no restriction against such rights under the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years ended 31 December is set out on page 152 of this annual report.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SHARES

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year ended 31 December 2021 and the Company has not redeemed any of its shares during the year.

SHARE OPTIONS

Pursuant to an ordinary resolution of the shareholders of the Company passed at the Annual General Meeting held on 7 June 2016, a share option scheme (the "2016 Share Option Scheme") was approved and adopted. The purpose of the 2016 Share Option Scheme is to enable the Group to grant options to selected participants as incentive or rewards for their contributions or potential contributions to the Group.

For the purpose of the 2016 Share Option Scheme, participants include (i) any executive, non-executive or independent non-executive Director of the Group; (ii) any employee (whether full time or part time) of the Group; and (iii) any supplier and/or sub-contractor of the Group.

The total number of shares which may be allotted and issued upon exercise of all options to be granted under the 2016 Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10 per cent. (the "General Scheme Limit") of the total number of shares on 7 June 2016, the date on which the 2016 Share Option Scheme was adopted.

The Company may seek approval of the shareholders in general meeting to refresh the General Scheme Limit such that the total number of shares which may be allotted and issued upon exercise of all options to be granted under the 2016 Share Option Scheme and any other share option schemes of the Company shall not exceed 10 per cent. of the issued share capital of the Company at the date of approval to refresh such limit.

Notwithstanding the above, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2016 Share Option Scheme and any other share option schemes of the Company shall not exceed 30 per cent. of the total number of shares of the Company in issue from time to time. No option may be granted under the 2016 Share Option Scheme and any other share option schemes of the Company if this will result in the aforesaid 30 per cent. limit being exceeded.

Unless with the approval of the shareholders in general meeting, the maximum number of shares issued and to be issued upon the exercise of the options granted to each participant (including both exercised and outstanding options) under the 2016 Share Option Scheme and other share option schemes of the Company in any twelve-month period shall not exceed 1 per cent. of the shares in issue.

An option must be exercised in accordance with the terms of the 2016 Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of the option is made, but shall end in any event not later than 10 years from the date on which the offer for the grant of the option is made, subject to the provisions for early termination thereof. The amount payable on acceptance of the grant of an option is HK$1.

Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is neither any performance target that needs to be achieved by a grantee before an option can be exercised nor any minimum period for which an option must be held before it can be exercised.

The subscription price in respect of each share issued under the 2016 Share Option Scheme shall be a price solely determined by the Directors but shall not be less than the highest of:

(i) the nominal value of a share;

(ii) the closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange on the date upon which the relevant option is accepted and deemed to be granted (the "Commencement Date"), which must be a business day;

(iii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the Commencement Date.

The 2016 Share Option Scheme shall be valid and effective for a period of 10 years commencing from 7 June 2016, being the date on which the 2016 Share Option Scheme was adopted.

During the two years ended 31 December 2021 and 2020, there were no share options granted, exercised, cancelled or lapsed. As at 31 December 2021 and 2020, there were no outstanding share options issued under any share option scheme.

As at the date of this report, the total number of shares of the Company available for issue under the 2016 Share Option Scheme was 44,962,020, which represented approximately 4.8% of the issued share capital of the Company as at the date of this report.

DIRECTORS OF THE COMPANY

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

Executive Directors

Mr. Lam Yin Kee *(Chairman)*
Mr. Lam Chee Tai, Eric *(Chief Executive)*
Ms. Yeung Po Wah
Mr. So Kin Hung
Ms. Lam Oi Yan, Ivy

Non-Executive Director

Mr. Fan, William Chung Yue

Independent Non-Executive Directors

Mr. Pang Kwong Wah
Mr. Yau Ming Kim, Robert
Mr. Yen Yuen Ho, Tony
Mr. Lin Kam Sui

In accordance with Articles 86(3) and 87 of the Company's Articles of Association, Ms. Yeung Po Wah, Mr. So Kin Hung, Mr. Yau Ming Kim, Robert and Mr. Yen Yuen Ho, Tony shall retire at the forthcoming annual general meeting. All retiring directors, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Lam Yin Kee and Ms. Yeung Po Wah has entered into a service contract with the Company. Particulars of these contracts, except as indicated, are in all material respects identical and are summarised as follows:

(i) each service contract is of an initial term of three years commencing on 15 July 2005 and shall continue thereafter until terminated in accordance with the terms of the contracts. Under the contract, either party may terminate the contract at any time by giving to the other not less than three months' prior notice in writing;

(ii) the current monthly salary for each of Mr. Lam Yin Kee and Ms. Yeung Po Wah are HK$463,959 and HK$127,530 respectively, subject to discretionary bonus of not more than 10% of the Group's profit in aggregate; and

(iii) the Group provides directors' accommodation to Mr. Lam Yin Kee at a current monthly rental of HK$160,000.

Pursuant to the letter of appointment dated 12 June 2020 with the Company, Ms. Lam Oi Yan, Ivy ("Ms. Lam") was appointed for the period from 12 June 2020 until the conclusion of the next annual general meeting of the company, at which she was re-elected in accordance with the Articles of Association of the Company. Ms. Lam shall thereafter be subject to retirement by rotation at least once every three years. The appointment may be terminated by either party with not less than three months' notice in writing. The current monthly salary for Ms. Lam is HK$150,000.

There are no service contracts between the Company and Mr. Lam Chee Tai, Eric and Mr. So Kin Hung in relation to their roles as executive Directors of the Company. The current monthly salary for Mr. Lam Chee Tai, Eric and Mr. So Kin Hung are HK$200,000 and HK$119,448 respectively.

Mr. Fan, William Chung Yue was appointed for an initial term of one year commencing from 17 June 2005 and such appointment shall continue thereafter from year to year until terminated by either party with one month's notice in writing. Mr. Yau Ming Kim, Robert was appointed as an independent non-executive Director of the Company from 1 September 2009. The appointment of Mr. Yau Ming Kim, Robert shall continue thereafter from year to year until terminated by either party with one month's notice in writing. Mr. Pang Kwong Wah was appointed as an independent non-executive Director of the Company from 21 June 2013. The appointment of Mr. Pang Kwong Wah shall continue thereafter from year to year until terminated by either party with one month's notice in writing. Mr. Yen Yuen Ho, Tony was appointed as an independent non-executive Director of the Company from 12 August 2016. The appointment of Mr. Yen Yuen Ho, Tony shall continue thereafter from year to year until terminated by either party with one month's notice in writing. Mr. Lin Kam Sui was appointed as an independent non-executive Director of the Company from 1 June 2017. The appointment of Mr. Lin Kam Sui shall continue thereafter from year to year until terminated by either party with one month's notice in writing.

Save as disclosed above, none of the Directors has entered into or has proposed to enter into any service contract with the Company or any member of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE GROUP'S BUSINESS

Save as disclosed in this annual report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries or its parent company was a party and in which a Director of the Company or the Director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 12 to 14 of this annual report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2021, the interests and short positions of each Director and Chief Executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules were as follows:

(a) Ordinary shares of HK$0.01 each of the Company as at 31 December 2021

		Number of shares held				
		Personal interests	Family interests	Corporate interests	Total	% of the issued share capital of the Company
Mr. Lam Yin Kee	Long positions	7,100,922	–	439,740,000 *(Note 1)*	446,840,922	47.23
Ms. Yeung Po Wah	Long positions	–	446,840,922	–	446,840,922	47.23
Mr. Lam Chee Tai, Eric *(Note 2)*	Long positions	3,018,708	–	–	3,018,708	0.32
Ms. Lam Oi Yan, Ivy *(Note 3)*	Long positions	6,989,972	578,620	–	7,568,592	0.80

Notes:

1. 439,740,000 shares are owned by Profit International Holdings Limited, a company incorporated in the British Virgin Islands and is owned as to 95% by Mr. Lam Yin Kee and 5% by Ms. Yeung Po Wah. Ms. Yeung Po Wah is an executive Director of the Company and the spouse of Mr. Lam Yin Kee. Mr. Lam Yin Kee and Ms. Yeung Po Wah are directors and beneficial owners of Profit International Holdings Limited.

2. Mr. Lam Chee Tai, Eric is the son of Mr. Lam Yin Kee and Ms. Yeung Po Wah and the brother of Ms. Lam Oi Yan, Ivy.

3. Ms. Lam Oi Yan, Ivy is the daughter of Mr. Lam Yin Kee and Ms. Yeung Po Wah and the sister of Mr. Lam Chee Tai, Eric.

(b) Share options of the Company as at 31 December 2021

None of the Directors and Chief Executive has held any share options as at 31 December 2021.

(c) Interests in an associated corporation, Profit International Holdings Limited (ordinary shares of US$1 each) as at 31 December 2021

		Number of shares held				
		Personal interests	Family interests	Corporate interests	Total	% of the issued share capital of the associated corporation
Mr. Lam Yin Kee	Long positions	950	–	–	950	95.0
Ms. Yeung Po Wah	Long positions	50	–	–	50	5.0

Save as disclosed above, at no time during the year, the Directors and Chief Executive (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company, its specified undertakings and its associated corporations required to be disclosed pursuant to the SFO and the Hong Kong Companies Ordinance (Cap. 622).

Other than those interests and short positions disclosed above, the Directors and Chief Executive also hold shares of certain subsidiaries solely for the purpose of ensuring that the relevant subsidiary has more than one member.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO shows that as at 31 December 2021, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

Name	Nature of interest	Long position/ short position	Number of shares held	% of the issued share capital of the Company
Profit International Holdings Limited	Beneficially owned	Long position	439,740,000	46.48
Ms. Liu Jing	Beneficially owned	Long position	95,509,600	10.09
Lijiang Investment Holdings Limited *(Note 1)*	Beneficially owned	Long position Short position	93,591,636 93,591,636	9.89 9.89
Pure Virtue Enterprises Limited ("Pure Virtue") *(Note 1)*	Interest of a controlled corporation	Long position Short position	93,591,636 93,591,636	9.89 9.89
China Huarong Overseas Investment Holdings Co., Limited ("China Huarong Overseas") *(Note 1)*	Interest of a controlled corporation	Long position Short position	93,591,636 93,591,636	9.89 9.89
Huarong Huaqiao Asset Management Co., Limited ("Huarong Huaqiao") *(Note 1)*	Interest of a controlled corporation	Long position Short position	93,591,636 93,591,636	9.89 9.89
Huarong Zhiyuan Investment & Management Co., Limited ("Huarong Zhiyuan") *(Note 1)*	Interest of a controlled corporation	Long position Short position	93,591,636 93,591,636	9.89 9.89
China Huarong Asset Management Co., Ltd. ("China Huarong") *(Note 1)*	Interest of a controlled corporation	Long position Short position	93,591,636 93,591,636	9.89 9.89
The Ministry of Finance of the People's Republic of China *(Note 1)*	Interest of a controlled corporation	Long position Short position	93,591,636 93,591,636	9.89 9.89

Note:

(1) 93,591,636 shares of the Company were beneficially owned by Lijiang Investment Holdings Limited which is wholly-owned by Pure Virtue. Pure Virtue is wholly-owned by China Huarong Overseas, which is a wholly-owned subsidiary of Huarong Huaqiao. Huarong Huaqiao is 91% owned by Huarong Zhiyuan, which is a wholly-owned subsidiary of China Huarong. The Ministry of Finance of the People's Republic of China has approximately 61.41% interests in the share capital of China Huarong. Therefore, Pure Virtue, China Huarong Overseas, Huarong Huaqiao, Huarong Zhiyuan, China Huarong and The Ministry of Finance of the People's Republic of China are deemed to be interested in 93,591,636 shares of the Company.

Save as disclosed above and so far as the Directors and Chief Executive of the Company are aware of, as at 31 December 2021, there were no other person, other than the Directors or Chief Executive of the Company, who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company in accordance with the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

MANAGEMENT CONTRACTS

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

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

– the largest supplier	6.1%
– five largest suppliers combined	17.9%

Sales

– the largest customer	36.7%
– five largest customers combined	69.8%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in the major suppliers or customers noted above.

CONNECTED TRANSACTION

Certain related party transactions as disclosed in note 29 to the consolidated financial statements also constituted connected transactions under the Listing Rules, and are required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transaction between certain connected parties (as defined in the Listing Rules) and the Group have been entered into for which relevant announcements, if necessary, had been made by the Company in accordance with the requirements of the Listing Rules.

CONTINUING CONNECTED TRANSACTION

The Group has rented a quarter as directors' accommodation from Profit Home Investments Limited ("Profit Home") at a monthly rental of HK$160,000 for a period of two years from 1 April 2019 to 31 March 2021. On 31 March 2021, the Group entered into a renewal tenancy agreement with Profit Home for a period of two years commencing from 1 April 2021 to 31 March 2023, at a monthly rental of HK$160,000. Ms. Yeung Po Wah, Mr. Lam Chee Tai, Eric and Ms. Lam Oi Yan, Ivy holds 60%, 20% and 20% of shareholding respectively and are directors of Profit Home. Ms. Yeung Po Wah is an executive Director of the Company and the spouse of Mr. Lam Yin Kee. Mr. Lam Chee Tai, Eric is an executive Director and the Chief Executive of the Company and the son of Mr. Lam Yin Kee and Ms. Yeung Po Wah. Ms. Lam Oi Yan, Ivy is an executive Director of the Company and the daughter of Mr. Lam Yin Kee and Ms. Yeung Po Wah. Therefore, the lease for renting the quarter constitutes a continuing connected transaction of the Group under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios calculated in relation to the above connected transaction is less than 5% and the total annual consideration payable is less than HK$3,000,000, the transaction qualifies as a de minimis transaction pursuant to Rule 14A.76 (1) of the Listing Rules and is therefore exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

The aforesaid continuing connected transaction has been reviewed by the independent non-executive Directors of the Company. The independent non-executive Directors confirmed that the aforesaid connected transaction was entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (c) in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's independent auditor was engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The independent auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transaction as disclosed above in accordance with paragraph 14A.56 of the Listing Rules. A copy of the independent auditor's letter has been provided by the Company to the Stock Exchange.

CORPORATE GOVERNANCE

The Board believes that corporate governance is essential to the success of the Group. The Group keeps abreast of the best practices in the corporate governance areas and strives to implement such practices as appropriate. None of the Directors of the Company is aware of any information that would reasonably indicate that the Company or any of its Directors is not or was not at any time during the year and up to the date of this report, in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules. The Board will review and update the current practices regularly to ensure compliance with the latest practices in corporate governance so as to protect and maximise the interests of shareholders.

Further information is set out in the "Corporate Governance Report" on pages 37 to 49 of this annual report.

EMOLUMENT POLICY

The remuneration committee of the Company (the "Remuneration Committee") was established for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group having regard to the Group's operating results, individual performance and comparable market standard and practices. The Group's emolument policy is designed to attract, retain and motivate talented individuals to contribute to the success of its business. The emolument policy of the employees of the Group is formulated and reviewed by the Remuneration Committee on the basis of their merit, qualifications and competence. The Company has adopted a share option scheme as an incentive to the Directors and eligible employees, details of which are set out in the section headed "Share Options" above.

DIVIDEND POLICY

The Board may declare dividends after taking into account the Group's operations, earnings, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to the Company's constitutional documents and the applicable laws, including the approval of the Shareholders. Future declarations of dividends may or may not be reflected from the Company's historical declarations of dividends and will be at the absolute discretion of the Board.

PERMITTED INDEMNITY PROVISIONS

During the year under review and up to the date of this report, the Company's Articles of Association provide that 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 may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty in their offices, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any Directors.

During the year under review and up to the date of this report, the Company has taken out and maintained appropriate insurance to cover potential legal actions against its Directors.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group or existed during the year ended 31 December 2021.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of more than 25% of the Company's issued shares at the date of this report.

INDEPENDENT AUDITOR

The consolidated financial statements for the year ended 31 December 2021 have been audited by Grant Thornton Hong Kong Limited, Certified Public Accountants, who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

Ernst & Young, Certified Public Accountants, resigned as the independent auditor of the Company on 24 November 2020, and Grant Thornton Hong Kong Limited has been appointed as the independent auditor of the Company since 24 November 2020.

On behalf of the Board

Lam Yin Kee
Chairman
Hong Kong, 30 March 2022

Grant Thornton
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TO THE MEMBERS OF ALLTRONICS HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Alltronics Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 66 to 151, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, 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 are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (Continued)

Inventory provision

Refer to notes 2.12, 4.2 and 18 to the consolidated financial statements and accounting policies

Key Audit Matter	How our audit addressed the key audit matter
As at 31 December 2021, the inventories amounted to approximately HK$452,679,000 net of the provision for obsolete inventories of approximately HK$15,302,000. The Group's inventories were mainly finished electronic products, plastic moulds, plastic and other components for electronic products which might become obsolete because of rapid technological advancement. Management's assessment on the provision for obsolete inventories is based on assumptions, including assumptions on the forecasted inventory usage and estimated selling prices. We identified the inventory provision as a key audit matter due to the significance of inventories to the consolidated financial statements and the estimation of provision involved significant management judgement.	We performed the following audit procedures, among others, on the inventory provision: • assessed the design effectiveness of the internal controls that the Group used to identify slow moving and obsolete inventories; • evaluated management's methodology and estimates used in inventory provision calculation; • assessed the reasonableness of the inventory provision by comparing to historical write-downs, actual selling prices and costs to sale; • performed recalculation, on a sample basis, of inventory provision on individual items; • tested the ageing of inventories and discussed the long aging inventories with management to identify any slow-moving, excess or obsolete items; • observed the stocktaking process at the end of the year; • performed subsequent sales review of inventories, on a sample basis.

KEY AUDIT MATTERS (Continued)

Provision of warranty

Refer to notes 2.16, 2.18, 4.2 and 24 to the consolidated financial statements and accounting policies

Key Audit Matter	How our audit addressed the key audit matter
As at 31 December 2021, provisions of warranty amounted to HK$33,346,000 based on prior experience and industry average for detective products. The Group is exposed to claims from an electrostatic sprayers' customer for assurance type warranties. Warranties are granted for an eighteen months period from the customer's date of sales to distributors. We identified the provision of warranty as a key audit matter due to its significance to the consolidated financial statements and the estimation of expected outcome of warranty provisions requires a high degree of management judgement and the use of estimates giving rise to inherent uncertainty in the amounts recorded in the consolidated financial statements.	We performed the following audit procedures, among others, on the provision of warranty: • evaluated management's methodology and estimates used in developed the expected value of warranty; • assessed the reasonableness of the warranties by comparing to claim pattern during the year and historical defective rates; • discussed with management for each significant judgement and assumption, challenge management's assumption and judgement; • assessed actual claims during the year and compared input used in the estimation to assess whether the total warranty provisions held at year-end were sufficient to cover expected costs in light of known and expected case.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2021 Annual Report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors 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 directors assisted by 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, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with 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.

Grant Thornton Hong Kong Limited
Certified Public Accountants
11th Floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

30 March 2022

Kan Kai Ching
Practising Certificate No.: P07816

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	6	**1,656,388**	2,203,761
Cost of sales		**(1,396,183)**	(1,788,903)
Gross profit		**260,205**	414,858
Distribution costs		**(24,288)**	(61,690)
Administrative expenses		**(93,125)**	(100,239)
Other operating expenses, net		**(4,547)**	(17,294)
Share of losses of associates		**(27,029)**	(9,057)
Loss on deemed disposal of partial interests in an associate	7	**(60)**	(207)
Impairment losses on financial assets, net	7	**(4,867)**	(34,415)
Finance income	7	**2,133**	4,771
Finance costs	8	**(13,107)**	(16,127)
Profit before tax	7	**95,315**	180,600
Income tax expense	11	**(28,173)**	(52,099)
Profit for the year		**67,142**	128,501
Attributable to:			
Owners of the Company		**69,347**	122,444
Non-controlling interests		**(2,205)**	6,057
		67,142	128,501
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic and diluted (HK cents)		**7.33**	12.94

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
Profit for the year	**67,142**	128,501
Other comprehensive income		
Other comprehensive income that may be reclassified to subsequently profit or loss:		
Exchange differences on translation of foreign operations	**13,383**	22,139
Share of other comprehensive profit of an associate	**551**	1,851
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**13,934**	23,990
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Changes in fair value of financial assets at fair value through other comprehensive income ("FVOCI")	**–**	(1,799)
Other comprehensive income for the year, net of tax	**13,934**	22,191
Total comprehensive income for the year	**81,076**	150,692
Attributable to:		
Owners of the Company	**83,834**	145,092
Non-controlling interests	**(2,758)**	5,600
	81,076	150,692

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*14*	**203,025**	214,023
Right-of-use assets	*15(a)*	**86,277**	93,975
Investments in associates	*17*	**6,108**	32,647
Goodwill	*16*	**11,672**	11,672
Financial assets at fair value through profit or loss ("FVTPL")	*21*	**21,780**	6,021
Deferred tax assets	*26*	**14,245**	16,487
Total non-current assets		**343,107**	374,825
Current assets			
Inventories	*18*	**452,679**	337,739
Trade receivables	*19*	**342,856**	346,139
Prepayments, other receivables and other assets	*20*	**64,450**	103,524
Pledged deposits	*22*	**3,759**	4,805
Restricted deposits	*22*	**13,246**	–
Cash and cash equivalents	*22*	**138,422**	189,991
Total current assets		**1,015,412**	982,198
Current liabilities			
Trade and bills payables	*23*	**318,246**	305,445
Other payables and accruals	*24*	**131,887**	214,170
Interest-bearing bank and other borrowings	*25*	**265,619**	232,256
Lease liabilities	*15(b)*	**27,780**	21,258
Tax payable		**27,948**	39,272
Total current liabilities		**771,480**	812,401
Net current assets		**243,932**	169,797
Total assets less current liabilities		**587,039**	544,622

	Notes	2021 HK$'000	2020 HK$'000
Non-current liabilities			
Lease liabilities	*15(b)*	**62,767**	74,253
Deferred tax liabilities	*26*	**5,934**	4,724
Total non-current liabilities		**68,701**	78,977
Net assets		**518,338**	465,645
EQUITY			
Share capital	*27*	**9,461**	9,461
Reserves	*28*	**498,025**	442,574
Equity attributable to owners of the Company		**507,486**	452,035
Non-controlling interests		**10,852**	13,610
Total equity		**518,338**	465,645

Lam Yin Kee
Director

Yeung Po Wah
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to owners of the Company										
	Share capital HK$'000 *(note 27)*	Share premium HK$'000 *(note 27)*	Capital reserve HK$'000	Fair value reserve of financial asset at FVOCI HK$'000	Statutory reserve HK$'000	Exchange reserve HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2020	9,461	277,388	5,799	(411)	25,622	(17,788)	42	21,022	321,135	8,010	329,145
2020 interim dividend approved *(Note 12)*	–	–	–	–	–	–	–	(14,192)	(14,192)	–	(14,192)
Transfer to statutory reserve	–	–	–	–	1,405	–	–	(1,405)	–	–	–
Transactions with owners	–	–	–	–	1,405	–	–	(15,597)	(14,192)	–	(14,192)
Profit for the year	–	–	–	–	–	–	–	122,444	122,444	6,057	128,501
Other comprehensive income/(loss) for the year:											
Changes in fair value of financial asset at FVOCI, net of tax	–	–	–	(1,799)	–	–	–	–	(1,799)	–	(1,799)
Exchange differences on translation of foreign operations	–	–	–	–	–	22,596	–	–	22,596	(457)	22,139
Share of other comprehensive income of an associate	–	–	–	–	–	1,851	–	–	1,851	–	1,851
Write off of financial asset at FVOCI	–	–	–	2,210	–	–	–	(2,210)	–	–	–
Total comprehensive income for the year	–	–	–	411	–	24,447	–	120,234	145,092	5,600	150,692
At 31 December 2020	9,461	277,388 *	5,799 *	– *	27,027 *	6,659 *	42 *	125,659 *	452,035	13,610	465,645

	Attributable to owners of the Company									
	Share capital HK$'000 (note 27)	Share premium HK$'000 (note 27)	Capital reserve HK$'000	Statutory reserve HK$'000	Exchange reserve HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2021	9,461	277,388	5,799	27,027	6,659	42	125,659	452,035	13,610	465,645
2020 final dividend paid	–	–	–	–	–	–	(18,922)	(18,922)	–	(18,922)
2021 interim dividend paid *(Note 12)*	–	–	–	–	–	–	(9,461)	(9,461)	–	(9,461)
Release of reserve upon deregistration of a subsidiary	–	–	–	120	–	–	(120)	–	–	–
Transfer to statutory reserve	–	–	–	(616)	–	–	616	–	–	–
Transactions with owners	–	–	–	(496)	–	–	(27,887)	(28,383)	–	(28,383)
Profit for the year	–	–	–	–	–	–	69,347	69,347	(2,205)	67,142
Other comprehensive income/(loss) for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	13,936	–	–	13,936	(553)	13,383
Share of other comprehensive income of an associate	–	–	–	–	551	–	–	551	–	551
Total comprehensive income for the year	–	–	–	–	14,487	–	69,347	83,834	(2,758)	81,076
At 31 December 2021	9,461	277,388*	5,799*	26,531*	21,146*	42*	167,119*	507,486	10,852	518,338

* These reserve accounts comprise the consolidated reserves of HK$498,025,000 (2020: HK$442,574,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Cash flows from operating activities			
Profit before tax:		**95,315**	180,600
Adjustment for:			
Finance costs	*8*	**13,107**	16,127
Interest income		**(2,133)**	(4,771)
Depreciation of property, plant and equipment	*14*	**20,528**	20,732
Depreciation of right-of-use assets	*15.1(c)*	**26,528**	23,221
(Reversal)/Provision of warranty		**(848)**	57,399
Share of profits and losses of associates		**27,029**	9,057
Loss on deemed disposal of partial interests in an associate		**60**	207
Change in fair value of financial assets at FVPTL		**3,151**	–
Amortisation of prepayments		**1,484**	2,968
Gain on disposal of an associate		**(5)**	–
Gain on early termination of right-of-use assets	*15.1(c)*	**(14)**	–
Impairment of trade receivables, net		**2,012**	14,852
Impairment of amounts due from associates		**1,701**	11,515
Impairment of other receivables, net		**1,154**	1,682
Impairment of long term receivables		**–**	6,366
(Gain)/Loss on disposal of items of property, plant and equipment		**(383)**	474
Write-down of inventories to net realisable value		**1,300**	2,061
Operating cash flows before working capital changes		**189,986**	342,490
Increase in inventories		**(104,608)**	(46,056)
Decrease/(increase) in trade receivables		**3,086**	(147,558)
Decrease in long term receivables		**–**	11,659
Decrease/(Increase) in prepayments, other receivables and other assets		**42,912**	(50,833)
Decrease in deferred revenue		**–**	(2,434)
Increase in trade and bills payables		**7,960**	64,266
(Decrease)/Increase in other payables and accruals		**(81,947)**	84,762
Cash generated from operations		**57,389**	256,296
Interest received		**2,133**	4,787
Interest paid		**(8,811)**	(20,566)
Tax paid		**(35,977)**	(40,793)
Net cash flows from operating activities		**14,734**	199,724

	Notes	2021 HK$'000	2020 HK$'000
Cash flows from investing activities			
Purchases of items of property, plant and equipment		**(8,436)**	(8,443)
Increase in loans to associates		**–**	(4,369)
Increase in loan receivables		**(6,000)**	(7,991)
Placement of restricted deposit		**(13,017)**	–
Proceeds from disposal of items of property, plant and equipment		**604**	9
Purchases of financial asset at FVTPL		**(18,910)**	–
Net cash flows used in investing activities		**(45,759)**	(20,794)
Cash flows from financing activities			
Proceeds from new bank loans and other borrowings		**359,676**	248,065
Repayments of bank loans and other borrowings		**(331,744)**	(250,738)
(Decrease)/Increase in trust receipt loans		**(1,025)**	639
Dividend paid		**(28,383)**	(14,192)
Principal portion of lease payments		**(23,901)**	(17,002)
Interest portion of lease liabilities		**(4,296)**	–
Decrease in pledged deposits		**1,046**	454
Net cash flows used in financing activities		**(28,627)**	(32,774)
Net (decrease)/increase in cash and cash equivalents		**(59,652)**	146,156
Cash and cash equivalents at beginning of year		**189,045**	37,317
Effect of foreign exchange rate changes, net		**3,533**	5,572
Cash and cash equivalents at end of year		**132,926**	189,045
Analysis of balances of cash and cash equivalents			
Cash and cash equivalents as stated in the consolidated statement of financial position	*22*	**138,422**	189,991
Bank overdrafts	*25*	**(5,496)**	(946)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**132,926**	189,045

1. CORPORATE AND GROUP INFORMATION

Alltronics Holdings Limited (the "Company") was incorporated in the Cayman Islands on 24 July 2003 as an exempted company with limited liability under the Companies Law. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 15 July 2005.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (the "Group") are the manufacture and trading of electronic products, plastic moulds, plastic and other components for electronic products, the trading of biodiesel products and the provision of energy efficient gas stoves, and the provision of energy saving business solutions. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principle place of business is Unit 408, 4/F, Citicorp Centre, 18 Whitfield Road, Hong Kong.

The Group is controlled by Profit International Holdings Limited (incorporated in the British Virgin Islands), which owns 46.48% of the Company's issued shares as at 31 December 2021 (2020: 46.48%). In the opinion of the Directors, the Company's ultimate holding company is Profit International Holdings Limited and the ultimate controlling party is Mr. Lam Yin Kee.

Information about subsidiaries

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

Name	Place of incorporation/ registration and business operation	Issued/registered share capital	Percentage of equity attributable to the Company		Principal activities
			2021	2020	
Directly held					
Alltronics Industries Limited	Hong Kong	1 ordinary share of HK$1	**100**	100	Investment holding in Hong Kong
Alltronics Project Limited	Hong Kong	100 ordinary shares totalling HK$100	**100**	100	Investment holding and energy saving business in Hong Kong
Alltronics Resources Limited	The British Virgin Islands	100 ordinary shares of US$1 each	**100**	100	Investment holding in Hong Kong
Alltronics (BVI) Limited	The British Virgin Islands	100 ordinary shares of US$1 each	**100**	100	Investment holding in Hong Kong
Sino Growth Holdings Limited	The British Virgin Islands	1 ordinary shares of US$1	**100**	100	Investment holding

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Name	Place of incorporation/ registration and business operation	Issued/registered share capital	Percentage of equity attributable to the Company		Principal activities
			2021	2020	
Indirectly held					
Alltronics Energy Saving (Shenzhen) Limited*	PRC	Registered capital of HK$60,000,000	**100**	100	Provision of energy saving business solutions to customers
Allcomm (H.K.) Limited	Hong Kong	2 ordinary shares totalling HK$2	**100**	100	Investment holding and trading of electronic products
Alltronics Tech. Mftg. Limited	Hong Kong	500,000 ordinary shares totalling HK$500,000	**100**	100	Research and development, manufacture and trading of electronic products
Dynamic Progress International Limited	Hong Kong	10,000 ordinary shares totalling HK$10,000	**51**	51	Trading of biodiesel products and provision of energy efficient gas stoves
Shenzhen Allcomm Electronic Co. Ltd.*	PRC	Registered capital of US$2,500,000	**100**	100	Manufacture of electronic products
Southchina Engineering and Manufacturing Limited	Hong Kong	1,000,000 ordinary shares totalling HK$1,000,000	**51**	51	Trading of plastic moulds, plastic and electronic accessories
WT Technology Development Company Limited	Hong Kong	10,000 ordinary shares totalling HK$10,000	**100**	100	Investment holding in Hong Kong

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Name	Place of incorporation/ registration and business operation	Issued/registered share capital	Percentage of equity attributable to the Company		Principal activities
			2021	2020	
南華匯盈科技發展(深圳)有限公司*	PRC	Registered capital of HK$12,000,000	**51**	51	Manufacture of plastic moulds, plastic and electronic accessories
宜春華訊電子製品有限公司*	PRC	Registered capital of RMB20,000,000	**100**	100	Manufacture of transformers, solenoids and other components for electronic products in the PRC

* These companies are registered as wholly-foreign-owned enterprises under PRC law.

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

The consolidated financial statements were approved and authorised for issue by the board of directors on 30 March 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These annual consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

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

The consolidated financial statements have been prepared under the historical cost convention, except for certain unlisted convertible bond and investments in life insurance plans which have been measured at fair value.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates. 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.

2.2 Basis of consolidation

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation (Continued)

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

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

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e., reclassified to profit or loss or transferred directly to retained profits). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 "Financial Instruments" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Business combinations

Acquisitions of subsidiaries and business are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value on the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as bargain purchase gain.

2.4 Investments in associates

An associate is an entity in which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

In consolidated financial statements, an investment in an associate is initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Investments in associates (Continued)

Under the equity method, the Group's interest in the associate is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The profit or loss for the year includes the Group's share of the post-acquisition, post-tax results of the associate for the year, including any impairment loss on the investment in associate recognised for the year. The Group's other comprehensive income for the year includes its share of the associate's other comprehensive income for the year.

Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associates. Where unrealised losses on assets sales between the Group and its associate are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's accounting policies to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. At each reporting date, the Group determines whether there is any objective evidence that the investment in associate is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (i.e. higher of value in use and fair value less costs of disposal) of the associate and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate, including cash flows arising from the operations of the associate and the proceeds on ultimate disposal of the investment.

The Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate. If the retained interest in that former associate is a financial asset, the retained interest is measured at fair value, which is regarded as its fair value on initial recognition as a financial asset in accordance with HKFRS 9. The difference between (i) the fair value of any retained interest and any proceeds from disposing of a part interest in the associate; and (ii) the carrying amount of the investment at the date the equity method was discontinued, is recognised in the profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would have been required if the associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by the investee would be reclassified to profit or loss on the disposal of the related assets or liabilities, the entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses, unless classified as held for sale (or included in a disposal group that is classified as held for sale).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currencies

The consolidated financial statements are presented in Hong Kong dollars (HK$), which is the Company's functional currency, and all values are rounded to the nearest thousand except when otherwise indicated.

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

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign operation have been treated as assets and liabilities of the foreign operation and translated into Hong Kong dollars at the closing rates.

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

In the case of a partial disposal (i.e., no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposal of associates not involving a change of accounting basis), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment and depreciation

Property, plant and equipment are initially recognised at acquisition cost, manufacturing cost (including any cost directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Group's management). They are subsequently stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual value over their estimated useful lives, using straight-line method, at the following rates per annum:

Buildings	2%-20% or over the lease terms, whichever is shorter
Leasehold improvements	16.67%-20% or over the lease terms, whichever is shorter
Plant and machinery	9%-20%
Motor vehicles	9%-20%
Office equipment	8%-20%
Furniture and fixtures	9%-20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Estimates of residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

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

2.7 Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary. Accounting for goodwill arising on acquisition of investment in an associate is set out in note 2.4.

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2.20).

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets

Recognition and derecognition

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred.

Classification and initial measurement

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

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

– amortised cost;

– FVTPL; or

– FVOCI.

The classification is determined by both the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income, except for expected credit losses ("ECL") of trade receivables and other receivables which are presented as impairment losses on financial assets in profit or loss.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets (Continued)

Subsequent measurement of financial assets

Debt investments

Financial assets at amortised cost

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

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Financial asset at FVTPL

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell' are categorised at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements under HKFRS 9 apply.

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment, the Group elects to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income and accumulated in "Fair value reserve of financial asset at FVOCI" in equity. Such elections are made on an instrument-by-instrument basis, but only be made if the investment meets the definition of equity from the issuer's perspective.

The equity instruments at FVOCI are not subject to impairment assessment. The cumulative gain or loss in "Fair value reserve of financial asset at FVOCI" will not be reclassified to profit or loss upon disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, dividends are included in the other operating income in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial liabilities

Recognition and derecognition

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

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Classification and initial measurement

The Group's financial liabilities include interest-bearing bank and other borrowings, leases liabilities, trade and bills payables and other payables.

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

Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method except for derivatives which are not designated as hedging instruments in hedge relationships and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

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

Accounting policies of lease liabilities are set out in note 2.15.

Trade payables

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

Other financial liabilities measured at amortised cost

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of financial assets

The Group use forward-looking information to recognise an allowance for expected credit losses ("ECLs") – the "ECL model". Instruments within the scope included debt-type financial assets measured at amortised cost and trade receivables.

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

In applying this forward-looking approach, a distinction is made between:

– financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1") and

– financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month ECL" are recognised for the Stage 1 category while "lifetime ECL" are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade receivables

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

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Trade receivables with object evidence of impairments at the reporting date will be individually assessed for measurement of lifetime ECL.

Other financial assets measured at amortised cost

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of financial assets (Continued)

Other financial assets measured at amortised cost (Continued)

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

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

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

– significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

– existing or forecast adverse changes in regulatory, business, financial, economic conditions, or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and

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

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a financial asset in default when contractual payments are 1 year past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.11 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is currently an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Inventories

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

2.13 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.14 Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

2.15 Leases

Definition of a lease and Group as a lessee

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

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

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

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

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

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Leases (Continued)

Definition of a lease and Group as a lessee (Continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years
Land and buildings	2 to 5 years

If the Group is reasonably certain to obtain the ownership of the leased asset by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The Group also assesses the right-of-use asset for impairment when such indicator exists.

On the consolidated statement of financial position, right-of-use assets are presented under non-current assets.

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

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate ("IBR").

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period on which the event or condition that triggers the payment occurs.

Subsequent to initial measurement, the amount of lease liabilities are increased for interest cost on the lease liabilities and reduced for the lease payments made.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Leases (Continued)

Definition of a lease and Group as a lessee (Continued)

(b) Lease liabilities (Continued)

The Group remeasures lease liabilities whenever:

- there are changes in lease term or in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments changes due to changes in market rental rates, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Provisions and contingent liabilities

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

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of profit or loss.

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

2.17 Share capital

Ordinary shares are classified as equity. Share capital is recognised at the amount of consideration of shares issued, after deducting any transaction costs associated with the issuing of shares (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Revenue recognition

Revenue from contracts with customers

Revenue arises mainly from the sales electronics products and maintenance services income.

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

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

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

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

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

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

(a) Sale of electronic products

Revenue from the sale of electronic products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the industrial products.

Some contracts for the sale of electronic products provide customers with volume rebates. The volume rebates give rise to variable consideration.

Sales-related warranties associated with electrostatic sprayers cannot be purchased separately and are served as an assurance that the products sold comply with agreed-upon specifications (i.e. assurance-type warranties). Accordingly, the Group accounts for warranties in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

(b) Rental income

Accounting policies for rental income are set out in note 2.15.

(c) Maintenance service income

Maintenance service income is recognised on a straight-line basis over the terms of the maintenance contracts.

Other operating income

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

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

2.19 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Impairment of non-financial assets

The following assets are subject to impairment testing:

- Goodwill arising on acquisition of a subsidiary;
- Property, plant and equipment;
- Right-of-use assets; and
- The Company's investments in subsidiaries and associates

Goodwill and other intangible assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

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

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Corporate assets are allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose and not be larger than an operating segment.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An assessment is made at the end of the reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such and impairment loss is credited to profit or loss in the period in which it arises.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Impairment of non-financial assets (Continued)

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2.21 Employee retirement benefits

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme (the "Central Pension Scheme") operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme 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 administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

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

The Group's contributions to the Central Pension Scheme and MPF Schemes vested fully and immediately with the employees and there was no forfeiture of contributions.

2.22 Income tax

Income tax comprises current tax and deferred tax.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Income tax (Continued)

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

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

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

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

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

- income or loss excluding reversals of temporary differences; and
- reversals of existing temporary differences.

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

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

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

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

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

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

  (i) the same taxable entity; or

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Segment reporting

The Group identifies operating segments and prepares segment information based on the report reviewed by the executive directors ("Directors") of the Company for their strategic decisions and review of the performance of those components.

The business components in the internal financial information reported to the Directors are determined following the business components' operations and their products and services provided.

The Group considers the business from both a geographic and product perspective. From a product perspective, management assesses the performance of:

(a) the electronic products segment – the manufacture and trading of electronic products, plastic moulds, plastic and other components for electronic products;

(b) the biodiesel products segment – the trading of biodiesel products and provision of energy efficient gas stoves in Hong Kong; and

(c) the energy saving business segment - the provision of energy saving business solutions to customers.

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group used for reporting segment results under HKFRS 8 "Operating Segments" are the same as those used in its financial statements prepared under HKFRSs, except that the following items are not included in arriving at the operating results of the operating segment:

- share of profit or loss of associates accounted for using the equity method;
- loss on deemed disposal of partial interests in an associate;
- finance costs (other than interest on lease liabilities);
- finance income;
- income tax expense; and
- corporate income and expenses which are not directly attributable to the business activities of any operating segment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Related parties

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

(a) the party is a person or a close member of that person's family and if that person

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

(ii) has significant influence over the Group; or

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

(b) the party is an entity and if any of the following conditions applies:

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

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

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

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

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group and the sponsoring employees are also related to the Group;

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

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

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

2.25 Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the consolidated financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

3. ADOPTION OF NEW AND AMENDED HKFRSs

Amended HKFRSs that are effective for annual periods beginning on 1 January 2021

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2021:

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

The adoption of the amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

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

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 Effective date not yet determined
4 Effective for business/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022
5 Effective for annual periods beginning on or after 1 April 2021

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. These new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

4.1 Judgements

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Property lease classification – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

Income taxes

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

Determination of the discount rate in lease contracts

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available such as for subsidiaries that do not enter into financing transactions or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 26 to the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

4.2 Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis in accordance with the accounting policy stated in note 2.20. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2021 was HK$11,672,000 (2020: HK$11,672,000). Further details are given in note 16 to the consolidated financial statements.

Provision for ECLs on trade receivables and other receivables

The Group uses a provision matrix to calculate ECLs for trade receivables and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and other receivables is disclosed in note 19 and note 20 to the consolidated financial statements, respectively.

Provision for inventories

The Group makes provision for inventories based on consideration of obsolescence of raw materials and the net realisable value of finished goods. The identification of inventory obsolescence and estimated selling price in the ordinary course of business require the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and provision in the year in which such estimate is changed. Further details are given in note 18 to the consolidated financial statements.

Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end based on changes in circumstances. The carrying amounts of property, plant and equipment at 31 December 2021 and 2020 were HK$203,025,000 and HK$214,023,000, respectively. Further details are given in note 14 to the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

4.2 Estimation uncertainty (Continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Estimation of warranty provision

During the year ended 31 December 2021, the Group provides an assurance type warranty to an electrostatic sprayers' customer for 18-months period from sales to distributors. This obligation requires the Group to estimate provision of warranty. Expected value method is used to estimate the expected costs arising from product warranties. Based on past experience, the Group estimates the warranty claim would be approximately 3.30% (2020: 6%) of total invoice amount at relevant products in the past. Should the actual result of warranty claim differ from the estimation, adjustments would be made to cost of sales and provision of warranty. As at 31 December 2021, the carrying amounts of provision of warranty is HK$33,346,000 (2020: HK$53,554,000). Further details are given in note 24 to the consolidated financial statements.

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the electronic products segment – the manufacture and trading of electronic products, plastic moulds, plastic and other components for electronic products;

(b) the biodiesel products segment – the trading of biodiesel products and provision of energy efficient gas stoves in Hong Kong; and

(c) the energy saving business segment – the provision of energy saving business solutions to customers.

Management assesses the performance of the operating segments based on a measure of operating profit/loss (before interest and tax and unallocated operating costs).

All sales between segments are eliminated on consolidation. All segment revenue reported is derived from external parties.

Segment assets exclude cash and cash equivalents, prepayments and deposits and financial assets at FVTPL as these assets are managed on a group basis.

Segment liabilities exclude other payables and accruals as these liabilities are managed on a group basis.

5. OPERATING SEGMENT INFORMATION (Continued)

	Electronic products HK$'000	Biodiesel products HK$'000	Energy saving business HK$'000	Total HK$'000
Year ended 31 December 2021				
Segment revenue *(note 6)*				
Sales to external customers	1,654,180	477	1,091	1,655,748
Revenue from services	–	–	640	640
Total revenue	1,654,180	477	1,731	1,656,388
Segment results				
Operating profit/(loss) before interest and tax	138,012	(292)	(3,771)	133,949
Share of losses of associates	(27,029)	–	–	(27,029)
Loss on deemed disposal of partial interests in an associate	(60)	–	–	(60)
Finance costs (other than interests on lease liabilities)	(8,811)	–	–	(8,811)
Finance income	2,078	–	55	2,133
Income tax expense	(28,173)	–	–	(28,173)
	76,017	(292)	(3,716)	72,009
Unallocated operating costs				(4,867)
Profit for the year				67,142
Segment assets	1,310,077	900	24,192	1,335,169
Unallocated:				
Cash and cash equivalents				224
Prepayments and deposits				1,346
Financial assets at FVTPL				21,780
Total assets				1,358,519
Segment liabilities	831,992	268	240	832,500
Unallocated:				
Other payables and accruals				7,681
Total liabilities				840,181
Other segment information:				
Investments in associates	6,108	–	–	6,108
Depreciation and amortisation	(46,999)	–	(1,541)	(48,540)
Additions to non-current assets*	24,947	–	–	24,947
Loss on deemed disposal of partial interests in an associate	(60)	–	–	(60)
Provision of impairment of				
– trade receivables, net	(2,012)	–	–	(2,012)
– amounts due from associates	(1,701)	–	–	(1,701)
– other receivables, net	(1,154)	–	–	(1,154)
Write down of inventories to net realisable value	(1,300)	–	–	(1,300)
Reversal of warranty	848	–	–	848

* Additions to non-current assets consists of additions of property, plant and equipment and right-of-use assets.

5. OPERATING SEGMENT INFORMATION (Continued)

	Electronic products HK$'000	Biodiesel products HK$'000	Energy saving business HK$'000	Total HK$'000
Year ended 31 December 2020				
Segment revenue *(note 6)*				
Sales to external customers	2,199,775	1,344	1,352	2,202,471
Revenue from services	–	–	1,290	1,290
Total revenue	2,199,775	1,344	2,642	2,203,761
Segment results				
Operating profit/(loss) before interest and tax	233,471	(1,661)	235	232,045
Share of losses of associates	(9,057)	–	–	(9,057)
Loss on deemed disposal of partial interests in an associate	(207)	–	–	(207)
Finance costs (other than interests on lease liabilities)	(12,537)	–	–	(12,537)
Finance income	1,824	–	2,947	4,771
Income tax expense	(44,608)	–	(7,491)	(52,099)
	168,886	(1,661)	(4,309)	162,916
Unallocated operating costs				(34,415)
Profit for the year				128,501
Segment assets	1,308,978	1,024	39,374	1,349,376
Unallocated:				
Cash and cash equivalents				773
Prepayments and deposits				853
Financial assets at FVTPL				6,021
Total assets				1,357,023
Segment liabilities	882,501	625	477	883,603
Unallocated:				
Other payables and accruals				7,775
Total liabilities				891,378
Other segment information:				
Investments in associates	32,647	–	–	32,647
Depreciation and amortisation	(43,656)	(275)	(2,990)	(46,921)
Additions to non-current assets*	101,533	–	6	101,539
Loss on deemed disposal of partial interests in an associate	(207)	–	–	(207)
Provision of impairment of				
– trade receivables, net	(13,505)	(1,347)	–	(14,852)
– amounts due from associates	(11,515)	–	–	(11,515)
– other receivables	(1,682)	–	–	(1,682)
– long term receivables	–	–	(6,366)	(6,366)
Write down of inventories to net realisable value	(2,061)	–	–	(2,061)
Provision of warranty	(57,399)	–	–	(57,399)

* Additions to non-current assets consists of additions of property, plant and equipment and right-of-use assets.

5. OPERATING SEGMENT INFORMATION (Continued)

5.1 Geographical information

(a) Revenue from external customers

	2021 HK$'000	2020 HK$'000
The United States	**1,226,183**	1,759,050
Hong Kong	**128,641**	161,444
Europe	**100,745**	101,197
PRC	**189,451**	146,488
Other overseas countries	**11,368**	35,582
	1,656,388	2,203,761

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2021 HK$'000	2020 HK$'000
Hong Kong	**191,089**	207,037
PRC	**115,993**	145,280
	307,082	352,317

The non-current assets information above is based on the locations of the assets and excludes deferred tax assets and financial assets at FVTPL.

5. OPERATING SEGMENT INFORMATION (Continued)

5.2 Information about major customers

For the year ended 31 December 2021, revenues from customers which individually contributed over 10% of the Group's revenue is as follow:

	2021 **HK$'000**	2020 HK$'000
Customer A	**608,346**	496,577
Customer B	**160,534**	972,286
Customer C *(note)*	**173,560**	N/A

Note: The Group had transactions with this customer but the amount of the transactions was less than 10% of the Group's revenue for 2020.

These revenues were attributable to the electronic products segment.

6. REVENUE

(i) Disaggregated revenue information from contract with customers

For the year ended 31 December 2021

Segments	**Electronic products HK$'000**	**Biodiesel products HK$'000**	**Energy saving business HK$'000**	**Total HK$'000**
Type of goods or services				
Sales of industrial products	**1,654,180**	**477**	**1,091**	**1,655,748**
Maintenance services	**–**	**–**	**640**	**640**
Total revenue from contracts with customers	**1,654,180**	**477**	**1,731**	**1,656,388**
Timing of revenue recognition				
Goods transferred at a point in time	**1,654,180**	**477**	**1,091**	**1,655,748**
Services transferred over time	**–**	**–**	**640**	**640**
Total revenue from contracts with customers	**1,654,180**	**477**	**1,731**	**1,656,388**

6. REVENUE (Continued)

(i) Disaggregated revenue information from contract with customers (Continued)

For the year ended 31 December 2020

Segments	Electronic products HK$'000	Biodiesel products HK$'000	Energy saving business HK$'000	Total HK$'000
Type of goods or services				
Sales of industrial products	2,199,775	1,344	1,352	2,202,471
Maintenance services	–	–	1,290	1,290
Total revenue from contracts with customers	2,199,775	1,344	2,642	2,203,761
Timing of revenue recognition				
Goods transferred at a point in time	2,199,775	1,344	1,352	2,202,471
Services transferred over time	–	–	1,290	1,290
Total revenue from contracts with customers	2,199,775	1,344	2,642	2,203,761

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of industrial products

The performance obligation is satisfied upon delivery of the industrial products and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required. Some contracts provide customers with volume rebates which give rise to variable consideration subject to constraint.

Maintenance services

Maintenance service income is recognised on a straight-line basis over the terms of the maintenance contracts.

7. PROFIT BEFORE TAX

The Group's profit before tax from is arrived at after charging/(crediting):

	Notes	2021 HK$'000	2020 HK$'000
Cost of inventories sold and services provided		**996,360**	1,353,906
Write-down of inventories to net realisable value		**1,300**	2,061
Depreciation of property, plant and equipment	*14*	**20,528**	20,732
Depreciation of right-of-use assets	*15.1(c)*	**26,528**	23,221
Amortisation of prepayments		**1,484**	2,968
Auditors' remuneration			
– Audit services		**1,890**	1,800
– Non-audit services		**257**	–
(Reversal)/Provision of warranty	*24(c)*	**(848)**	57,399
Changes in fair value of financial assets at FVTPL		**3,151**	–
Lease payments not included in the measurement of lease liabilities	*15.1(c)*	**195**	140
Provision of Impairment of:			
– trade receivables, net	*19*	**2,012**	14,852
– amount due from associates	*20*	**1,701**	11,515
– other receivables, net	*20*	**1,154**	1,682
– long term receivables		**–**	6,366
Loss on deemed disposal of partial interests in an associate *(note (i))*		**60**	207
(Gain)/Loss on disposal of property, plant and equipment		**(383)**	474
Foreign exchange differences, net		**12,813**	21,693
Interest income from bank deposits		**(801)**	(1,137)
Interest income from an associate		**(367)**	(728)
Interest income from loan receivables		**(515)**	–
Interest income from long term receivables		**–**	(2,906)
Interest income from a convertible bond		**(450)**	–
Rental income	*15.2*	**(898)**	(898)
Government grants *(note (ii))*		**(8,267)**	(3,686)
Directors' and chief executive's remuneration	*9*	**17,612**	21,178
Employee benefit expense (excluding directors' and chief executive's remuneration *(note 9)*):			
Wages and salaries		**224,515**	224,589
Pension scheme contributions *(note (iii))*		**4,824**	2,894
Staff welfare and allowances		**6,419**	10,903
		235,758	238,386

7. PROFIT BEFORE TAX (Continued)

Notes:

(i) Loss on deemed disposal of partial interests in an associate has been recorded as HK$60,000 (2020: HK$207,000) due to the new investment in P2 Mobile Technologies Limited from other investors in 2021.

(ii) During the year ended 31 December 2021, the Group received unconditional subsidies HK$8,267,000 from PRC local governmental authorities (2020: the Group received funding support HK$3,686,000 from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees).

(iii) During the year ended 31 December 2020, a number of policies including the relief of social insurance have been promulgated by the PRC government to expedite resumption of economic activities due to the impact of COVID-19, which resulted in the relief of certain contribution to defined contribution scheme.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 HK$'000	2020 HK$'000
Interest on bank loans, overdrafts and other loans	**8,811**	12,537
Interest on lease liabilities	**4,296**	3,590
Total finance costs	**13,107**	16,127

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2021 HK$'000	2020 HK$'000
Fees	**1,650**	1,515
Other emoluments		
Salaries, allowances and benefits in kind	**15,872**	15,693
Discretionary bonuses	**–**	3,880
Pension scheme contributions	**90**	90
	15,962	19,663
	17,612	21,178

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

9.1 Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2021 HK$'000	2020 HK$'000
Mr. Yau Ming Kim, Robert	330	303
Mr. Pang Kwong Wah	330	303
Mr. Yen Yuen Ho, Tony	330	303
Mr. Lin Kam Sui	330	303
	1,320	1,212

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

9.2 Executive directors and non-executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses[2] HK$'000	Estimated money value of other benefits[1] HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
2021						
Executive Directors:						
Mr. Lam Yin Kee *(note i)*	–	6,191	–	1,920	18	8,129
Ms. Yeung Po Wah	–	1,658	–	–	18	1,676
Mr. So Kin Hung	–	1,553	–	–	18	1,571
Mr. Lam Chee Tai, Eric *(note iii)*	–	2,600	–	–	18	2,618
Ms. Lam Oi Yan Ivy *(note iv)*	–	1,950	–	–	18	1,968
	–	13,952	–	1,920	90	15,962
Non-executive director:						
Mr. Fan, William Chung Yue	330	–	–	–	–	330
	330	13,952	–	1,920	90	16,292

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

9.2 Executive directors and non-executive directors (Continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses[2] HK$'000	Estimated money value of other benefits[1] HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
2020						
Executive Directors:						
Mr. Lam Yin Kee *(note i)*	–	6,031	1,980	1,920	18	9,949
Ms. Yeung Po Wah	–	1,658	500	–	18	2,176
Ms. Liu Jing *(note ii)*	–	276	–	–	–	276
Mr. So Kin Hung	–	1,553	100	–	18	1,671
Mr. Lam Chee Tai, Eric *(note iii)*	–	2,394	800	–	18	3,212
Ms. Lam Oi Yan Ivy *(note iv)*	–	1,861	500	–	18	2,379
	–	13,773	3,880	1,920	90	19,663
Non-executive director:						
Mr. Fan, William Chung Yue	303	–	–	–	–	303
	303	13,773	3,880	1,920	90	19,966

1 Other benefits represent rental paid by the Group for the quarters of the directors.

2 Discretionary bonuses are determined by the remuneration committee and the Board of the Company having regard to the Company's and individual directors' performance.

Notes:

(i) Mr. Lam Yin Kee was the chief executive officer of the Group and has resigned as the chief executive officer of the Group but remains as an executive director and the Chairman of the Group since 12 June 2020.

(ii) Ms. Liu Jing retired as a director of the Group with effect from the annual general meeting held on 5 June 2020.

(iii) Mr. Lam Chee Tai, Eric is also the chief executive officer of the Group since 12 June 2020.

(iv) Ms. Lam Oi Yan, Ivy was appointed as an executive director of the Group since 12 June 2020.

No emoluments were paid by the Group to any directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2020: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees in the Group during the year included three directors (2020: four), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining two (2020: one) highest paid employees who are neither a director nor chief executive of the Company during the year are as follows:

	2021	2020
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**3,868**	2,021
Performance related bonuses	**–**	150
Pension scheme contributions	**36**	18
	3,904	2,189

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	2021	2020
Emolument bands:		
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**1**	1
	2	1

11. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is qualifying entity under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK$2,000,000 (2020: HK$2,000,000) of assessable profits of qualifying entity is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong profits tax for this subsidiary was calculated at the same basis in 2020.

Pursuant to the PRC Income Tax Law and the respective regulations, the subsidiaries which operate in the PRC are subject to Corporate Income Tax ("CIT") at a rate of 25% (2020: 25%) on the taxable income.

	2021 **HK$'000**	2020 HK$'000
Current – PRC	**9,312**	25,379
Current – Hong Kong	**16,101**	31,605
Overprovision in prior years	**(822)**	–
Deferred tax *(note 26)*	**3,582**	(4,885)
Total tax charge for the year	**28,173**	52,099

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates to the effective tax rates, are as follows:

	2021		2020	
	HK$'000	**%**	HK$'000	%
Profit before tax	**95,315**		180,600	
Tax at the statutory tax rates	**15,727**	**16.5**	29,799	16.5
Effect of different taxation rates in other countries	**2,852**	**3.1**	7,905	4.4
Income not subject to tax	**(490)**	**(0.5)**	(1,294)	(0.7)
Expenses not deductible for tax	**6,098**	**6.4**	7,147	4.0
Share of losses of associates	**4,460**	**4.7**	1,494	0.8
Overprovision in prior years	**(822)**	**(0.9)**	–	–
Tax losses not recognised	**806**	**0.8**	525	0.3
Utilisation of previously unrecognised tax losses	**(293)**	**(0.3)**	(803)	(0.4)
Others	**(165)**	**(0.2)**	7,326	4.0
Tax charge at the Group's effective tax rate	**28,173**	**29.6**	52,099	28.9

12. DIVIDEND

Dividends attributable to the year:

	2021 HK$'000	2020 HK$'000
Interim dividend of HK$1.0 cent per ordinary share (2020: HK$1.5 cent)	**9,461**	14,192
Final dividend of HK$nil per ordinary share (2020: HK$2.0 cent)	**–**	18,922
	9,461	33,114

The Board does not recommend the payment of any final dividend for the year ended 31 December 2021 (2020: final dividend of HK$2.0 cents per ordinary share).

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculations of basic earnings per share are based on:

	2021 HK$'000	2020 HK$'000
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation:	**69,347**	122,444
Profit attributable to ordinary equity holders of the Company	**69,347**	122,444

	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**946,116,360**	946,116,360

Diluted earnings per share was the same as basic earnings per share for the years ended 31 December 2021 and 2020 as the Group had no potentially dilutive ordinary shares in existence during the years.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Plant and machinery HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2021							
At 1 January 2021:							
Cost	200,618	8,631	25,478	70,521	69,110	16,363	390,721
Accumulated depreciation	(34,637)	(5,911)	(15,282)	(49,444)	(58,652)	(12,772)	(176,698)
Net carrying amount	165,981	2,720	10,196	21,077	10,458	3,591	214,023
At 1 January 2021, net of accumulated depreciation	165,981	2,720	10,196	21,077	10,458	3,591	214,023
Additions	–	1,063	1,834	1,917	1,908	1,714	8,436
Disposals	–	(53)	(14)	(80)	–	(74)	(221)
Depreciation *(note 7)*	(6,368)	(1,015)	(2,878)	(4,354)	(4,234)	(1,679)	(20,528)
Exchange realignment	–	99	292	609	263	52	1,315
At 31 December 2021, net of accumulated depreciation	159,613	2,814	9,430	19,169	8,395	3,604	203,025
At 31 December 2021:							
Cost	200,618	9,024	27,411	73,463	71,826	18,182	400,524
Accumulated depreciation	(41,005)	(6,210)	(17,981)	(54,294)	(63,431)	(14,578)	(197,499)
Net carrying amount	159,613	2,814	9,430	19,169	8,395	3,604	203,025

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Plant and machinery HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2020							
At 1 January 2020:							
Cost	200,618	7,471	22,937	66,418	65,467	17,261	380,172
Accumulated depreciation	(28,269)	(5,140)	(12,562)	(45,948)	(51,870)	(12,357)	(156,146)
Net carrying amount	172,349	2,331	10,375	20,470	13,597	4,904	224,026
At 1 January 2020, net of accumulated depreciation	172,349	2,331	10,375	20,470	13,597	4,904	224,026
Additions	–	1,221	1,891	4,278	811	320	8,521
Disposals	–	(32)	(23)	(273)	–	(155)	(483)
Depreciation *(note 7)*	(6,368)	(946)	(2,639)	(4,610)	(4,567)	(1,602)	(20,732)
Exchange realignment	–	146	592	1,212	617	124	2,691
At 31 December 2020, net of accumulated depreciation	165,981	2,720	10,196	21,077	10,458	3,591	214,023
At 31 December 2020:							
Cost	200,618	8,631	25,478	70,521	69,110	16,363	390,721
Accumulated depreciation	(34,637)	(5,911)	(15,282)	(49,444)	(58,652)	(12,772)	(176,698)
Net carrying amount	165,981	2,720	10,196	21,077	10,458	3,591	214,023

At 31 December 2021, the Group's leasehold property with a carrying amount of HK$159,613,000 (2020: HK$165,981,000) and plant and machinery with a carrying amount of HK$11,137,000 (2020: HK$11,152,000) were pledged as security for the Group's bank loans, as further detailed in note 25(b) to the consolidated financial statements.

15. LEASES

15.1 The Group as a lessee

The Group has lease contracts for various offices, warehouses, quarters, land, motor vehicles and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of land and buildings generally have lease terms between 2 to 5 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. The Group considered that no extension option or termination option would be exercised at the lease commencement date.

(a) *Right-of-use assets*

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

	Prepaid land lease payments	**Land**	**Buildings**	**Motor vehicles**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 January 2020	1,520	46	18,032	197	19,795
Additions	–	285	92,733	–	93,018
Depreciation charge	(50)	(56)	(22,918)	(197)	(23,221)
Exchange realignment	–	16	4,367	–	4,383
As at 31 December 2020 and 1 January 2021	**1,470**	**291**	**92,214**	**–**	**93,975**
Additions	**–**	**–**	**16,511**	**–**	**16,511**
Early termination	**–**	**–**	**(178)**	**–**	**(178)**
Depreciation charge	**(50)**	**(61)**	**(26,417)**	**–**	**(26,528)**
Exchange realignment	**–**	**8**	**2,489**	**–**	**2,497**
As at 31 December 2021	**1,420**	**238**	**84,619**	**–**	**86,277**

At 31 December 2021, the Group's leased land with a carrying amount of HK$1,420,000 (2020: HK$1,470,000) was pledged as security for the Group's bank loans, as further detailed in note 25(b) to the consolidated financial statements.

15. LEASES (Continued)

15.1 The Group as a lessee (Continued)

(b) *Lease liabilities*

The following table shows the remaining contractual maturities of the Group's lease liabilities

	2021 **HK$'000**	2020 HK$'000
Total minimum lease payments:		
Due within 1 year	**31,383**	25,246
Due within 1 to 2 year	**27,870**	25,170
Due within 2 to 5 year	**38,654**	54,964
	97,907	105,380
Future finance charges on lease liabilities	**(7,360)**	(9,869)
Present value of lease liabilities	**90,547**	95,511
Present value of minimum lease payments:		
Due within 1 year	**27,780**	21,258
Due within 1 to 2 year	**25,501**	22,176
Due within 2 to 5 year	**37,266**	52,077
	90,547	95,511
Less: Portion due within one year included under current liabilities	**(27,780)**	(21,258)
Portion due after one year included under non-current liabilities	**62,767**	74,253

The maturity analysis of lease liabilities is disclosed in note 32.4 to the consolidated financial statements.

15. LEASES (Continued)

15.1 The Group as a lessee (Continued)

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

	2021 **HK$'000**	2020 HK$'000
Interest on lease liabilities	**4,296**	3,590
Depreciation charge of right-of-use assets	**26,528**	23,221
Expense relating to short-term leases	**119**	47
Expense relating to leases of low-value assets (included in cost of sales and administrative expenses)	**76**	93
Gain on early termination of leases (included in other operating expense)	**(14)**	–
Total amount recognised in profit or loss	**31,005**	26,951

15.2 The Group as a lessor

The Group leases its buildings (note 14) in Hong Kong under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was HK$898,000 (2020: HK$898,000), details of which are included in note 7 to the consolidated financial statements.

At 31 December 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021 **HK$'000**	2020 HK$'000
Within one year	**898**	898
After one year but within two years	**898**	898
After two years but within three years	**148**	898
After three years but within four years	**–**	148
	1,944	2,842

16. GOODWILL

	2021 HK$'000	2020 HK$'000
At 1 January:		
Cost	**19,931**	19,931
Accumulated impairment	**(8,259)**	(8,259)
Net carrying amount	**11,672**	11,672
Cost at 1 January, net of accumulated impairment	**11,672**	11,672
Impairment during the year	**–**	–
Cost and net carrying amount at 31 December	**11,672**	11,672
At 31 December:		
Cost	**19,931**	19,931
Accumulated impairment	**(8,259)**	(8,259)
Net carrying amount	**11,672**	11,672

Impairment testing of goodwill

The net carrying amount of goodwill relates to the excess of consideration paid and the fair value of net assets acquired from the acquisition of one subsidiary, namely Southchina Engineering and Manufacturing Limited ("Southchina"). The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.20 to the consolidated financial statements. Management considers Southchina as one separate industrial products cash-generating unit (the "CGU"). The recoverable amount of the CGU is determined based on a value-in-use calculation. This calculation uses pre-tax cash flow projections based on financial budgets of Southchina, approved by management covering a five-year period.

Assumptions were used in the value in use calculation of the CGU for 31 December 2021. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

(a) Budgeted turnover, operating expenses and finance costs were projected with reference to the expected earnings from the manufacture and trading of plastic moulds and plastic and electronic accessories for Southchina.

(b) For the business environment, there will be no change in the existing political, legal, regulatory, fiscal or economic conditions, bases or rates of taxation or duties in Hong Kong, or any other countries in which Southchina operates.

(c) Management determined budgeted gross margin based on past performance and its expectations for the market development. The discount rates used are pre-tax and reflect specific risks relating to the business.

The values assigned to the assumptions on market development of the CGU, discount rates and purchase price inflation are consistent with external information sources. The pre-tax discount rate of 11.5% (2020: 11.3%), being the key assumption used in the model, has been applied to the cash flow projections for Southchina to reflect specific risks relating to the CGU.

In the opinion of the Company's directors, any reasonably possible change in the other assumptions on which the recoverable amount is based would not cause the CGU's carrying amount to exceed its recoverable amount.

17. INVESTMENTS IN ASSOCIATES

	2021 **HK$'000**	2020 HK$'000
Share of net assets	**6,108**	32,647

Particulars of the associates are as follows:

Name	**Particulars of issued shares held/ registered capital contributed**	**Place of registration and business**	**Percentage of ownership interest attributable to the Group**	**Principal activities**
Yichun Yilian Print Tech Co., Ltd. ("Yichun Yilian") *(note (ii))*	Contributed RMB14,700,000 as registered capital	PRC	40.40% (2020: 40.40%)	Research, development and manufacture of printers and accessory products and provision of printing service
P2 Mobile Technologies Limited ("P2MT") *(note (iii))*	5,778 ordinary shares	Hong Kong	16.87% (2020: 18.05%)	Wireless communication products and software development
Iotronics Wireless Limited ("Iotronics") *(note (iii))*	100 ordinary shares	Hong Kong	28.57% (2020: 28.57%)	Wireless communication products and software development
Good Smart Electronics Technology Limited ("Good Smart") *(note (i))*	290 ordinary shares	Hong Kong	N/A (2020: 29.00%)	Investment holding and trading

All associates have a reporting date of 31 December.

Notes:

(i) On 30 December 2021, the Group disposed all the shares of Good Smart for a consideration HK$5,000.

17. INVESTMENTS IN ASSOCIATES (Continued)

Notes: (Continued)

(ii) Yichun Yilian

Yichun Yilian is a private limited liability company established on 7 November 2014. It is registered in Mainland China and is a technology company focusing on research, development and manufacture of intelligent laser printers.

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

	2021 HK$'000	2020 HK$'000
Current assets	**134,306**	214,760
Non-current assets	**5,935**	2,815
Current liabilities	**(127,237)**	(139,957)
Net assets	**13,004**	77,618
Proportion of the Group's ownership	**40.40%**	40.40%
Carrying amount of the investment	**5,253**	31,359
Revenue	**947**	14,710
Loss for the year	**(65,977)**	(23,128)
Other comprehensive income	**1,363**	4,581
Total comprehensive loss for the year	**(64,614)**	(18,547)

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

	2021 HK$'000	2020 HK$'000
Share of the associates' (loss)/profit for the year	**(373)**	287
Share of the associates' total comprehensive (loss)/income	**(373)**	287
Aggregate carrying amount of the Group's investments in the associates	**855**	1,288

18. INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials	**311,472**	190,210
Work in progress	**64,024**	52,271
Finished goods	**92,485**	113,368
	467,981	355,849
Provision against slow-moving and obsolete inventories	**(15,302)**	(18,110)
	452,679	337,739

As at 31 December 2021, inventories HK$4,906,000 are stated at fair value less cost to sales (2020: HK$3,391,000).

During the year ended 31 December 2021, the Group reversed HK$4,108,000 (2020: HK$8,445,000) of inventories write down made in prior years as the Group has sold the inventories at above cost.

19. TRADE RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables	**364,541**	365,812
Less: ECL allowance	**(21,685)**	(19,673)
	342,856	346,139

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 to 90 days. The Group's other trade receivables relate to a large number of diversified customers. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

19. TRADE RECEIVABLES (Continued)

An ageing analysis of the trade receivables as at the end of the year, based on the invoice date, is as follows:

	2021 HK$'000	2020 HK$'000
Within 1 month	**174,552**	152,750
1 to 2 months	**107,204**	129,258
2 to 3 months	**30,317**	51,903
Over 3 months	**30,783**	12,228
	342,856	346,139

The movements in the ECL allowance of trade receivables are as follows:

	2021 HK$'000	2020 HK$'000
At beginning of year	**(19,673)**	(4,821)
ECL allowance recognised during the year *(note 7)*	**(2,012)**	(14,852)
At end of year	**(21,685)**	(19,673)

The increase (2020: increase) in the loss allowance was due to the following significant changes in the gross carrying amount:

(i) Increase in the loss allowance of HK$6,000 (2020: HK$4,050,000) as a result of increase in doubtful trade receivables which were assessed individually; and

(ii) Increase in the loss allowance of HK$2,006,000 (2020: HK$10,802,000) as a result of the changes in ECLs which were caused by the changes in historical observed default rates and forecast economic conditions.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

19. TRADE RECEIVABLES (Continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	Ageing			
	Less than 1 year	**1 to 2 Years**	**Over 3 years**	**Total**
As at 31 December 2021				
Expected credit loss rate	**0.87%**	**100%**	**100%**	**5.95%**
Gross carrying amount (HK$'000)	**345,872**	**4,296**	**14,373**	**364,541**
Expected credit losses (HK$'000)	**3,016**	**4,296**	**14,373**	**21,685**

	Ageing			
	Less than 1 year	1 to 2 Years	Over 3 years	Total
As at 31 December 2020				
Expected credit loss rate	1.64%	100%	100%	5.38%
Gross carrying amount (HK$'000)	351,928	1,375	12,509	365,812
Expected credit losses (HK$'000)	5,789	1,375	12,509	19,673

As at 31 December 2021, no debtor is individually assessed for lifetime ECL.

As at 31 December 2020, there is information indicating that the several debtors are in severe financial difficulty and there is no realistic prospect of recovery, trade receivable of HK$12,800,000 individually assessed for lifetime ECL.

Details of impairment assessment of trade receivable are set out in note 32.3.

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021 HK$'000	2020 HK$'000
Prepayments	**29,773**	71,146
Deposits and other receivables *(Note (i))*	**30,007**	25,227
Loans to/amount due from associates *(Note (ii))*	**8,584**	19,834
Due from non-controlling shareholders of a subsidiary	**691**	514
Receivable relating to the consideration for the disposal of Bonroy Limited	**122,704**	118,843
Other receivable due from a related party, the Purchaser of the Bonroy Group	**6,566**	6,359
Other receivables due from the former subsidiary group, Bonroy Group	**260,196**	252,008
	458,521	493,931
Impairment of other receivables	**(394,071)**	(390,407)
Current portion	**64,450**	103,524

Notes:

(i) Included a loan of HK$9,779,000 net of the impairment HK$2,484,000 (2020: HK$11,877,000 net of the impairment HK$nil) granted to a related party of Yichun Yilian bears interest at 4.35% per annum and is repayable within one year. During the year, the interest income generated from the loan was HK$515,000 (2020: HK$nil).

(ii) A loan of HK$6,853,000 net of the impairment HK$1,731,000 (2020: HK$8,314,000 net of the impairment HK$nil) granted to Yichun Yilian bears interest at 4.35% per annum and is repayable within one year. During the year, the interest income generated from the loan was HK$367,000 (2020: HK$342,000).

Prepayment mainly comprises of prepaid raw material costs to suppliers and pre-paid value added tax.

As at 31 December 2021, financial assets included in prepayments, other receivables and other assets were in Stage 1 and 3, and a provision for impairment of HK$394,071,000 (2020: HK$390,407,000) was provided. Details of impairment assessment of financial assets included in prepayments, other receivables and other assets are set out in note 32.3.

The carrying amounts of the remaining other receivables that were neither past due nor impaired relate to other debtors for whom there was no recent history of default.

The movements in the loss allowance for impairment of other receivables are as follows:

	2021 HK$'000	2020 HK$'000
At beginning of year	**(390,407)**	(355,036)
ECL allowance, net *(note 7)*	**(2,855)**	(13,197)
Written-off	**11,520**	–
Exchange differences	**(12,329)**	(22,174)
At end of year	**(394,071)**	(390,407)

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 **HK$'000**	2020 HK$'000
Investments in life insurance plans *(note a)*	**15,607**	–
Unlisted convertible bond *(note b)*	**6,173**	6,021
	21,780	6,021

Note a:

The Company entered into life insurance plans with an insurance company for life insurance protection of certain Directors and senior management of the Group during the year ended 31 December 2021. The total premium paid for these plans is approximately US$2,424,000 (equivalent to approximately HK$18,910,000). The Company is the policy holder and the beneficiary of these insurance policies. The Company can terminate these policies at any time and will receive a cash sum based on the cash value (the "Cash Value") of these policies at the date of termination. The Cash Value is determined by premium paid plus accumulated interest earned minus the surrender charges and exit value adjustments.

Note b:

On 31 December 2020, the Company subscribed for a convertible bond with a principal of HK$6,426,530 (equivalent to US$824,000) with annual coupon of 7%, issued by P2MT, the associate of the Company (the "Convertible Bond"). The Convertible Bond will mature on 31 December 2022.

The Convertible Bond will, at the discretion of the Company, be convertible at any time between the date of issue to the maturity date on 31 December 2022 into fully paid ordinary shares of P2MT. The entire Convertible Bond plus accrued but unpaid interest can be converted into ordinary share of P2MT at the following conversion prices:

(a) US$800 per ordinary share from the date of issuance until 31 December 2021

(b) US$1,000 per ordinary share from the 1 January 2022 until 31 December 2022

(c) US$1,200 per ordinary share during the extended period

If the Convertible Bonds has not been converted, it will be redeemed on maturity date at par plus all accrued interest, if the Company does not redeem the Convertible Bond on the maturity date, the maturity date will be automatically extended by a period of 12 months.

The fair value measurement of the investments in life insurance plans and Convertible Bond is described in note 31.

22. CASH AND CASH EQUIVALENTS, PLEDGED DEPOSITS AND RESTRICTED DEPOSITS

	2021 HK$'000	2020 HK$'000
Cash and bank balances	**138,422**	189,991
Time deposits	**3,759**	4,805
Restricted deposits	**13,246**	–
	155,427	194,796
Less: Pledged time deposits for bank and other borrowings *(note 25 (b))*	**(3,759)**	(4,805)
Less: Restricted deposits under court freezing order *(note a)*	**(13,246)**	–
Cash and cash equivalents	**138,422**	189,991
Cash and bank balances denominated in		
– Renminbi ("RMB")	**85,066**	105,107
– United States dollars ("US$")	**29,209**	77,568
– HK$	**23,999**	7,252
– Other currencies	**148**	64
Cash and cash equivalents	**138,422**	189,991

Note:

(a) During the year ended 31 December 2021, Shenzhen Allcomm Electronic Co. Ltd ("Shenzhen Allcomm"), a subsidiary of the Group, received a court order to freeze a deposit balance of Shenzhen Allcomm at a bank amounted to RMB10,802,000 (equivalent to HK$13,246,000) for a period of one year. Details of the court order disclosed in note 34(b).

The RMB is not freely convertible into other currencies. However, under PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates.

As at 31 December 2021, short term time deposits are made for varying periods of 3 to 6 months depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates.

22. CASH AND CASH EQUIVALENTS, PLEDGED DEPOSITS AND RESTRICTED DEPOSITS (Continued)

As at 31 December 2020, short term time deposits have a maturity of less than three months and are eligible for immediate cancellation without receiving any interest for the last deposit period.

The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

As at 31 December 2021, the Group's time deposits denominated in HK$ of approximately HK$2,737,000 (2020: HK$3,783,000) and time deposits denominated in US$ of approximately HK$1,022,000 (2020: HK$1,020,000) were pledged with banks to secure banking facilities granted to the Group (note 25(b)).

23. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the year, based on the invoice date, is as follows:

	2021 **HK$'000**	2020 HK$'000
Within 1 month	**143,238**	110,644
1 to 2 months	**125,070**	110,300
2 to 3 months	**37,762**	73,717
Over 3 months	**12,176**	10,784
	318,246	305,445

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days.

24. OTHER PAYABLES AND ACCRUALS

	Notes	**2021** **HK$'000**	2020 HK$'000
Receipt in advance		**150**	150
Contract liabilities	*(a)*	**15,160**	56,692
Other payables	*(b)*	**19,125**	19,430
Salary and welfare payables		**41,580**	50,359
Provision of warranty	*(c)*	**33,346**	53,554
Accruals		**22,526**	33,985
		131,887	214,170

24. OTHER PAYABLES AND ACCRUALS (Continued)

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2021 HK$	31 December 2020 HK$
Short-term advances received from customers		
Sale of goods	**15,160**	56,692

Contract liabilities include short-term advances received (original expected duration of less than one year) to deliver industrial products.

The group's unsatisfied (or partially unsatisfied) performance obligation represented deliver industrial products or maintenance services which are billed based on time incurred. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

The decrease in contract liabilities was mainly due to the decrease in advances received from customers in relation to the provision of industrial products.

All amounts outstanding at the beginning of the year have been recognised during the year.

(b) Other payables are non-interest-bearing and are repayable within one year.

(c) Warranty provision represents management's best estimate of the Group's obligation under eighteen months' warranty period granted to a customer, based on prior experience and industry averages for defective products. The movements of warranty provision as follows:

	2021 HK$'000	2020 HK$'000
At 1 January	**53,554**	–
(Reversal)/Provision for the year *(Note 7)*	**(848)**	57,399
Utilisation of provision	**(19,360)**	(3,845)
At 31 December 2021	**33,346**	53,554

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2021 Effective interest rate (%)	31 December 2021 Maturity	31 December 2021 HK$'000	31 December 2020 Effective interest rate (%)	31 December 2020 Maturity	31 December 2020 HK$'000
Current						
Bank overdraft – secured	**1.5% minus prime rate & 2.35 over HIBOR**	**On demand**	**5,496**	0.25% – 1 over prime rate & 1 over HIBOR	On demand	946
Trust receipt loans - secured	**0.5 per annum over Prime rate**	**On demand**	**1,018**	0.5 per annum over Prime rate	On demand	2,043
Bank loans – secured	**1.75 over HIBOR – 5.10%**	**On demand**	**114,187**	1.55 over HIBOR – 5.10%	On demand	113,400
Bank loans – unsecured	**1.8 – 2.5 over HIBOR**	**On demand**	**144,918**	1.8 – 2.5 over HIBOR	On demand	115,867
			265,619			232,256

25. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

(a) The Group's bank overdrafts, trust receipt loans and bank loans were due for repayment as follows:

	2021 **HK$'000**	2020 HK$'000
Analysed into:		
Bank and other loans repayable:		
Within one year	**219,449**	231,188
In the second year	**11,307**	635
In the third to fifth years	**34,863**	433
	265,619	232,256

The amounts due set out above are based on the scheduled repayment dates set out in the loan agreements without considering any repayment on demand clause.

Some of the banking facilities are subject to the fulfilment of covenants relating to certain financial ratios, as are commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the drawn down facilities would become repayable on demand. In addition, certain of the Group's bank loan arrangements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

The total amount of HK$46,170,000 (2020: HK$1,068,000) as at year end 31 December 2021 have been reclassified to current portion due to the repayment on demand clause.

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the bank loans and does not consider it probable that the respective banks will exercise their discretion to demand repayment for so long as the Group continues to meet these requirements. During the year ended 31 December 2021, none (2020: nil) of the lenders had exercised their rights to demand immediate repayment of the drawn down facilities, either at their sole discretion or due to any breach of covenants.

	2021 **HK$'000**	2020 HK$'000
Bank and other loans repayable denominated in:		
HK$	**148,388**	134,498
RMB	**61,292**	57,808
US$	**55,939**	39,950
	265,619	232,256

25. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

(b) The bank and other borrowings were secured by the following:

(i) the pledge of the Group's fixed deposits denominated in HK$ of approximately HK$2,737,000 (2020: HK$3,783,000) and bank deposits denominated in US$ of approximately HK$1,022,000 (2020: HK$1,020,000);

(ii) the Group's leasehold property of HK$159,613,000 (2020: HK$165,981,000);

(iii) the Group's right-of-use assets in Shenzhen of HK$1,420,000 (2020: HK$1,470,000);

(iv) the Group's plant and machinery of HK$11,137,000 (2020: HK$11,152,000); and

(v) the banking facilities granted to a subsidiary, Southchina, were also secured by personal guarantees given by its non-controlling shareholders.

(c) As at 31 December 2021, the Group's total available banking facilities amounted to approximately HK$590,774,000 (2020: HK$517,836,000), of which approximately HK$358,518,000 (2020: HK$207,675,000) was unutilised.

26. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Related depreciation in excess of depreciation allowance	Provision	Loss available for offsetting against future taxable profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Gross deferred tax assets at 1 January 2020	1,388	8,864	829	11,081
Deferred tax credited to profit or loss during the year *(note 11)*	14	5,192	–	5,206
Exchange differences	–	149	51	200
Gross deferred tax assets at 31 December 2020 and 1 January 2021	**1,402**	**14,205**	**880**	**16,487**
Deferred tax credited to profit or loss during the year *(note 11)*	**11**	**(2,383)**	**–**	**(2,372)**
Exchange differences	**–**	**101**	**29**	**130**
Gross deferred tax assets at 31 December 2021	**1,413**	**11,923**	**909**	**14,245**

26. DEFERRED TAX (Continued)

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation HK$'000
Gross deferred tax liabilities at 1 January 2020	4,403
Deferred tax charged to profit or loss during the year *(note 11)*	321
Gross deferred tax liabilities at 31 December 2020 and 1 January 2021	**4,724**
Deferred tax charged to profit or loss during the year *(note 11)*	**1,210**
Gross deferred tax liabilities at 31 December 2021	**5,934**

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2021 HK$'000	2020 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**14,245**	16,487
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(5,934)**	(4,724)

Deferred tax assets have not been recognised in respect of the following items:

	2021 HK$'000	2020 HK$'000
Tax losses	**342,533**	341,974

26. DEFERRED TAX (Continued)

The above tax losses are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised. Except for the estimated tax losses of HK$25,316,000 (2020: HK$23,813,000) expiring within five years, the remaining tax losses have no expiry.

PRC withholding income tax of 10% shall be levied on the dividends declared by the companies established in the PRC to their foreign investors out of their profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are incorporated or operated in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong.

At 31 December 2021, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of deferred tax liabilities associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$30,836,000 at 31 December 2021 (2020: HK$28,534,000).

27. SHARE CAPITAL

	2021 **HK$'000**	2020 HK$'000
Issued and fully paid:		
946,116,360 (2020: 946,116,360) ordinary shares	**9,461**	9,461

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Share capital** HK$'000	**Share premium account** HK$'000	**Total** HK$'000
At 1 January 2020, 31 December 2020 and 31 December 2021	**946,116,360**	**9,461**	**277,388**	**286,849**

28. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 70 to 71 of the consolidated financial statements.

Statutory Reserve

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

29. RELATED PARTY TRANSACTIONS AND BALANCES

(a) In addition to the transactions detailed elsewhere in the consolidated financial statements, the Group had the following material transactions with related parties during the year:

For the year ended 31 December	*Notes*	**2021 HK$'000**	2020 HK$'000
Sales of LED lighting equipment to an associate, Yichun Yilian		**–**	91
Interest expenses on loans from a director		**–**	88
Expenses paid to an associate, Yichun Yilian	*(i)*	**698**	772
Interest income from associates:			
P2MT		**450**	386
Yichun Yilian	*20(ii)*	**367**	342

As at 31 December	*Notes*	**2021 HK$'000**	2020 HK$'000
Convertible bond			
P2MT	*21*	**6,173**	6,021
Loans to/Amounts due from associates:			
Good Smart	*(ii)*	**–**	9,770
Iotronics	*(ii)*	**–**	1,750
Yichun Yilian	*20(ii)*	**8,584**	8,314
		14,757	25,855
Less: Provision for impairment			
Good Smart	*(ii)*	**–**	9,770
Iotronics	*(ii)*	**–**	1,750
Yichun Yilian	*20(ii)*	**1,731**	–
Total		**13,026**	14,335

(i) During the year, the expenses such as rental payment and utilities paid to Yichun Yilian by 宜春華訊電子製品有限公司 were HK$698,000 (2020: HK$772,000).

(ii) During the year, the loans to/amounts due from associate of HK$11,520,000 was written off (note 20).

29. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(b) Compensation of key management personnel of the Group

	2021 HK$'000	2020 HK$'000
Fees	**1,650**	1,515
Salaries and other short-term employee benefits	**22,730**	32,014
Pension costs – defined contribution plans	**216**	215
Total compensation paid to key management personnel	**24,596**	33,744

Further details of directors' and the chief executive's emoluments are included in note 9 to the consolidated financial statements.

(c) Ms. Yeung Po Wah, Ms. Lam Oi Yan, Ivy and Mr. Lam Chee Tai, Eric are executive directors of the Company, and have 60%, 20% and 20% equity interests in Profit Home Investments Limited, respectively. The rental was determined according to the negotiation with the counterparties. This related party transaction also constitutes a continuing connected transaction as defined in Chapter 14A of the Listing Rules.

The Group has a rental contract with Profit Home Investments Limited. At the reporting date, the Group had total lease liabilities with Profit Home Investments Limited under non-cancellable leases falling due as follows:

	2021 HK$'000	2020 HK$'000
Lease liabilities – current	**1,886**	477
Lease liabilities – non-current	**478**	–
	2,364	477

Under the rental contract, the minimum lease payment during the year was HK$1,920,000 (2020: HK$1,920,000). As at 31 December 2021, the Group's right-of-use assets relating to such rental contract amounted to HK$2,338,000 (2020: HK$448,000).

30. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the year are as follows:

Financial assets

	2021 HK$'000	2020 HK$'000
Financial assets at FVTPL:		
Investments in life insurance plans	**15,607**	–
Unlisted convertible bond	**6,173**	6,021
Measured at amortised cost:		
Trade receivables	**342,856**	346,139
Financial assets included in prepayments, other receivables and other assets	**34,677**	32,378
Cash and cash equivalents	**138,422**	189,991
Pledged deposits	**3,759**	4,805
Restricted deposits	**13,246**	–
	554,740	579,334

Financial liabilities

	2021 HK$'000	2020 HK$'000
Measured at amortised cost:		
Interest-bearing bank and other borrowings	**265,619**	232,256
Trade and bills payables	**318,246**	305,445
Financial liabilities included in other payables and accruals	**7,479**	8,121
Lease liabilities	**90,547**	95,511
	681,891	641,333

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The Group's finance department headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the chairman of the Company. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the observability and significance of the lowest level input to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly and not using significant unobservable inputs

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Investments in life insurance plans	**15,607**	–	**15,607**	–
Unlisted convertible bond	**6,173**	6,021	**6,173**	6,021
	21,780	6,021	**21,780**	6,021
Financial liabilities				
Interest-bearing bank and other borrowings	**265,619**	232,256	**265,619**	232,256
	265,619	232,256	**265,619**	232,256

Management has assessed that the fair values of cash and cash equivalents, pledged bank deposits, restricted deposit, trade receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables, financial liabilities included in other payables and accruals, and current portion of interest-bearing bank and other borrowings approximate to their respective carrying amounts are largely due to the short term maturities of these instruments.

The following methods and assumptions were used to estimate the fair values:

The fair values of the interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities and are categorised as Level 2 of the fair value hierarchy. The changes in fair value as a result of the Group's own non-performance risk for interest bearing bank and other borrowings as at 31 December 2021 and 2020 were assessed to be insignificant.

For the financial asset at FVTPL, the the management has engaged an external valuer, Ascent Partners Valuation Service Limited, to carry out valuations on the fair value of the unlisted convertible bond. The fair value were determined by using a black-scholes partial differential equation model.

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Market-based approach was used in determining the equity value of P2MT as input in the black-scholes partial differential equation model. The other significant unobservable inputs into the model were as follows:

	Significant unobservable input	**2021** **%**	2020 %	Sensitivity of fair value to the input
Unlisted convertible bond	Volatility	**98.02**	92.95	Increase in volatility would result in increase in fair value of the convertible bond

The fair value of the unlisted convertible bond depends on a number of factors that are determined using a number of assumptions. Any changes in these assumptions will impact the carrying amount of the unlisted convertible bond. Expected volatility was determined by using the historical volatility of selected companies operated in similar industry.

The fair value of the investments in life insurance plans is determined by reference to the cash surrender value statements at the reporting date as provided by the insurance company.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2021	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets at FVTPL				
Investments in life insurance plans	**–**	**15,607**	**–**	**15,607**
Unlisted convertible bond (note)	**–**	**–**	**6,173**	**6,173**
	–	**15,607**	**6,173**	**21,780**
Financial liabilities				
Interest-bearing bank and other borrowings	**–**	**265,619**	**–**	**265,619**
	–	**265,619**	**–**	**265,619**

As at 31 December 2020	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial asset at FVTPL				
Unlisted convertible bond (note)	–	–	6,021	6,021
	–	–	6.021	6,021
Financial liabilities				
Interest-bearing bank and other borrowings	–	232,256	–	232,256
	–	232,256	–	232,256

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Note: Reconciliation of asset measured at fair value based on level 3:

	Unlisted convertible bond HK$'000
At 1 January 2020	–
Addition	6,021
At 31 December 2020 and 1 January 2021	6,021
Fair value gain recognised in profit or loss	152
At 31 December 2021	6,173

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2020: HK$Nil).

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than financial assets at FVTPL, comprise interest-bearing bank loans and other borrowings, restricted deposits, pledged deposits and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, other receivables, trade and bills payables, and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest risk, credit risk and liquidity risk. The board of directors review and agree policies for managing each of these risks and they are summarised below.

32.1 Foreign currency risk

The Group has transactional currency exposures. These exposures arise from sales by operating units in currencies other than the units' functional currencies. Approximately 80.9% and 89.9% of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale for the years ended 31 December 2021 and 2020 respectively, whilst all inventory costs were denominated in the units' functional currencies. The Group also has bank balances and borrowings denominated in US$.

Since the HK$ is pegged to the US$, the Group's exposure to foreign currency risk in respect of bank balances, borrowings and sales transaction denominated in US$ is considered as minimal.

The following table demonstrates the sensitivity at the end of the year to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Increase/ (decrease) in exchange rate	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in equity***
	%	HK$'000	HK$'000
As at 31 December 2021			
If HK$ weakens against RMB	**5**	**1,271**	**5,962**
If HK$ strengthens against RMB	**(5)**	**(1,271)**	**(5,962)**
As at 31 December 2020			
If HK$ weakens against RMB	5	1,316	4,666
If HK$ strengthens against RMB	(5)	(1,316)	(4,666)

* Excluding retained profits

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

32.2 Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets except its bank deposits, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arose from interest-bearing bank and other borrowings, which were at variable rates and expose the Group to cash flow interest rate risk.

Fixed rate interest-bearing bank and other borrowings expose the Group to fair value interest rate risk.

The Group regularly seeks out the most favourable interest rates available for its bank deposits and interest-bearing bank and other borrowings. Information relating to interest rates of the Group's bank balances, deposits and interest-bearing bank and other borrowings is disclosed in notes 22 and 25, respectively.

As at 31 December 2021, if interest rates on interest-bearing bank borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been HK$1,706,000 lower/higher (2020: HK$1,020,000 lower/higher), mainly as a result of higher/lower interest expense on interest-bearing bank borrowings.

32.3 Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

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

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

32.3 Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables*					
– Individual assessed	–	–	–	14,426	14,426
– Collective assessed	–	–	–	350,115	350,115
Financial assets included in prepayments, other receivables and other assets					
– Normal**	34,677	–	–	–	34,677
– Doubtful**	–	–	394,071	–	394,071
Pledged deposits					
– Not yet past due	3,759	–	–	–	3,759
Restricted deposit					
– Not yet past due	13,246	–	–	–	13,246
Cash and cash equivalents					
– Not yet past due	138,422	–	–	–	138,422
	190,104	–	394,071	364,541	948,716

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

32.3 Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables*					
– Individual assessed	–	–	–	13,884	13,884
– Collective assessed	–	–	–	351,928	351,928
Financial assets included in prepayments, other receivables and other assets					
– Normal**	32,378	–	–	–	32,378
– Doubtful**	–	–	390,407	–	390,407
Pledged deposits					
– Not yet past due	4,805	–	–	–	4,805
Cash and cash equivalents					
– Not yet past due	189,991	–	–	–	189,991
	227,174	–	390,407	365,812	983,393

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 19 to the consolidated financial statements.

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

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. The Group had certain concentrations of credit risk as 27.6% (2020: 33.0%) and 70.0% (2020: 68.7%) of the Group's trade receivables were due from the Group's largest customer and five largest customers as at 31 December 2021, respectively. These customers have long term trading relationship with the Group with no defaults in the past and hence the Group does not consider there is any significant credit risk in this regard.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the consolidated financial statements.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

32.4 Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements, its compliance with lending covenants and its relationship with its bankers to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's bank borrowings and other financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates prevailing at the end of the reporting period) and the earliest date the Group can be required to pay.

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the maturity analysis shows the cash outflow based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts are greater than the amounts disclosed in the maturity analysis set out in note 25. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. If the lenders were to invoke their unconditional rights to call the loans, the full amounts of the loans, together with interests, will be repayable immediately. The maturity analysis for obligations under finance leases is prepared based on the scheduled repayment dates.

The maturity profile of financial liabilities as at 31 December 2021 and 2020, based on the contractual undiscounted payments, is as follows:

		2021	
	Less than 1 year HK$'000	**Over 1 year HK$'000**	**Total HK$'000**
Interest-bearing bank and other borrowings (note)	**265,619**	**–**	**265,619**
Trade and bills payables	**318,246**	**–**	**318,246**
Financial liabilities included in other payables and accruals	**7,479**	**–**	**7,479**
Lease liabilities	**31,383**	**66,524**	**97,907**
	622,727	**66,524**	**689,251**

		2020	
	Less than 1 year HK$'000	Over 1 year HK$'000	Total HK$'000
Interest-bearing bank and other borrowings (note)	232,256	–	232,256
Trade and bills payables	305,445	–	305,445
Financial liabilities included in other payables and accruals	8,121	–	8,121
Lease liabilities	25,246	80,134	105,380
	571,068	80,134	651,202

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

32.4 Liquidity risk (Continued)

Notes:

Interest-bearing bank and other borrowings with a repayment on demand clause are included in the "Less than 1 year" time band in the above maturity analysis. As at 31 December 2021, the aggregate undiscounted principal amounts of these interest-bearing bank and other borrowings amounted to HK$269,076,000 (2020: HK$234,110,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such interest-bearing bank and other borrowings will be repaid 1 to 5 years after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

Maturity analysis – Interest-bearing bank and other borrowings with a repayment on demand clause based on scheduled repayments

	Within 1 year	Over 1 year but within 5 years	Over 5 years	Total undiscounted amount	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31 December 2021	**222,406**	**46,670**	**–**	**269,076**	**265,619**
31 December 2020	233,016	1,094	–	234,110	232,256

32.5 Capital management

As at 31 December 2021, the Group had net debts (being total bank and other borrowings and leases liabilities excluding trade debts and net of cash and cash equivalents) of approximately HK$216,726,000 (2020: HK$135,733,000). The total equity was approximately HK$518,338,000 (2020: HK$465,645,000). The gearing ratio as at 31 December 2021 was approximately 41.8% (2020: 29.2%).

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through maintaining the appropriate debt and equity balance. The directors of the Company review the capital structure of the Group on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through various alternatives including the payment of dividends, new share issues and share buybacks as well as the issue of new debts or the redemption of existing debts.

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Trust receipt loans HK$'000	Bank and other loans HK$'000	Lease liabilities HK$'000
At 1 January 2021	**2,043**	**229,267**	**95,511**
Cash flow			
– Changes from financing cash flows	**(1,025)**	**27,932**	**(23,901)**
– Interest paid	**–**	**–**	**(4,296)**
Non-cash changes			
– Interest expenses *(Note 8)*	**–**	**–**	**4,296**
– New lease	**–**	**–**	**16,511**
– Early termination	**–**	**–**	**(192)**
– Foreign exchange movement	**–**	**1,906**	**2,618**
At 31 December 2021	**1,018**	**259,105**	**90,547**

	Trust receipt loans HK$'000	Bank and other loans HK$'000	Lease liabilities HK$'000
At 1 January 2020	1,404	228,731	18,483
Cash flow			
– Changes from financing cash flows	639	(2,673)	(17,002)
– Interest paid	–	–	(3,590)
Non-cash changes			
– Interest expenses *(Note 8)*	–	–	3,590
– New lease	–	–	93,018
– Foreign exchange movement	–	3,209	1,012
At 31 December 2020	2,043	229,267	95,511

Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2021 HK$'000	2020 HK$'000
Within operating activities	**195**	140
Within financing activities	**28,197**	17,002
	28,392	17,142

34. CONTINGENT LIABILITIES

(a) Potential litigation related to a fire incidence in the United States

During the year ended 31 December 2020, the Group was informed by the customer of its electrostatic disinfectant sprayer products that a fire was occurred at a school in the United States involving an electrostatic disinfectant sprayer manufactured by the Group. Based on preliminary investigations subsequently conducted by the insurance company, the customer and some experts, and other information currently available, the Group believes that the root cause of the fire is most likely the defective design and manufacturing of the lithium-ion battery pack which powers the sprayer. The battery pack was designed and manufactured by a supplier designated by the customer. However, not all the electrostatic disinfectant sprayers sold by the customer were embedded with the subject lithium-ion battery pack. The customer also informed the Group that there were some other reports of property damage but no reports of injury involving the subject lithium-ion battery pack. In February 2021, in view of the potential risk that the battery pack can overheat and melt and potentially causing a fire or an explosion, the customer decided to recall voluntarily in the market four models of electrostatic sprayers embedded with the subject lithium-ion battery pack.

Management currently is of the view that the issue is the direct result of the defective design and manufacturing of the lithium-ion battery pack and the customer is well aware that the Group had no involvement with the design and manufacturing of the subject battery pack. The supplier of the subject battery pack was chosen and introduced to the Group by the customer and the Group cannot change the supplier of the subject battery pack unless written consent from the customer is obtained. Management believes that the Group does not have any responsibility or significant potential liability on this issue. The Group has engaged a lawyer firm and a cause and origin expert in the United States to handle the issue.

(b) Litigation related to alleged non-payment of four purchase orders

During the year ended 31 December 2021, Shenzhen Allcomm, a wholly-owned subsidiary of the Group, received a Writ of Summons from a supplier of Shenzhen Allcomm in relation to alleged non-payment of four purchase orders amounting approximately RMB9,996,000 and penalty claim related to interest of non-payment, storage cost and profit margin amounting approximately RMB806,000 (the "Penalty Claim"), totalling approximately RMB10,802,000 (equivalent to HK$13,246,000). The supplier had also obtained a property preservation order from the Court to freeze deposit balances of Shenzhen Allcomm at a bank, amounting to approximately RMB10,802,000 (equivalent to HK$13,246,000), for a period of one year. Management currently is of the view that the supplier failed to deliver the ordered goods within the delivery date specific in the purchase order, Shenzhen Allcomm had instructed the supplier to cancel the purchase orders.

The Group's legal counsel is of the opinion that the likelihood of outcome is uncertain and the amount of claim cannot reliably measured. As at 31 December 2021, the Group did not recognise any liability in relation to the claim. The Directors considered that the litigation would not have any material adverse effect on the Group.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021	2020
	HK$'000	HK$'000
Non-current assets		
Investment in an associate	**855**	1,288
Amounts due from subsidiaries	**398,111**	397,479
Investments in subsidiaries	**9,975**	9,975
Financial assets at FVTPL	**21,780**	6,021
Total non-current assets	**430,721**	414,763
Current assets		
Prepayments, other receivables and other assets	**1,346**	853
Cash and cash equivalents	**224**	773
Total current assets	**1,570**	1,626
Current liabilities		
Amount due to a subsidiary	**105,364**	87,478
Other payables	**7,681**	7,775
Total current liabilities	**113,045**	95,253
Net current liabilities	**(111,475)**	(93,627)
Net assets	**319,246**	321,136
Equity		
Share capital	**9,461**	9,461
Reserves *(note)*	**309,785**	311,675
Total equity	**319,246**	321,136

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

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

	Share premium HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2020	277,388	42	37,405	314,835
Total comprehensive income for the year	–	–	11,032	11,032
2020 interim dividends paid *(Note 12)*	–	–	(14,192)	(14,192)
At 31 December 2020 and 1 January 2021	**277,388**	**42**	**34,245**	**311,675**
Total comprehensive income for the year	**–**	**–**	**26,493**	**26,493**
2020 final dividends paid *(Note 12)*	**–**	**–**	**(18,922)**	**(18,922)**
2021 interim dividends paid *(Note 12)*	**–**	**–**	**(9,461)**	**(9,461)**
At 31 December 2021	**277,388**	**42**	**32,355**	**309,785**

FIVE-YEAR FINANCIAL SUMMARY

The following table summarises the results, assets and liabilities of the Group for each of the five years ended 31 December 2021:

	Year ended 31 December				
	2021	2020	2019	2018	2017
Results	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**1,656,388**	2,203,761	1,260,847	1,284,813	1,275,221
Profit/(Loss) before income tax	**95,315**	180,600	(320,030)	101,481	146,258
Income tax expense	**(28,173)**	(52,099)	(13,422)	(22,561)	(29,586)
Profit/(Loss) for the year from continuing operations	**67,142**	128,501	(333,452)	78,920	116,672
Profit for the year from a discontinuing operation	**–**	–	73,435	28,813	2,297
Profit/(Loss) for the year	**67,142**	128,501	(260,017)	107,733	118,969
Non-controlling interest	**2,205**	(6,057)	(2,023)	(3,492)	(7,971)
Profit/(Loss) attributable to owners of the Company	**69,347**	122,444	(262,040)	104,241	110,998
Assets and liabilities					
Total assets	**1,385,519**	1,357,023	936,117	3,922,842	3,519,401
Total liabilities	**(840,181)**	(891,378)	(606,972)	(3,343,062)	(2,970,541)
Total equity	**518,338**	465,645	329,145	579,780	548,860

Note:

(1) The results of the Group for each of the two years ended 31 December 2021 and 2020 and its assets and liabilities as at 31 December 2021 and 2020 are those set out on pages 66 to 69 of this report and are presented on the basis as set out in note 2 to the consolidated financial statements.