CCIAM Future Energy Limited
信 能 低 碳 有 限 公 司

(Stock Code: 145)

Annual Report
2021

CORPORATION INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Cheng Lut Tim
Mr. Chong Kok Leong
Mr. Zhuang Miaozhong

Independent Non-executive Directors

Mr. Choy Hiu Fai, Eric
Mr. Huang Lizhi
Mr. Lam Yau Fung, Curt

AUDIT COMMITTEE

Mr. Choy Hiu Fai, Eric *(Chairman)*
Mr. Huang Lizhi
Mr. Lam Yau Fung, Curt

NOMINATION COMMITTEE

Mr. Choy Hiu Fai, Eric *(Chairman)*
Mr. Huang Lizhi
Mr. Lam Yau Fung, Curt

REMUNERATION COMMITTEE

Mr. Choy Hiu Fai, Eric *(Chairman)*
Mr. Huang Lizhi
Mr. Lam Yau Fung, Curt

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

COMPANY SECRETARY

Ms. Kwok Pui Ha (appointed on 17 January 2022)
Mr. Mak Chun Wing (resigned on 16 January 2022)

PRINCIPAL BANKERS

China CITIC Bank International Limited
Industrial and Commercial Bank of China
Shanghai Pudong Development Bank
The Hongkong and Shanghai Banking Corporation Limited

LEGAL ADVISOR

WT Law Offices

SHARE REGISTRAR

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

REGISTERED OFFICE

Unit D, 7/F
Seabright Plaza
9-23 Shell Street
North Point
Hong Kong

STOCK CODE

145

WEBSITE

http://www.ccfe.com.hk

CONTENTS

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

CCIAM Future Energy Limited (the "**Company**"), together with its subsidiaries (collectively, the "**Group**"), are principally engaged in treasury investments, provision of loan financing and design and provision of energy saving solutions.

During the year ended 31 December 2021, based on the audited financial information, the Group recorded an audited revenue of approximately HK$7,583,000, representing a decrease of approximately 5% as compared with approximately HK$7,985,000 for the last year. A loss for the year attributable to the owners of the Company of approximately HK$65,923,000 (2020: loss of approximately HK$67,422,000) was recorded which was mainly attributable to: (i) net allowance for expected credit losses on trade and finance lease receivables of approximately HK$35,163,000 (2020: approximately HK$26,051,000); (ii) an impairment of intangible assets of approximately HK$21,678,000 (2020: approximately HK$20,315,000); and (iii) finance costs of approximately HK$4,076,000 (2020: approximately HK$3,620,000) which included the interest expense of approximately HK$4,040,000 (2020: approximately HK$3,593,000) on other borrowings raised for project financing of the Group.

Energy saving solutions business

The Company's subsidiary, Weldtech Technology Co. Limited and its subsidiary, Haoxin Technology (Shanghai) Company Limited (濠信節能科技(上海)有限公司) (collectively, the "**Weldtech Group**") is primarily engaged in design and provision of energy saving solutions business (the "**Energy Saving Business**").

With respect to the segment of design and provision of energy saving solutions, a segment loss of approximately HK$65,280,000 was recorded for the year ended 31 December 2021 (2020: loss of approximately HK$57,818,000). The segment loss was mainly attributable to: (i) net allowance for expected credit losses on trade and finance lease receivables of approximately HK$35,163,000 (2020: approximately HK$26,051,000); (ii) an impairment of intangible assets of approximately HK$21,678,000 (2020: approximately HK$20,315,000); and (iii) an amortisation of the intangible assets of approximately HK$2,467,000 (2020: approximately HK$4,540,000). The amortisation of intangible assets is calculated over the useful life of 7 patents for "Ultra Performance Plant Control System" (the "**UPPC System**") held under Weldtech Group. Before deducting the impairment loss on and amortisation of intangible assets, impairment loss on right-of-use assets, impairment loss on property, plant and equipment and the respective deferred tax movement, Weldtech Group has generated a segment loss of approximately HK$44,522,000 (2020: segment loss of approximately HK$36,434,000) to the Group.

Weldtech Group is engaged in the Energy Saving Business regarding heating, ventilation and air conditioning (the "**HVAC**") system, our customers are mainly commercial properties like hotels, office buildings, shopping malls and industrial plants.

Since the outbreak of novel coronavirus pandemic (the "**Pandemic**") in 2020, there was a significant shrink of business activities of our customers such as the decreased occupancy rate for hotels and decrease in production volume for factories. The Pandemic not only affected our business environment but also delayed the collection of receivables of the Group. The Group noted that there was delay in receivable collection from customers, especially for those customers located near the heavily affected areas and under significant impact of the Pandemic. The Group has taken necessary steps in response to the situation, including but not limited to negotiations with customers for on-time repayment or renewal of repayment schedules; issuance of payment reminders; and taking legal actions in due course. The Group has filed litigations to recover overdue receivables for certain customers. The Group will timely monitor the situation and implement appropriate measures to minimize losses. For the year ended 31 December 2021, the Company engaged an independent valuer to perform impairment assessment for potential credit losses on trade receivables and finance lease receivables. During the year ended 31 December 2021, net allowance for expected credit losses on trade receivables and finance lease receivables of approximately HK$35,163,000 (2020: approximately HK$26,051,000) was resulted.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

In 2021, the real estate developer crisis in China caused a significant impact to the energy saving businesses, especially for commercial properties. Due to the financial squeeze for developers in Chinese property sector, hit by government clampdowns on excessive debt, there were delays in construction projects as well as suspensions in new properties proposals.

Considering the less than expected cash inflow from receivables collection and possible impact on customers' repayment ability, Weldtech Group has become more conservative and slowed down in taking new orders in 2021, resulting in a decrease in revenue of approximately 5% when compared to 2020.

During the year ended 31 December 2021, there was an impairment of intangible assets of approximately HK$21,678,000 and amortisation of intangible assets of approximately HK$2,467,000, in respect of the patents held under Weldtech Group which equals to 100% of the carrying amount of the Group's intangible assets as at 31 December 2020. The Company engaged an independent professional valuer to assess the value in use of Weldtech Group as at 31 December 2021 and produced the valuation report, which was used to determine the fore-mentioned impairment amount, after taking into account (i) the economic development of the People's Republic of China (the "**PRC**"); (ii) the development of energy saving industry; and (iii) the expected business flow and development plan of the energy saving business during the valuation process. The decrease in valuation was mainly due to the following factors: (i) the slow-down in the PRC economy as a result of the Pandemic and the financial crisis faced by the PRC developers during the year that impacted the market negatively; (ii) decrease in revenue as compared with last year; (iii) a more conservative approach to forecasting future revenue in coming years; and (iv) the fierce competition within the energy saving business; and (v) continuous lowering of government subsidies. As above, an overall poor market sentiment in energy saving sector was resulted.

Loan financing and treasury investments businesses

With respect to the segment of loan financing and treasury investments businesses, the Company is in the process of locating opportunities in both the loan financing and treasury investments segments. However, there is no desirable opportunity raised and found fit to the Company. The Company will continue to explore the business opportunities in the market for the development of the Group's business.

TOTAL ASSETS AND TOTAL LIABILITIES

As at 31 December 2021, the total assets decreased to approximately HK$82,311,000 (2020: approximately HK$157,776,000). The decrease was mainly attributable to: (i) net allowance for expected credit losses on trade and finance lease receivables of approximately HK$35,163,000 (2020: approximately HK$26,051,000); (ii) an impairment of intangible assets of approximately HK$21,678,000 (2020: approximately HK$20,315,000); (iii) an amortisation of intangible assets of approximately HK$2,467,000 (2020: approximately HK$4,540,000).

As at 31 December 2021, the Group made full impairment on intangible assets (2020: carrying value of HK$24,145,000). The intangible assets represent 7 patents related to the UPPC System used by the Energy Saving Business.

As at 31 December 2021, the Group held finance lease receivables amounting to approximately HK$45,476,000 (2020: approximately HK$55,918,000).

As at 31 December 2021, total liabilities decreased to approximately HK$34,101,000 (2020: approximately HK$45,062,000). The total liabilities mainly represented the trade and other payables of approximately HK$9,386,000 (2020: approximately HK$17,079,000); and other borrowings of approximately HK$24,486,000 (2020: approximately HK$23,820,000).

FOREIGN EXCHANGE EXPOSURE

The Group conducts its business transactions mainly in the PRC and Hong Kong. The Group's assets were mainly denominated in Renminbi ("**RMB**") and Hong Kong Dollars ("**HK$**"). HK$ is the Group's presentation currency. During the year, the revenue, cost of operations and operating expenses of the Group are mainly denominated in RMB. Therefore, the Group is exposed to potential foreign exchange risk as a result of fluctuation of RMB against HK$. The Group has not entered into any significant foreign exchange contract. Management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the year ended 31 December 2021, the Group finances its operations mainly through internally generated cashflows, other borrowings and proceeds from right issues and placing of new shares in 2020. As at 31 December 2021, the Group has net current assets of approximately HK$7,493,000 (2020: approximately HK$50,686,000). As at 31 December 2021, the Group's cash and bank balances amounted to approximately HK$18,886,000 (2020: approximately HK$28,757,000).

The gearing ratio of the Group as at 31 December 2021, which is calculated as net debt (as calculated as other borrowings less cash bank balances) divided by total capital (as calculated by total equity plus net debts) was 10.4%. As at 31 December 2020, the Group has net cash of approximately HK$4,937,000, therefore, the gearing ratio is not applicable as at 31 December 2020.

As at 31 December 2021, the Group's other borrowings of approximately HK$24,486,000 (2020: approximately HK$23,820,000) were secured by the corporate guarantees granted by the Company.

The share capital of the Group only comprises of ordinary shares. As at 31 December 2021, the Company's number of issued ordinary shares was 523,330,908 ("**Share(s)**") (2020: 523,330,908 Shares).

CHARGE ON GROUP ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2021 and 31 December 2020, the Group did not have material contingent liabilities and charge on group assets.

CAPITAL COMMITMENT

As at 31 December 2021, the Group had capital commitments, which were contracted but not provided for, in respect of construction contract of approximately HK$5,807,000 (2020: approximately HK$3,365,000).

MATERIAL INVESTMENTS, ACQUISITION AND DISPOSALS

Save as disclosed elsewhere in this report, there were no material investments, acquisitions or disposals of subsidiaries during the year ended 31 December 2021.

STAFF AND REMUNERATION

The Group had 19 (2020: 20) employees as at 31 December 2021 and total staff costs during the year ended 31 December 2021 amounted to approximately HK$6,579,000 (2020: approximately HK$13,981,000). During the year ended 31 December 2020, there was an equity-settled share-based payment expense of approximately HK$2,900,000. The Group offers competitive remuneration packages to its employees.

FINANCIAL KEY PERFORMANCE INDICATORS

The Group's net asset value is a key indicator of the financial performance and it decreased to approximately HK$48,210,000 as at 31 December 2021 (2020: approximately HK$112,714,000). During the year ended 31 December 2020, the Group recorded a loss attributable to the owners of the Company of approximately HK$65,923,000 (2020: loss of approximately HK$67,422,000).

The net asset value per share was HK$0.092, which was calculated on the above net assets value and the Company's number of 523,330,908 issued ordinary shares as at 31 December 2021.

USE OF PROCEEDS

The placing of new shares under general mandate (the "2017 Placing")

In early 2017, a total of 384,416,000 new Shares have been successfully placed to a placee at the placing price of HK$0.36 per placing Share who and whose ultimate beneficial owners were third parties independent of and not connected with the Company and its connected persons (as defined under the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), immediately prior to the completion of the placing.

The gross proceeds from the placing were approximately HK$138,400,000 and the net proceeds after deducting all relevant expenses were approximately HK$133,900,000, which the Company intends to utilise for (i) general working capital of the Group, (ii) repayment of existing indebtedness, and/or (iii) possible investments in the future. The utilization of the net proceeds from the placing was summarised as follows:

	Original allocation of net proceeds HK$'000	Revised allocation after the changes as disclosed in the announcement dated 18 October 2017 HK$'000	Amount utilised up to 31 December 2021 HK$'000	Balance as at 31 December 2021 HK$'000
General working capital of the Group	48,920	96,085	(96,085)	–
Repayment of existing indebtedness	34,980	34,980	(34,980)	–
Possible investments	50,000	2,835	(835)	2,000
	133,900	133,900	(131,900)	2,000

For further details, please refer to the announcements of the Company dated 29 December 2016, 11 January 2017, 20 January 2017, 18 August 2017, 18 October 2017, 24 September 2019 and 29 September 2021.

Due to the negative impact caused by the Pandemic on the global economy, there is no desirable opportunity arised and found fit to the Company, this balance remained unutilised. It is expected that the remaining balance of the net proceeds are proposed to be used in accordance with the previous disclosure in respect of the 2017 Placing and will be utilised by the end of December 2023.

The placing of new shares under general mandate (the "2020 Placing") on 27 July 2020

On 13 July 2020, the Company entered into the placing agreement with the placing agent, pursuant to which the Company agreed to place through the placing agent, on a best-effort basis, up to 200,000,000 new Shares to not less than six independent placees at the placing price of HK$0.04 per placing Share.

On 27 July 2020, all the conditions set out in the placing agreement had been fulfilled and the completion of the placing took place on 27 July 2020. An aggregate of 200,000,000 new Shares had been successfully placed by the placing agent to not less than six placees at the placing price of HK$0.04 per placing Share pursuant to the terms and conditions of the placing agreement. The net proceeds from the placing were approximately HK$7,760,000, which the Company intended to apply the net proceeds (i) for general working capital of the Group and/or (ii) for possible investments in the future when opportunities arise. The utilisation of the net proceeds from the placing of new Shares was summarised as follows:

	Allocation of net proceeds HK$'000	**Amount utilised up to 31 December 2021 HK$'000**	**Balance as at 31 December 2021 HK$'000**
General working capital of the Group	**6,760**	**(6,760)**	**–**
Possible investments	**1,000**	**–**	**1,000**
	7,760	**(6,760)**	**1,000**

For further details, please refer to the announcements of the Company dated 13 July 2020, 27 July 2020 and 29 September 2021.

Due to the negative impact caused by the Pandemic on the global economy, it is expected that the remaining balance of the net proceeds are proposed to be used in accordance with the previous disclosure in respect of the 2020 Placing. It is expected that the balance of net proceeds of HK$1,000,000 as intended for possible investment will be utilised by the end of December 2023.

The rights issue on 12 December 2020 and raised HK$21 million (the "2020 Rights Issue")

On 16 October 2020, the Company entered into the underwriting agreement with the underwriter for the proposed rights issue of not less than 130,832,727 rights shares (the "**Rights Share(s)**") at the subscription price of HK$0.18 per Rights Share on the basis of one (1) Rights Share for every three (3) existing Shares in issue (the "**Rights Issue**"). The Rights Issue transaction had been completed on 14 December 2020, and an aggregate of 130,832,727 new shares had been allotted and issued by the Company.

The gross proceeds from the Rights Issue were approximately HK$23.5 million. The net proceeds from the Rights Issue, after deducting professional fees and all other relevant expenses, were approximately HK$21.0 million. The net proceeds from the Rights Issue were intended to be used for general working capital of the Group including (i) potential new projects as to approximately HK$12.6 million; and (ii) operating expenses as to approximately HK$8.4 million. The utilisation of the net proceeds from the Rights Issue was summarised as follows:

	Allocation of net proceeds HK$'000	Amount utilised up to 31 December 2021 HK$'000	Balance as at 31 December 2021 HK$'000
Potential new projects	**12,550**	**(8,791)**	**3,759**
Operating expenses	**8,400**	**(8,400)**	**–**
	20,950	**(17,191)**	**3,759**

Details of the Rights Issue were set out in the announcements of the Company dated 16 October 2020, 20 November 2020, 11 December 2020 and 29 September 2021 and the prospectus of the Company dated 20 November 2020.

Due to the negative impact caused by the Pandemic on the global economy, adverse impact of the Pandemic, it is expected that the remaining balance of the net proceeds are proposed to be used in accordance with the previous disclosure in respect of the 2020 Rights Issue. It is expected that the balance of net proceeds of HK$3.8 million as intended for potential new projects will be utilised by the end of December 2023.

OUTLOOK AND PROSPECT

Regarding the energy saving solutions business, the increasing awareness of the energy saving, social responsibility and also the determination to reduce carbon emission, the energy saving and environmental protection remain the key focus of the PRC government. Macro-economic factors also fluctuate the market.

Going forward, Weldtech Group will continue to target potential customers for buyout projects to improve cashflow of Weldtech Group with shorter turnover days and explore secondary sales from existing customers, enhancing the portfolio of the Company. Weldtech Group will continue to develop new reusable energy platforms as well as getting new orders in construction/engineering related projects in order to expand the Group's business. Our team has worked hard to secure contracts in order to keep the business momentum under the current environment affected by the Pandemic. Moreover, Weldtech Group aims to compete contracts which were signed and in negotiations in 2021.

On the other hand, following up on the outstanding receivables is one of the top priorities for the management in 2022. Also, Weldtech Group will remain cautious, especially in terms of project screening and evaluating the impact of the Pandemic as well as the financial squeeze on customers' business and financial position in order to secure the recoverability. Weldtech Group has implemented a more conservative credit policy on customers with the aim to match the cash inflow cycle from customers against the cash outflow cycle to suppliers. This could minimise the cashflow pressures of the Group in the current economic situation due to the Pandemic.

Market conditions remain challenging and dynamic in 2022. It remains uncertain on the Pandemic situation in the foreseeable future. As far as the Group's business is concerned, customer demand, budget for capital expenditure are expected to be affected. Although some cities in the PRC started to pick up the pace in terms of economic activities, it is expected that market sentiment takes relatively long time to fully reflect the impact, recover and resume back to normal. Also, the fluctuation of global oil prices since early 2020 might impact the Group's energy saving operation. The Group will take feasible and necessary measures to react against the economic downturn and will also actively seize investment opportunities prudently and thoroughly.

Management expects that fiscal year 2022 will still be full of challenges in view of the uncertainties in the global economy. The Group will continue to explore and capture business opportunities in the green sector, including HVAC energy saving projects, and also the related construction, clean energy procurement, sales and solutions. The Company is actively seeking and exploring other business opportunities in other sectors in China as well as outside China, if appropriate. For financing, the Group will continue to explore various funding sources including project financing, debt financing and/or equity fund raising to finance the development of the Group.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Cheng Lut Tim ("Mr. Cheng"), aged 66, was appointed as an executive director of the Company on 19 December 2020. Mr. Cheng obtained a bachelor's degree in international relations. He is the executive director of China Finance Fund. He was the assistant researcher, vice president of Bank of China Trust Company, vice president of Shenzhen Travel Service Co., Ltd., and a director of Shanghai Yongsheng Co. Ltd.

Mr. Chong Kok Leong ("Mr. Chong"), aged 58, was appointed as an executive director of the Company on 1 October 2015. Mr. Chong has also been appointed as a director of certain subsidiaries of the Company. Mr. Chong has over 32 years of senior management experience with multinational companies in the Asia Pacific Region, of which 18 years have been in China. The management expertise of Mr. Chong has been with sales & marketing and channel development at regional and country levels, with key responsibilities covering sales & marketing, business strategies and channel development. Prior to joining the Company, Mr. Chong has been the Managing Partner of a successful digital solution and media network company based in Shanghai. From June 2009 to April 2013, Mr. Chong was the Managing Director of PC-Ware (Beijing) Commercial Co., Ltd., where its parent company PC-Ware GmbH was the second largest software distribution and IT solution company in Europe. From February 2006 to April 2009, Mr. Chong worked as the General Manager (Software Division) and the Senior Business Development Director of China of Ingram Micro Asia Holdings Limited, a B2B technology company. From 1996 to 2006, Mr. Chong worked at Hewlett-Packard Asia Pacific, primarily responsible for its channel development in China and South & South East Asian markets. Mr. Chong graduated with a Bachelor's Degree in Engineering (Mechanical) from the National University of Singapore in 1988, obtained a Master's Degree in Business Administration from Monash University in Melbourne, Australia in 1993, and was admitted as member of the CPA Australia in 1995.

Mr. Zhuang Miaozhong ("Mr. Zhuang"), aged 53, was appointed as an executive director of the Company on 16 January 2017. Mr. Zhuang also has been appointed as a director of certain subsidiaries of the Company. He has over 15 years of work experience in petroleum industry, which includes working in state-owned enterprises in China, overseas corporations and large-scale enterprises. Mr. Zhuang has extensive knowledge and contacts within this field.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Choy Hiu Fai, Eric ("Mr. Choy"), aged 44, was appointed as an independent non-executive director of the Company on 8 July 2016. He was also appointed as the chairman of each of the nomination and remuneration committees of the Company, with effect from 1 November 2017 and the chairman of audit committee of the Company with effect from 1 September 2020. He has more than 18 years of experience working in accounting firms in Hong Kong, including one of the Big 4 CPA firms. Mr. Choy graduated from The University of Hong Kong with a degree in Business Administration in 2000. He is also a member of The Hong Kong Institute of Certified Public Accountants, The Taxation Institute of Hong Kong and American Institute of CPAs.

Mr. Choy is currently an independent non-executive director of Wing Fung Group Asia Limited (stock code: 8526), a company listed on GEM of the Stock Exchange.

Mr. Huang Lizhi ("Mr. Huang"), aged 70, was appointed as a non-executive director of the Company on 7 August 2014 and then re-designated as an independent non-executive director of the Company on 1 September 2017. Mr. Huang was also appointed as a member of each of the audit, nomination and remuneration committees of the Company. He was a consultant with CITIC International Assets Management Limited. Prior to joining CITIC International Assets Management Limited, Mr. Huang held various positions including Deputy Director in Supreme People's Procuratorate of the PRC for over 20 years. Mr. Huang has extensive experiences in the PRC, in particular, investment experience in environment friendly businesses.

Mr. Lam Yau Fung, Curt ("Mr. Lam"), aged 53, was appointed as an independent non-executive director, a member of each of the audit, nomination and remuneration committees of the Company on 19 October 2020. Mr. Lam is the General Manager of Wanda Hotel Development Company Limited (stock code: 00169) which is listed on the Main Board of the Stock Exchange, and a member of the Dalian Wanda Group. He has been appointed as an independent non-executive director of Asia Allied Infrastructure Holdings Limited (a company listed on Main Board of the Stock Exchange, stock code: 00711) since January 2017 and of OOH Holdings Limited (a company listed on GEM of the Stock Exchange, stock code: 08091) since August 2019. He was an executive director of Yuexiu Property Company Limited (stock code: 00123), a company listed on the Main Board of the Stock Exchange, and also the chief financial officer of the Yue Xiu Group. Mr. Lam was previously the head of Corporate Finance and Business Development at GOME Electrical Appliances Holding Limited (now known as GOME Retail Holdings Limited) (stock code: 00493) ("**GOME**"), one of China's largest electronics retailers, which is listed on the Main Board of the Stock Exchange. Prior to joining GOME, he spent about 10 years working in investment banking and capital markets at Schroders Asia, ABN AMRO Rothschild, and Deutsche Bank. Mr. Lam is a Chartered Financial Analyst (CFA) and holds a Master of Business Administration (MBA) degree from Rice University in the United States. He has extensive experience in corporate finance, financial and accounting fields.

DIRECTORS' REPORT

The directors of the Company (the "**Director(s)**") present this report together with the audited consolidated financial statements of the Group for the year ended 31 December 2021 (the "**Year**").

PRINCIPAL ACTIVITIES

The Group is principally engaged in treasury investments, provision of loan financing and design and provision of energy saving solutions. The principal activities and other particulars of the Company's subsidiaries are set out in note 30 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's revenue and results by principal activities for the Year is set out in note 7 to the consolidated financial statements.

BUSINESS REVIEW AND COMMENTARY

Financial Results

The financial results and business review of the Group for the Year is set out in this annual report on the section of "Management Discussion and Analysis" from pages 3 to 9.

Principal Risks and Uncertainties

The Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The following are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and department levels. The Group recognises that operational risks cannot be eliminated completely and that it may not always be cost-effective to do so.

Key functions in the Group are guided by their standard operating procedures, limits of authority and reporting framework. Functions such as, but not limited to, Internal Audit and Internal Control have the responsibility for providing assurance on the internal control framework. Key operational risk exposures are communicated to senior management as early as possible so that appropriate risk response can be taken.

BUSINESS REVIEW AND COMMENTARY (continued)

Market Risks

PRC government policy

The energy saving industry is identified as one of the key industries and is backed by the PRC government, the PRC government will continue to commit to reduce per unit of GDP in carbon dioxide emissions and aim to cut energy intensity. While the PRC government remains supportive in the area of energy saving and environment protection, there is no assurance that the PRC government will continue to pursue favorable policies towards the energy saving industry, or its favorable policies will not change in the future in a manner adverse to our business. In view of the Weldtech Group's reliance on government support and incentives for its business, any revision, change or abolition of the PRC government's policies towards the energy saving industry could have an adverse effect on the business, financial condition and results of operations of the Group.

PRC economic downturn

Weldtech Group generates its revenue mainly from the sale of its products to commercial and industrial buildings in the PRC. Demand for Weldtech Group's products depends on capital expenditure of commercial and industrial buildings on energy savings and the existence of service requirements. Any period of economic downturn in the PRC would reduce market demand for energy management systems, and a prolonged decline in market demand would have an adverse effect on the business, financial condition and results of operations of the Group.

Market competition

Weldtech Group faces competition against other energy saving service providers. Therefore, there is no assurance that the Weldtech Group will be able to compete successfully against its current and future competitors.

Financial Risk

In the course of its business activities, the Group is exposed to a variety of financial risks, including market, liquidity and credit risks. The currency environment, interest rate cycles and mark to market value of investment securities may pose significant risks to the Group's financial condition, results of operations and businesses. The financial risk management objectives and policies of the Group can be found in note 5 to the consolidated financial statements.

Relationship with Employees, Customers and Suppliers

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet it business goals. During the Year, there were no significant dispute between the Group and its employees, customers and suppliers.

Environmental Policy and Performance

The Group has strong commitment towards environmental protection. It is the Group's policy to encourage and promote awareness towards environmental protection to our employees. It has implemented green office practices such as double-sided printing and copying, promoting the use of recycled paper and reducing energy consumption by switching off idle lightings and electrical appliance in the Group's offices.

The management will review the Group's environmental practices from time to time and will consider implementing further ecology friendly measures and practices in the operation to enhance environmental protection and sustainability.

BUSINESS REVIEW AND COMMENTARY (continued)

Compliance with Laws and Regulations

During the Year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including a discussion of an indication of the likely future developments in the Group's business, the Group's environmental policy and performance, can be found in the "Management Discussion and Analysis", "Corporate Governance Report", "Environmental, Social and Governance Report" and "Summary of Financial Information" sections of this annual report. The above sections form part of this Directors' Report.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 63.

The Directors do not recommend the payment of a final dividend for the Year (2020: Nil). No interim dividend was declared for the Year.

DONATIONS

The Group did not make any charitable donations during the Year (2020: Nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 142.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the Year are set out in note 18 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company had no reserves available for distribution, calculated in accordance with the provisions of Part 16 of the Companies Ordinance (2020: Nil).

DIVIDEND POLICY

The Company has adopted a dividend policy that aims to enhance the shareholders' value. The following parameters/factors shall be considered by the board of Directors (the "**Board**") for declaration of dividend:

– Circumstances under which the shareholders of the Company (the "**Shareholders**") may or may not expect dividend;

– Financial parameters/factors that shall be considered for declaration of dividend;

– Internal and external factors that shall be considered for declaration of dividend;

– Utilization of retained earnings; and

– Multiple classes of Shares.

The payment of dividend is also subject to any restrictions under the applicable laws, the Company's articles of associations (the "**Articles of Associations**").

The policy shall be reviewed periodically and submitted to the Board for approval if amendments are required.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 28 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and of the Company during the Year are set out in the Consolidated Statement of Changes in Equity on page 66 and note 29 to the consolidated financial statements, respectively.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 30 to the consolidated financial statements.

DIRECTORS

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

Executive Directors:

Mr. Cheng Lut Tim
Mr. Chong Kok Leong
Mr. Zhuang Miaozhong

Independent Non-executive Directors:

Mr. Choy Hiu Fai, Eric
Mr. Huang Lizhi
Mr. Lam Yau Fung, Curt

In accordance with Article 120 of the Articles of Association, Mr. Zhuang Miaozhong and Mr. Huang Lizhi will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company (the "**AGM**").

None of the Directors proposed for re-election at the forthcoming AGM has an unexpired service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

SERVICE CONTRACT OF DIRECTORS

Each of Mr. Cheng Lut Tim, Mr. Chong Kok Leong and Mr. Zhuang Miaozhong has entered into a service contract/letter of appointment with the Company for a term of one year.

Each of Mr. Choy Hiu Fai, Eric, Mr. Huang Lizhi and Mr. Lam Yau Fung, Curt has entered into a letter of appointment with the Company for a term of one year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATION

As at 31 December 2021, the interests or short positions of the Directors and chief executives in the shares, underlying shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or were required to be recorded in the register of interests required to be kept under Section 352 of the SFO or were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") were as follows:

(i) Long positions in ordinary shares of the Company

Name of Director	Capacity	Number of Shares held	Approximate percentage of number of Shares in issue (2)
Mr. Cheng Lut Tim	Interest of controlled corporation	38,000,000(1)	7.26%
Mr. Lam Yau Fung, Curt	Interest of controlled corporation	2,432,000	0.46%

Notes:

(1) The Shares are held by Excellent Winning Investment Limited, Mr. Cheng Lut Tim is interested in Excellent Winning Investment Limited. Mr. Cheng is therefore deemed to be interested in 38,000,000 Shares held by Excellent Winning Investment Limited under the SFO.

(2) As at 31 December 2021, the Company's number of issued Share was 523,330,908.

(ii) Long positions in share options of the Company

Name of Director	Number of share options beneficially owned
Mr. Chong Kok Leong	1,274,789
Mr. Zhuang Miaozhong	509,911
Mr. Choy Hiu Fai, Eric	50,997
Mr. Huang Lizhi	50,997

* Details of the Share Option Scheme are set out in the section headed "Share Option Scheme" of the Directors' Report.

Save as disclosed above, as at 31 December 2021, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register of interests required to be kept under Section 352 of the SFO or were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The Company operates a share option scheme adopted by the Shareholders on 25 May 2018 (the "**Share Option Scheme**") which shall be valid and effective for a period of ten years from the date of adoption. Accordingly, the Share Option Scheme will be expired on 25 May 2028.

The purpose of the Share Option Scheme is to enable the Company to grant options to selected eligible participants as incentives or rewards for their contribution to the Group and/or to enable the Group to recruit and retain high calibre employees and attract human resources that are valuable to the Group and any invested entity. Eligible participants include any employee (whether full time or part time), any executive Director and any non-executive Director (including independent non-executive Director), or any of its subsidiaries or invested entity in which any member of the Group holds any equity interest, any shareholder of any member of the Group or any invested entity or any holder of any securities issued or proposed to be issued by any member of the Group or any invested entity and any other person (such as consultant, adviser, business partner or service provider of any member of the Group) whom the Board considers, in its sole discretion, has contributed or will contribute to the Group.

Under the Share Option Scheme, where any further grant of options to an eligible participant, if exercised in full, would result in the total number of shares already issued or to be issued upon exercise of all options granted and to be granted to such eligible participant (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such further grant exceeding 1% of the total number of shares in issue (the "**Individual Limit**"), such further grant must be separately approved by the Shareholders in general meeting. Save for the foregoing, no eligible participant shall be granted an option if exercised in full, would exceed the Individual Limit. In addition, where any grant of options to a substantial shareholder or an independent non-executive Director, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of the relevant class of shares in issue; and (b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5,000,000, such further grant of options must be approved by the Shareholders.

A consideration of HK$1 is payable on acceptance of the grant of an option. An option may be accepted by a participant within 7 days from the date of the offer of grant of the option. An option may be exercised in whole or in part by the grantee within the option period as determined and notified by the Board to the grantee. The Share Option Scheme does not specify a minimum period for which an option must be held before an option can be exercised. However, the provisions of the Share Option Scheme provide that the Board may impose, at its sole discretion, conditions on the grant of an option.

SHARE OPTION SCHEME (continued)

The subscription price for the shares under the Share Option Scheme will be a price determined by the Board in its absolute discretion but shall not be lower than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of grant.

Notwithstanding the foregoing, the maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the issued shares of the Company from time to time.

The maximum number of Shares which may be allotted and issued upon the exercise of all share options shall not in aggregate exceed 10% of the Shares in issue as at the date of approval of the refreshed limit by the Shareholders (the "**Scheme Mandate Limit**"), and the existing Scheme Mandate Limit was refreshed and approved by the Shareholders in the AGM on 15 June 2020.

On 19 June 2020, a total of 116,203,500 options had been granted at an exercise price of HK$0.066 per Share under the Scheme Mandate Limit.

In respect to the share options granted on 19 June 2020, the closing price of the shares immediately before the date of grant was on which the options were granted was HK$0.055 per share. The estimated fair value of the share options granted was measured based on Binomial Option Pricing Model, further details of which were given in note 33 to the financial statements of the 2020 Annual Report. The aggregate value of share options granted to each class of grantees was approximately HK$2,900,000, comprising HK$518,000 to Directors and HK$2,382,000 to employees. During the year ended 31 December 2020, the group recognised equity-settled share-based payment of approximately HK$2,900,000 in relation to the share options granted by the Company. The details of the estimated fair value of the share options granted is set out below:

Grantees	Position	Number of share option granted	Estimated fair value of share option granted HK$
Chong Kok Leong	Executive Director	12,678,600	340,000
Zhuang Miaozhong	Executive Director	5,071,400	136,000
Choy Hiu Fai, Eric	Independent Non-executive Director	507,200	14,000
Huang Lizhi	Independent Non-executive Director	507,200	14,000
Ng Kay Kwok	Independent Non-executive Director	507,200	14,000
Employees		96,931,900	2,382,000
Total		**116,203,500**	**2,900,000**

SHARE OPTION SCHEME (continued)

The exercise prices and the total number of share options were adjusted subsequently as follows:

The Company had completed Share Consolidation on 26 August 2020. Adjustments were made to the exercise prices and the number of Consolidated Shares falling to be issued in respect of the outstanding Share Options in accordance with the terms and conditions of the Share Option Scheme, Rule 17.03(13) of the Listing Rules and the supplementary guidance dated 5 September 2005 issued by the Stock Exchange. As a result of the Share Consolidation, the exercise price of share options outstanding was adjusted to HK$0.66 per Consolidated Share and the total number of share options outstanding was adjusted to 11,620,350 Consolidated Shares.

The Company had also completed Rights Issue on 14 December 2020. Adjustments were made to the exercise prices and the number of Shares falling to be issued in respect of the outstanding Share Options in accordance with the terms and conditions of the Share Option Scheme, Rule 17.03(13) of the Listing Rules and the supplementary guidance dated 5 September 2005 issued by the Stock Exchange. As a result of the completion of Rights Issue, the exercise price of share options outstanding was adjusted to HK$0.656 per Share and the total number of share options outstanding was adjusted to 11,683,849 Shares with effect from 14 December 2020.

As at the date of this report, the total number of Shares which may fall to be allotted and issued pursuant to the exercise of share options that may be granted under the refreshed Scheme Mandate Limit together with all outstanding share options granted and yet to be exercised, being a total of 58,683,232 Shares, representing 11.21% of the issued share capital of the Company, do not exceed the 30% limit.

SHARE OPTION SCHEME (continued)

Details of the share options movements during the Year under the Share Option Scheme are as follows:

		Number of share options							
Name of category	Date of grant of share options	Outstanding as at 01.01.2021	Granted during the Year	Exercised during the Year	Lapsed during the Year	Cancelled during the Year	Outstanding as at 31.12.2021	Validity period of share options	Exercise price (Note 1) (Note 2)
Directors									
Mr. Chong Kok Leong	19.06.2020	1,274,789	–	–	–	–	1,274,789	01.01.2021 to 31.12.2025	HK$0.656
Mr. Zhuang Miaozhong	19.06.2020	509,911	–	–	–	–	509,911	01.01.2021 to 31.12.2025	HK$0.656
Mr. Choy Hiu Fai, Eric	19.06.2020	50,997	–	–	–	–	50,997	01.01.2021 to 31.12.2025	HK$0.656
Mr. Huang Lizhi	19.06.2020	50,997	–	–	–	–	50,997	01.01.2021 to 31.12.2025	HK$0.656
Subtotal		1,886,694	–	–	–	–	1,886,694		
Employees	19.06.2020	9,236,247	–	–	2,983,002	–	6,253,245	01.01.2021 to 31.12.2025	HK$0.656
Total		11,122,941	–	–	2,983,002	–	8,139,939		

Notes:

(1) Reference is made to the Company's announcement dated 24 August 2020. On 26 August 2020, the exercise price and number of share options had been adjusted from HK$0.066 to HK$0.66, and from 116,203,500 shares to 11,620,350 shares, respectively, as a result of the Share Consolidation. Details are set out in note 33.

(2) Reference is made to the Company's announcement dated 11 December 2020. On 14 December 2020, the exercise price and number of share options had been adjusted from HK$0.66 to HK$0.656, and from 11,620,350 shares to 11,683,849 shares, respectively, as a result of the completion of Rights Issue. Details are set out in note 33.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the sections headed "SHARE OPTION SCHEME" and "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATION" above, at no time during the Year did there subsist any arrangements to which the Company or the Company's subsidiary or holding company or a subsidiary of the Company's holding company is a party, being arrangements whose objects are, or one of whose objects is, to enable Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS OF SUBSIDIARIES

During the Year and up to the date of this report, Mr. Chong Kok Leong and Mr. Zhuang Miaozhong are directors of certain subsidiaries of the Company.

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

As at 31 December 2021, to the best knowledge of the Directors, interests or short positions of the persons, other than a Director or chief executive of the Company, in the shares and/or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	**Capacity**	**Number of Shares**	**Approximate percentage of number of Shares in issue** (Note 1)
CITIC Group Corporation (Note 2)	Interest of controlled corporation	106,447,008 (L)	20.34%
CITIC Limited (Note 2)	Interest of controlled corporation	106,447,008 (L)	20.34%
China CITIC Bank Corporation Limited (Note 2)	Interest of controlled corporation	106,447,008 (L)	20.34%
CITIC International Financial Holdings Limited (Note 2)	Interest of controlled corporation	106,447,008 (L)	20.34%
CITIC International Assets Management Limited (Note 2)	Beneficial owner	106,447,008 (L)	20.34%
Hong Kong Mengzai Material Co., Limited	Beneficial owner	38,441,600 (L)	7.35%
Cheng Lut Tim (Note 3)	Interest of controlled corporation	38,000,000 (L)	7.26%
Excellent Winning Investment Limited (Note 3)	Beneficial owner	38,000,000 (L)	7.26%
Liu Chee Ming (Note 4)	Interest of controlled corporation	34,040,557 (L)	6.50%
Keltyhill Incorporated (Note 4)	Interest of controlled corporation	34,040,557 (L)	6.50%
Platinum Holdings Company Limited ("**Platinum**") (Note 4)	Interest of controlled corporation	34,040,557 (L)	6.50%
Timly Way Limited (Note 4)	Beneficial owner	34,040,557 (L)	6.50%
Leung King Yuen	Beneficial owner	32,000,000 (L)	6.11%
Liu Quanhui (Note 5)	Interest of controlled corporation	28,039,877 (L)	5.36%
Niu Fang (Note 5)	Interest of controlled corporation	28,039,877 (L)	5.36%
State Energy HK Limited ("**State Energy**") (Note 5)	Beneficial owner	28,039,877 (L)	5.36%

(L) denotes the long position held in the Shares

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (continued)

Notes:

(1) As at 31 December 2021, the Company's number of issued Share was 523,330,908.

(2) CITIC International Assets Management Limited is owned as to 46% by CITIC International Financial Holdings Limited, a wholly-owned subsidiary of China CITIC Bank Corporation Limited, which is over 60% indirectly owned by CITIC Limited, which is indirectly owned as to 58.13% by CITIC Group Corporation. By virtue of the SFO, each of CITIC International Financial Holdings Limited, China CITIC Bank Corporation Limited, CITIC Limited and CITIC Group Corporation is deemed to be interested in the shares held by CITIC International Assets Management Limited.

(3) Mr. Cheng Lut Tim is interested in Excellent Winning Investment Limited. By virtue of the SFO, Mr. Cheng Lut Tim is deemed to be interested in the shares held by Excellent Winning Investment Limited.

(4) Timly Way Limited is a wholly-owned subsidiary of Platinum, which is owned as to 36.05% by Keltyhill Incorporated, which is owned by Mr. Liu Chee Ming. By virtue of the SFO, each of Mr. Liu Chee Ming, Keltyhill Incorporated and Platinum is deemed to be interested in the shares held by Timly Way Limited.

(5) Mr. Liu Quanhui and Ms. Niu Fang are interested in State Energy. By virtue of the SFO, Mr. Liu Quanhui and Ms. Niu Fang are deemed to be interested in the shares held by State Energy.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Year, none of the Directors was considered to have interests in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed elsewhere, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director of the Company or his or her core connected persons had a material interest, whether directly or indirectly, subsisted during or at the end of the Year.

MATERIAL RELATED PARTY TRANSACTIONS

Details of the material related party transactions undertaken during the Year are provided under note 34 to the consolidated financial statements. These related party transactions did not fall under the definition of connected transaction or continuing connected transaction as defined in the Listing Rules.

EQUITY-LINKED ARRANGEMENTS

Except for share options granted issued as more particularly disclosed in note 33 to the consolidated financial statements of the Company, the Company had no other equity-linked arrangements during the Year and subsisted as at 31 December 2021.

MANAGEMENT CONTRACTS

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Group was entered into or existed during the Year.

EMOLUMENT POLICY

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in notes 13 and 14 to the consolidated financial statements, respectively.

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of the employees' merit, qualifications and competence.

The Directors' emoluments are recommended by the Remuneration Committee and approved by the Board, having regard to the Company's operating results, individual performance and comparable market statistics.

Details of the emolument of the senior management of the Company by band is set in note 14 to the consolidated financial statements of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the Group's revenue attributed to the five largest customers accounted for approximately 96.9% of the Group's total revenue while the Group's revenue attributed to the largest customer accounted for approximately 59.8% of the Group's total revenue. To the best knowledge of the Directors, none of the Directors, their respective close associates; or any shareholder of the Company (which to the knowledge of the Directors own more than 5% of the Company's issued shares) has interests in these customers.

The Group had no major suppliers due to the nature of its principal activities.

RETIREMENT BENEFIT SCHEME

Details of the retirement benefit scheme of the Group and the employer's retirement benefit costs charged to the profit or loss for the Year are set out in note 32 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed sufficient public float during the Year and up to the date of this report.

INDEMNITY OF DIRECTORS

A permitted indemnity provision that provides for indemnity against liability incurred by Directors is currently in force and was in force throughout the Year.

AUDITORS

HLB Hodgson Impey Cheng Limited ("**HLB**") retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming AGM. There has been no change in the Company's auditors in the preceding three years.

For and on behalf of the Board

Chong Kok Leong
Executive Director

Hong Kong, 25 March 2022

CORPORATE GOVERNANCE REPORT

The Company is committed to maintain a high standard of corporate governance within a sensible framework with an emphasis on the principles of transparency, accountability and independence. The Board believes that good corporate governance is essential to the success of the Company and to the enhancement of Shareholders' value.

CORPORATE GOVERNANCE CODE

Throughout the Year, the Company applied the principles of and complied with the code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules of the Stock Exchange save for the following deviations:

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive ("**CE**") should be separate and should not be performed by the same individual. The Company did not appoint any chairman or CE during the Year, reason being the functions of the chairman and CE are performed by the three executive Directors collectively. The Board will review the current practice from time to time and make appropriate changes if considered necessary. For details, please refer to the section headed "Chairman and Chief Executive Officer".

Under code provision A.2.7 of the CG Code, the chairman of the board should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. As the Company does not have a chairman, no such meeting was held in the Year.

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Some Directors were absent from the last annual general meeting of the Company held on 4 June 2021 due to their other important engagements at the relevant time.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "**Model Code**") as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the Year.

CONSTITUTIONAL DOCUMENTS

During the Year, there had been no significant change in the Company's constitutional documents.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company has not appointed chairman and chief executive officer, and the roles and functions of those have been performed by three executive Directors collectively, including but not limited to: properly briefing on issues arising at board meeting by the chairman of the meeting; ensuring good corporate governance practices and procedures are established; encouraging other Directors to make a full and active contribution to the Board's affairs and ensuring that it acts in the best interests of the Group; encouraging every Director with different views to voice their concerns; allowing sufficient time for discussion of issues and ensuring that Board decision fairly reflect Board consensus; providing effective communication with shareholders and that their views are communicated to the Board as a whole; promoting a culture of openness and debate by facilitating the effective contribution of non-executive Directors in particular; ensuring constructive relations between executive Directors and non-executive Directors; and managing the day-to-day business of the Company. The Board believes that the Directors have their unique expertise and functions well within the Company.

The company secretary of the Company (the "**Company Secretary**") assists the Board in setting out and finalizing the agenda, after taking into account any matters proposed by any other Directors and ensure adequate information being received by the Directors in a timely manner in advance of the intended meeting date and ensuring good corporate governance practices and procedures are in place.

The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by current Board which comprises experience and high caliber individuals with sufficient number thereof being independent non-executive Directors.

BOARD OF DIRECTORS

The Board currently comprises six Directors, with three executive Directors and three independent non-executive Directors. The composition of the Board is as follows:

Executive Directors:	Mr. Cheng Lut Tim Mr. Chong Kok Leong Mr. Zhuang Miaozhong
Independent Non-executive Directors:	Mr. Choy Hiu Fai, Eric Mr. Huang Lizhi Mr. Lam Yau Fung, Curt

The brief biographical details of the Directors are set out in the "BIOGRAPHICAL DETAILS OF DIRECTORS" section from pages 10 to 11. Save as disclosed in this annual report, none of the Directors has any other financial, business, family or other material or relevant relationships among members of the Board.

The independent non-executive Directors, with sound professional expertise and experience, have actively participated in the Board and committee meetings and brought independent judgment on issues relating to the Group's strategy, performance and management process. They have also taken up various roles in the Board committees.

BOARD OF DIRECTORS (continued)

As at the date of this report, the Company has three independent non-executive Directors representing not less than one-third of the Board with at least one of the independent non-executive Directors has the appropriate professional qualifications or related financial management expertise under Rule 3.10(2) of the Listing Rules. The Board has received from each independent non-executive Director an annual confirmation of his independence and considers that all the independent non-executive Directors are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

The independent non-executive Directors have been expressly identified as such in all corporate communications and the website of the Company that disclose the names of Directors. The independent non-executive Directors were appointed for a fixed term, subject to retirement by rotation and re-election requirements under the Articles of Association.

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group in addition to the meetings for reviewing and approving the Group's annual and interim results.

During the Year, the Board passed several written resolutions and held six Board meetings, one AGM and one extraordinary general meeting of the Company. Details of the attendance of the Directors are as follows:

	Attendance of		
	Board meetings	**Annual general meeting**	**Extraordinary general meeting**
Executive Directors:			
Mr. Cheng Lut Tim	6/6	0/1	0/1
Mr. Chong Kok Leong	6/6	1/1	1/1
Mr. Zhuang Miaozhong	6/6	0/1	0/1
Independent Non-executive Directors:			
Mr. Choy Hiu Fai, Eric	6/6	1/1	1/1
Mr. Huang Lizhi	6/6	0/1	0/1
Mr. Lam Yau Fung, Curt	6/6	1/1	1/1

The Board has reserved for its decision or consideration matters covering mainly the Group's overall strategy, annual operating budget, financial performance, recommendations on Directors' appointment or re-appointment, material contracts and transactions as well as other significant policy and financial matters.

The day-to-day management, administration and operation of the Company are delegated to the executive Directors of the Company. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the executive Directors.

BOARD OF DIRECTORS (continued)

Each year, Board meetings, which are scheduled in advance to facilitate maximum attendance of Directors, are held as required by business needs. At least 14 days' notice of a Board meeting is given to all Directors for the regular meetings who are given an opportunity to include matters for discussion in the agenda. Reasonable notices have been given to all Directors generally prior to meetings, except in cases of emergency. The agenda and the accompanying Board papers are normally sent to all Directors at least 3 days before the intended date of a regular Board meeting. All minutes are kept by the Company and are open for inspection at any reasonable time on reasonable notice by any Director.

According to the current Board practice, any transaction which involves a conflict of interests with a substantial shareholder or a Director and is considered by the Board to be material will be dealt with by the Board at a duly convened Board meeting. The Articles of Association also stipulate that a Director should abstain from voting and not be counted in the quorum at meetings for approving transactions in which such Director or any of his associates have a material interest therein. In addition, he has to declare his interests therein in accordance with the Articles of Association.

Every Director is entitled to have access to board papers and related materials and has access to the advice and services of the Company Secretary. The Board and each Director also have separate and independent access to the Company's senior management. Directors will be updated continuously on the major development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices.

INDEPENDENT NON-EXECUTIVE DIRECTOR/NON-EXECUTIVE DIRECTOR

All independent non-executive Directors and non-executive Directors were appointed for a specific term with effect from their respective appointment dates. All of them are subject to the relevant provisions in the Articles of Association or any other applicable laws whereby the Directors shall vacate or retire from their office.

According to the Articles of Association, at each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) should retire from office by rotation. Further, any Directors appointed to fill a casual vacancy should hold office only until the next following general meeting of the Company whilst for those appointed as an addition to the Board should hold office until the next following AGM and, in both cases, those Directors would then be eligible for re-election at the relevant meeting. Every Director shall be subject to retirement by rotation at least once every three years.

BOARD COMMITTEES

The Board has established three committees; namely, the nomination committee (the "**Nomination Committee**"), the remuneration committee (the "**Remuneration Committee**") and the audit committee of the Company (the "**Audit Committee**"). Each of them has its specific written terms of reference or guidelines. Copies of minutes of all meetings and resolutions of the committees, which are duly kept by the Company, are circulated to all committee members. The committees are required to report back to the Board on their decisions and recommendations where appropriate. The procedures and arrangements for a Board meeting, as mentioned on pages 27 to 29 in the section "BOARD OF DIRECTORS" above, have been adopted for the committee meetings as far as practicable.

BOARD COMMITTEES (continued)

Nomination Committee

The Nomination Committee has been established since June 2005. As at the date of this report, the Nomination Committee comprises three independent non-executive Directors namely, Messrs. Choy Hiu Fai, Eric (chairman of the Nomination Committee), Huang Lizhi and Lam Yau Fung, Curt.

The major roles and functions of the Nomination Committee are:

(a) to review the structure, size, composition and diversity (including but not limited to skills, knowledge, gender, age, cultural and educational background or professional experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify suitably qualified individuals to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships on merits and against objective criteria, with due regard on the benefits of diversity on the Board;

(c) to assess the independence of independent non-executive Directors;

(d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman of the Board and the chief executive of the Company, taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future;

(e) to review the Board Diversity Policy and the Nomination Policy, as appropriate, and review the measurable objectives that the Board has set for implementing the Board Diversity Policy and the Nomination Policy and the progress on achieving the objectives, and make disclosure of its review results in the Corporate Governance Report annually;

(f) to perform its duties with sufficient resources made available to it and seek independent professional advice, at the Company's expense, to perform its responsibilities when necessary;

(g) to do any such things to enable the Committee to perform its powers and functions conferred on it by the Board; and

(h) to conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by legislation.

The terms of reference of the Nomination Committee were adopted in June 2005 and lately, revised on 31 December 2018 and have been posted on the Stock Exchange's website and the Company's website.

BOARD COMMITTEES (continued)

Nomination Committee (continued)

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board. Accordingly, selection of candidates to the Board is based on a range of measurable objectives, including but not limited to gender, age, cultural and educational background, professional experience and qualifications, skills, knowledge and length of service, having due regard to the Company's own business model and specific needs from time to time. With the existing Board members coming from a variety of business and professional background, the Company considers that the Board possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the Company's business.

During the Year, the Nomination Committee held four meetings to make recommendations to the Board on the re-appointment of Directors, the review of the existing structure, size, composition and diversity of the Board, the re-election of retiring Directors and independence of independent non-executive Directors.

The attendance of each Nomination Committee member is set out as follows:

Nomination Committee members	Number of Nomination Committee meetings attended/ eligible to attend
Mr. Choy Hiu Fai, Eric *(Chairman)*	4/4
Mr. Huang Lizhi	4/4
Mr. Lam Yau Fung, Curt	4/4

Nomination Policy

The nomination policy of the Group (the "**Nomination Policy**") is in place and was adopted in writing in the Year taking into consideration the revised Listing Rules effective from 1 January 2019. The Nomination Policy sets out the procedures, process and criteria for identifying and recommending candidates for election to the Board.

BOARD COMMITTEES (continued)

Remuneration Committee

The Remuneration Committee has been established since June 2005. As at the date of this report, the Remuneration Committee comprises three independent non-executive Directors namely, Messrs. Choy Hiu Fai, Eric (chairman of the Remuneration Committee), Huang Lizhi and Lam Yau Fung, Curt. The Remuneration Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice in accordance with the Company's policy if considered necessary.

The major roles and functions of the Remuneration Committee are:

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

(ii) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(iii) to make recommendations to the Board on the remuneration of non-executive Directors;

(iv) to consider salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Group;

(v) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(vi) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

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

(viii) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; and

(ix) to ensure that the Company shall disclose details of any remuneration payable to the senior management in the annual reports.

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

The terms of reference of the Remuneration Committee were adopted in June 2005 and lately, revised on 28 March 2013 and have been posted on the Stock Exchange's website and the Company's website.

The Remuneration Committee shall meet at least once a year. During the Year, the Remuneration Committee held four meetings to review the remuneration packages of the Board, the re-appointment of executive Directors and independent non-executive Directors and review the existing remuneration packages of the Board.

The attendance of each Remuneration Committee member is set out as follows:

Remuneration Committee members	Number of Remuneration Committee meetings attended/ eligible to attend
Mr. Choy Hiu Fai, Eric *(Chairman)*	4/4
Mr. Huang Lizhi	4/4
Mr. Lam Yau Fung, Curt	4/4

The remuneration payable to Directors will depend on their respective contractual terms under their service contracts as approved by the Board on the recommendation of the Remuneration Committee. Details of the Directors' remuneration are set out in note 13 to the consolidated financial statements.

BOARD COMMITTEES (continued)

Audit Committee

As at the date of this report, the Audit Committee comprises three independent non-executive Directors, namely, Messrs. Choy Hiu Fai, Eric (chairman of the Audit Committee), Huang Lizhi and Lam Yau Fung, Curt. The Audit Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice according to the Company's policy if considered necessary.

During the Year, the Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2020 and the interim financial report for the six months ended 30 June 2021, including the accounting principles and practice adopted by the Group.

The audited final results for the Year has been reviewed by the Audit Committee. The major roles and functions of the Audit Committee are:

(i) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of its resignation or dismissal;

(ii) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences;

(iii) to develop and implement policy on engaging an external auditors to supply non-audit services. For this purpose, "external auditors" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

(iv) to monitor integrity of financial statements of the Company and its annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them;

(v) to review the Company's financial reporting systems, risk management and internal control systems;

BOARD COMMITTEES (continued)

Audit Committee (continued)

(vi) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have an effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

(vii) to consider 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;

(viii) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, 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;

(ix) to review the Group's financial and accounting policies and practices;

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

(xi) to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;

(xii) to report to the Board on the matters set out in the CG Code; and

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

The terms of reference of Audit Committee were adopted in January 2009 and lately, revised on 31 December 2018 and have been posted on the Stock Exchange's website and the Company's website.

The Audit Committee shall meet at least twice a year. During the Year, the Audit Committee held three meetings.

BOARD COMMITTEES (continued)

Audit Committee (continued)

During the Year, the Audit Committee had performed the work as summarised below:

(i) recommended to the Board for the re-appointment of the Group's auditors for the Year;

(ii) reviewed the letter of representation and the financial statements for the year ended 31 December 2020 and recommended the same to the Board for approval;

(iii) reviewed the financial statements for the six months ended 30 June 2021 and recommended the same to the Board for approval;

(iv) discussed the effectiveness of the internal control and risk management systems throughout the Group, including financial, operational and compliance controls;

(v) discussed the engagement of professional party for the environmental, social and governance reporting of the Group; and

(vi) met with the auditors of the Company regarding the pre-audit matters for preparation of the audited financial statements for the Year.

The attendance of each Audit Committee member is set out as follows:

Audit Committee members	**Number of Audit Committee meetings attended/ eligible to attend**
Mr. Choy Hiu Fai, Eric *(Chairman)*	3/3
Mr. Huang Lizhi	3/3
Mr. Lam Yau Fung, Curt	3/3

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibility for preparing, with support from the accounting department, the consolidated financial statements of the Group. In preparing the consolidated financial statements for the Year, the accounting principles generally accepted in Hong Kong have been adopted and the requirements of the Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Listing Rules and the Companies Ordinance were complied with. The financial statements were prepared on a going concern basis.

The reporting responsibilities of the Company's external auditors, HLB, are set out in the Independent Auditors' Report on pages 57 to 62.

Internal Control and Risk Management Systems

The Board is overall 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 established and maintained appropriate and effective risk management and internal control systems.

The Audit Committee reviews the risk management and internal controls that are significant to the Group on an on-going basis. The Audit Committee considers the adequacy of resources, qualifications and experience and training of staff and external advisor of the Group's accounting, internal audit and financial reporting functions.

The management of the Group is responsible for designing, maintaining, implementing and monitoring the risk management and internal control system to ensure adequate control is in place to safeguard the Group's assets and stakeholder's interest.

The Group has established risk management procedures to address and handle all significant risks associated with the business of the Group. The Board conducts annual review on any significant change of the business environment and establish procedures to respond the risks resulting from significant change in business environment. The risk management and internal control systems are designed to mitigate potential losses of business.

The management identifies risks associated with the business of the Group by considering both internal and external factors and events which include politics, economy, technology, environment, society and staff. Each type of risks has been assessed and prioritised based on their relevant impact and possibility of occurrence. The relevant risk management strategy will be applied to each type of risks according to the assessment results, and the types of risk management strategy are listed as follows:

– Risk retention and reduction: accept the impact of risk or undertake actions by the Group to reduce the impact of the risks;

– Risk avoidance: change business process or objective so as to avoid the risk;

– Risk sharing and diversification: diversify the effect of the risk or allocate to different location or product or market;

– Risk transfer: transfer ownership and liability to a third party.

ACCOUNTABILITY AND AUDIT (continued)

Internal Control and Risk Management Systems (continued)

The internal control systems are designed and implemented to reduce the risks associated with the business accepted by the Group and minimise the adverse impact resulting from the risks. The risk management and internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

For the Year, the Group has engaged an external advisory firm to undertake the internal audit function to ensure the effectiveness and efficiency of the risk management and internal control system of the Group. No significant deficiency and weakness on the internal control system has been identified by the external advisory firm for the Year.

The Board considered that, for the Year, the risk management and internal control system and procedures of the Group, covering all material controls including financial, operational and compliance controls and risk management functions, were reasonably effective and adequate.

The Company regulates the handling and dissemination of inside information as set out in the code of conduct to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

External Auditors' Remuneration

During the Year, the remuneration payable to the Company's external auditors is set out as follows:

Services rendered for the Group	**Fee payable 2021 HK$'000**
Audit services	**750**
Non-audit services	**–**
	750

CORPORATE GOVERNANCE FUNCTION

The Board is also responsible for performing the corporate governance duties with its written terms of reference as set out below:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of the Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report. During the Year, the Board has reviewed the policy of the corporate governance and the corporate governance report of the Company.

TRAINING FOR DIRECTORS

Every newly appointed Director will receive an information package from the Company on the first occasion of his/her appointment. This information package is a comprehensive, formal and tailored induction on the responsibilities and on-going obligations to be observed by a Director pursuant to the Companies Ordinance, the Listing Rules and the SFO. In addition, this information package includes material which briefly describes the operations and business of the Company. Directors will be continuously updated on major development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices.

The Company provides regular updates and presentations on changes and developments relating to the Group's business and the legislative and regulatory environments to the Directors at regular Board meetings.

The Directors are committed to complying with code provision A.6.5 of the CG Code and all Directors have participated in continuous professional development to develop and refresh their knowledge and skills and provided a record of training they received for the Year to the Company.

TRAINING FOR DIRECTORS (continued)

The individual training record of each Director received for the Year is summarised as follows:

Directors	Type of continuous professional development programmes
Mr. Cheng Lut Tim	B
Mr. Chong Kok Leong	B
Mr. Zhuang Miaozhong	B
Mr. Choy Hiu Fai, Eric	A, B
Mr. Huang Lizhi	B
Mr. Lam Yau Fung, Curt	B

Notes:

A: attending seminars/forums/workshops/conferences relevant to the business or directors' duties

B: reading regulatory updates

COMPANY SECRETARY

Mr. Mak Chun Wing has been appointed as the Company Secretary since 1 July 2020 up to 16 January 2022. Ms. Kwok Pui Ha has been appointed as the Company Secretary since 17 January 2022. Each of them has taken no less than 15 hours of relevant professional training for the Year.

SHAREHOLDERS' RIGHTS

Right to convene extraordinary general meeting

The Directors, on the requisition of shareholder(s) of the Company holding at the date of the deposit of the requisition not less than one-twentieth 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 rights, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company for the attention of the Board or the Company Secretary.

If the Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

The Group regards corporate social responsibilities as one of the core values of its business operations for sustainable development and thus is committed to operate its business in an economic, social and environmentally feasible manner. The Group firmly recognizes the importance of balancing its business objectives with the stewardship of natural environment, the need to meet market demand for resources, and the need to build a more prosperous and sustainable society.

OUR STRATEGY

Our strategy is to fulfil the Group's environmental and social responsibilities through achievements of environmental and social goals in our daily operations.

Objectives

We integrate environmental and social considerations into our business objectives to achieve the following objectives:

Environmental objectives:

- Add environmentally friendly elements in our daily operations;
- Use energy and resources efficiently;
- Reduce greenhouse gas emissions; and
- Continuously improve waste management

Social objectives:

- Respect employees' rights and promote an equal opportunity workplace;
- Commit to occupational safety and health, and endeavour to provide a safe and healthy workplace;
- Commit to ethical business practices, and build integrity within the workplace; and
- Support community participation

Approach

The Group's environmental and social objectives are archived through the following series of actions and commitments:

- Embed environmental and social objectives into business processes including decision making process;
- Establish and document environmental and social policies for management and staff members to follow;
- Comply with environmental and social laws and regulations;
- Report our performance in a balanced manner;
- Disclose key performance indicators as measurement of actual results;
- Ensure appropriate and effective ESG risk management and internal control systems are in place; and
- Practise corporate citizenship in things we do

REPORTING BOUNDARY

This environmental, social and governance ("**ESG**") report, prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Listing Rules on the Stock Exchange (the "**ESG Reporting Guide**"), has been reviewed and approved by the Board. It aims to provide a balanced representation of the efforts made by the Group on environmental protection and social responsibility and covers the Group's major operating activities, including treasury investment, provision of loan financing and design and provision of energy saving solutions for the Year. In compliance with the extended disclosure requirements of the applicable ESG Reporting Guide, certain disclosures and key performance indicators together with their comparative figures are added to this report, apart from that, there are no significant changes in the scope of this report from that of ESG report for the year ended 31 December 2020.

REPORTING PRINCIPLES

This report follows the ESG Reporting Guide and applies the following principles:

Reporting principles	Application in this report
Materiality	The Group's stakeholders are engaged in the identification of ESG issues that matter most from their perspectives. The Group assessed the materiality of those ESG issues based on the corresponding risks posed on the sustainability on the Group's businesses. Material ESG issues were identified and prioritized and are disclosed in this report.
Quantitative	Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption, where applicable, are disclosed in the respective sections in this report.
Consistency	Unless stated otherwise, the Group applies consistent methodology in compiling the ESG data reported to ensure meaningful comparison of ESG performance over time and between entities. Any change in methods or KPIs used is explained.
Balance	Intentional selections, omissions, or presentation formats that might inappropriately influence a decision or judgment to provide an unbiased picture of our performance are avoided in this report.

GOVERNANCE OF ESG MATTERS

The Board assumes full responsibility for the Group's ESG matters, and is responsible for reviewing ESG-related matters on a regular basis, identifying and assessing related risks, and ensuring that the Group has established appropriate and effective ESG risk management and internal control systems. In addition, the Board of Directors annually reviews the performance of the Group against ESG-related targets and reviews and approves the disclosures in ESG reports.

The Board is responsible for formulating relevant ESG policies and management procedures in line with the Group's environmental and social objectives and implementing daily ESG work across our business operation, including evaluating the stakeholders' needs and expectations with timely response, identifying ESG-related risks and opportunities pertain to the business operations, monitoring the environmental and social performance in our departmental units on a regular basis.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

The Group endeavors to create sustainable growth and long-term value for its stakeholders, who comprise the Group's employees, investors, contractors, customers and the wider community. We continue to interact with our stakeholders on an ongoing basis in order to identify and collect their expectations and concerns regarding significant ESG related matters of the Group's businesses, which are evaluated, prioritised and incorporated into our ESG strategy, including the setting of practicable ESG targets. Our communication channels with our stakeholders include company website, annual general meeting, staff meetings and other business meetings.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT (continued)

The material environmental and social issues were identified as follows:

- Employee welfare;
- Environmental compliance;
- Greenhouse gas emissions;
- Supply chain management;
- Occupational health and safety;
- Inclusion and equal opportunities;
- Talent attraction and retention;
- Anti-corruption; and
- Community investment

ENVIRONMENTAL ASPECTS

The Group's business predominantly focuses on the provision of energy saving solutions which involves the design, installation and implementation of the UPPC System. These operations do not have significant impact on the environmental and natural resources thus the Group's emission relating to air, greenhouse gas emissions and discharges into water and land as well as the generation of hazardous and non-hazardous wastes are minimal in the Year. The UPPC System is designed to optimize energy efficiency of customers including but not limited to offices and production plants, thereby aid the preservation of the environment and natural resources.

Energy Consumption and Green House Gas ("GHG") Emissions

Overview of energy consumption

Energy Consumption	**2021 kWh**	2020 kWh	Variance Increase/ (Decrease)
Electricity	**5,669**	13,796	(59%)
Energy consumption intensity[1]			
Per employee	**298**	690	(57%)

Note:

1. Energy consumption intensity is calculated by dividing the total energy consumption by the number of employees. The number of employees for 2021 and 2020 is 19 and 20 respectively.

ENVIRONMENTAL ASPECTS (continued)

Energy Consumption and Green House Gas ("GHG") Emissions (continued)

Overview of carbon footprint

GHG Emissions	**2021 tCO_2e**	2020 tCO_2e	Variance Increase/ (Decrease)
Scope 2: Indirect emissions[2]			
– Carbon dioxide	**3.97**	10.00	(60%)
Scope 3: Other indirect emissions[3]			
– Carbon dioxide	**0.14**	0.13	8%
Total GHG emissions			
– Carbon dioxide	**4.11**	10.13	(59%)
GHG emissions intensity[4]			
Per employee	**0.22**	0.51	(47%)

Notes:

1. The above calculation is based on the reference and tools provided by Environmental Protection Department. https://www.carbon-footprint.hk/

2. Scope 2 refers to indirect GHG emissions from consumption of purchased electricity.

3. Scope 3 refers to other indirect GHG emissions from paper consumption.

4. GHG emissions intensity is calculated by dividing the total GHG emissions by the number of employees.

The Group's operations do not generate direct GHG emissions, the major sources of emission of GHG by the Group are consumption of electricity at the workplace. The Group has therefore, directed efforts to monitor its electricity usage in the workplace by encouraging our employees to keep the indoor temperature within the office at 24 to 26 degrees Celsius and to switch off lights and other office equipment when idle. As a result, the Group's electricity consumption decreased by 60% from 13,796 kWh in 2020 to 5,669 kWh in the Year and related GHG emissions decreased from 10 tonnes of carbon dioxide equivalent in 2020 to 3.97 tonnes of carbon dioxide equivalent in the Year.

The Group's other indirect emissions, which are mainly generated from paper consumption for general office use, due to the Pandemic, there are no business travels recorded during the years 2021 and 2020.

The Group is committed to promote a sustainable working and living environment through continuous efforts in emissions reduction and will continue to encourages staff to use e-communication channels, such as video conference for business meetings whenever possible, in order to minimize greenhouse gas emissions caused by business trips.

ENVIRONMENTAL ASPECTS (continued)

Waste Management

The Group adheres to waste management principles that comply with the Environmental Protection Law of the PRC and other applicable environmental laws and regulations. No hazardous waste produced by the Group is observed during the Year and the major non-hazardous waste generated by the Group's operations is shown below:

Non-hazardous waste	2021 Sheet	2021 kg	2020 Sheet	2020 kg	Variance Increase/ (Decrease)
Paper	**17,483**	**87**	17,000	85	3%
Paper consumption intensity[1]					
Per employee	**920**	**4.58**	850	4.24	8%

Note:

1. Paper consumption intensity is calculated by dividing the paper consumption by the number of employees.

Paper waste is the major waste that has been identified in the Group's business operation. The Group encourages employees to maximize the usage of electronic copies instead of hardcopies to create a paperless environment and setting duplex printing as default setting in printers for printing internal documents. Hence, paper consumption remained in consistent of below 5 kilogram per employee for the years 2021 and 2020.

Water Management

The Group's key water usage is arising from toilet flushing, water tap for cleaning and drinking water. It operates in leased office premises of which both the water supply and discharge are solely controlled by the respective building management which is considered that provision of water withdrawal and discharge data or sub-meter for the individual occupant is not feasible. To avoid unnecessary water consumption from the daily operation, the Group encourages employees to always turn taps off tightly to avoid dripping and giving priority to effective water-saving products.

Use of Resources

As an environmentally friendly and energy saving services provider, the Group is committed to utilise resources in the most efficient and effective manner. Since the Group does not manufacture any products, the packaging material used for finished products is not applicable to the business of the Group. Electricity and materials are the main resources used by the Group during the Year. Hence, the Group adopts the following key policies in the workplace and for its operations:

- Standardisation of materials for installation of the UPPC System;
- Utilisation of scrap materials where possible;
- Use of optimal temperature and light control in the workplace;
- Switch off lights and air-conditions when idle; and
- Use recycle paper and duplex print wherever possible and appropriate.

ENVIRONMENTAL ASPECTS (continued)

Use of Resources (continued)

Moreover, the principal activities of the Group are not in production, hence water is used mainly for domestic purpose at our office and the Group does not have any concern in sourcing water that is fit for such purpose. The Group will continue to promote energy and water-saving behavior under its overall environmental management agenda.

Climate Change

The Group has considered the physical risk which include acute risk like increasing heavy rainstorm, wildfire, hot weather; chronic risk including rise in sea level. Which the acute risk will post immediate safety issues to our staff, the Company has followed and will continue to follow strictly on the relevant notice and/or guidelines issued by the local government bodies in which we operate to ensure staff safety. The Group will review the existing measures for adverse weather conditions and ensure the safety of the employees. For transitional risk, the Group has considered the policy and legal risk, which the government will impose more laws and regulation on the emissions and energy usage, as we have minimal usage on energy and minimal emissions due to our business nature, the Group considers the risk is relatively low, however, the Group will continue to monitor the monitor potential risks of climate change and its impacts on the Group's operations and customers, and devise and implement preventive and emergency measures accordingly.

Compliance

The Group is not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group relating to air and GHG emission, discharges into water and land and generation of hazardous and non-hazardous wastes.

SOCIAL ASPECTS

Employment

The Group considers its employees as its most valuable asset and the key to long-term growth and prosperity. It is committed to provide a healthy, safe and friendly working environment. The Group has several non-discriminatory policies in place to ensure equal opportunities for all sexes, ethnicities, races, ages and religions.

SOCIAL ASPECTS (continued)

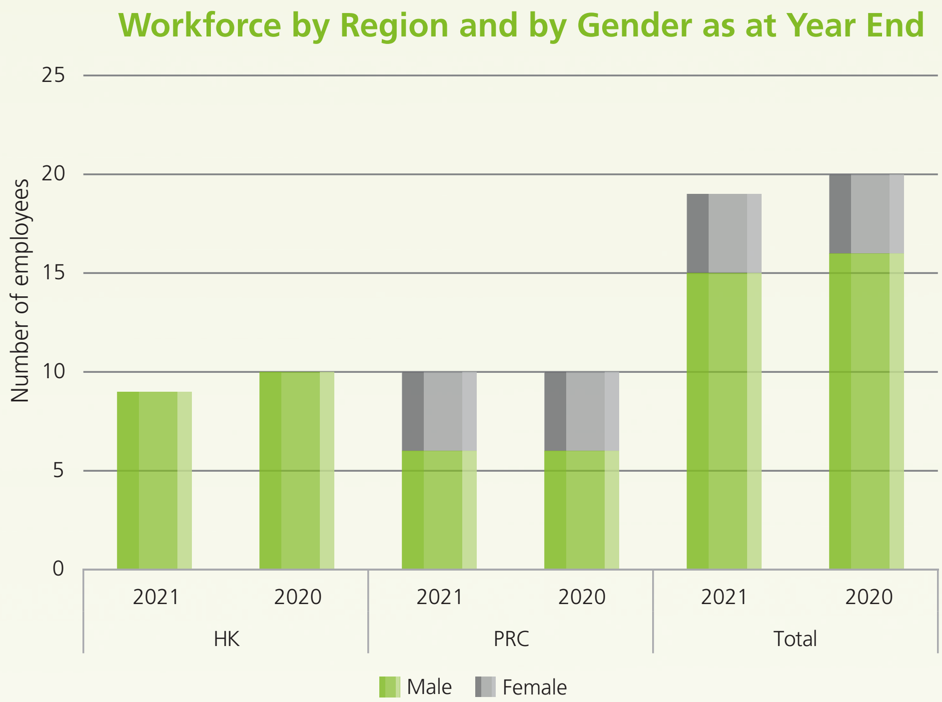
Employment (continued)

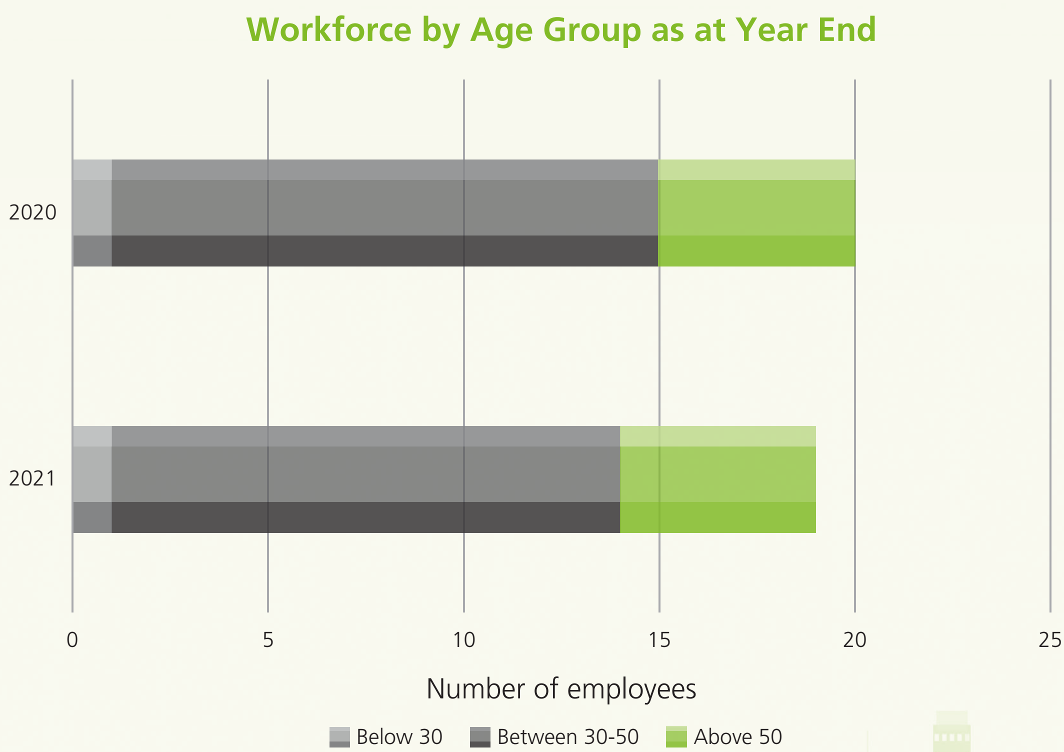
The Group employed a total of 20 and 33 employees during the year 2021 and 2020 respectively and as at 31 December 2021 and 2020 the Group had 19 and 20 employees respectively. The Group's workforce composition as at 31 December are as follows:

	2021	2020
Number of employees		
By gender		
Male	**15**	16
Female	**4**	4
By age group		
Below 30	**1**	1
30 to 49	**13**	14
50 or above	**5**	5
By region		
Hong Kong	**9**	10
PRC	**10**	10
By employment contract		
Permanent	**18**	20
Temporary/Part-time	**1**	0

SOCIAL ASPECTS (continued)

Employment (continued)





SOCIAL ASPECTS (continued)

Employment (continued)

During the year 2021 and 2020, a total of 1 and 13 employees left the Group respectively, representing total turnover rate of employees of 5% and 65% for the year 2021 and 2020 respectively. Further employee turnover rates by various categories are shown below:

	2021	2020
Number of employee turnover:		
By gender		
Male	**1**	11
Female	**–**	2
By age group		
Below 30	**–**	1
30 to 49	**1**	12
50 or above	**–**	–
By region		
Hong Kong	**1**	–
PRC	**–**	13
Employee turnover rate (%) #		
By gender		
Male	**7%**	69%
Female	**–**	50%
By age group		
Below 30	**–**	100%
30 to 49	**8%**	86%
50 or above	**–**	–
By region		
Hong Kong	**11%**	–
PRC	**–**	130%

Employee turnover rates are calculated by number of employee turnover during the year in their specified categories over the number of employees as at that year end in their specified categories

SOCIAL ASPECTS (continued)

Employment (continued)

The management regularly reviews the Group's remuneration and benefits policies with reference to the market standards and is committed to safeguarding the rights and interests of the staff. Remuneration and benefits have been adjusted and reviewed on annual basis in accordance with the employees' individual performance, contribution and market conditions.

Employment rights such as compensation and dismissal, recruitment and promotion, working hours, rest period, equal opportunity, diversity, anti-discrimination and welfare and other benefits were clearly stated in the employment contract to protect the interest of the staff.

The Group encourages work-life balance to raise team spirit and promote good relations with the employees.

During the Year, the Group was not aware of any material non-compliance with laws and regulations relating to employment and labour practices.

Health and Safety

The Group is committed to maintaining high standards of health and safety for staff. The Group has fully complied with all relevant laws and regulations regarding the health and safety requirements of the Group during the Year. There were no work-related fatalities in the Group in each of the past three years including this reporting year (2020: nil). The Group had no lost days due to work injury for the year 2021 and 2020.

To minimize occupational accidents and to provide a safe and secure working environment, the Group makes use of publications to demonstrate safety rules. All employees are required to abide all safety rules and regulations and utilise applicable protection measures at all times to avoid accidents. In addition, as part of the COVID-19 countermeasures and to prevent the spread of the virus, the Group complied strictly with the virus prevention regulations as required by the government, and stringent infection preventive measures were implemented to protect its employees. Safety inspections and spot checks were conducted periodically to monitor and review health and safety issues of the Group.

During the Year, no non-compliance with the laws and regulations relating to occupational safety that have resulted or may result in significant impact on the Group was identified.

Development and Training

The Group trusts that growth of employees remains key to sustaining market leadership. It is imperative to cultivate a learning culture within the Group and to encourage continual education and development in order for our employees to be well-equipped and competent in delivering high quality services and products to customers, and to raise their occupational safety awareness.

SOCIAL ASPECTS (continued)

Development and Training (continued)

Training of the Group could be categorized into three aspects:

– New-comer programme;

– On-the-job training programmes; and

– External trainings

New employees are provided with on-board training to familiarize with the culture, business and operation of the Group. Also, for technical positions such as technical support, every newly-hired employee will be provided with pre-job technical training to enhance their professional skills.

The Group welcomes every staff to join training programmes according to their respective job duties and positions. The Group's human resources department would review all staff applications from the staffs and assign each staff to the most suitable training and development programme.

During the year 2021 and 2020, a total of 266 manhours and 407 manhours of training were provided to employees of the Group respectively representing an average of 14 hours and 20 hours of training per employee as at 31 December 2021 and 2020 respectively. The total number of employees who took part in those trainings were 17 and 32 for the year 2021 and 2020 respectively, representing 89% and 160% of total employees as at 31 December 2021 and 2020 respectively. Further development and training data by various categories are shown below:

	2021	2020
Total number of hours of training received by employees	**266**	407
Percentage of employees trained[#]:		
By gender		
Male	**82%**	81%
Female	**18%**	19%
By employee category		
Senior management	**35%**	22%
Middle management	**47%**	28%
Others	**18%**	50%

Percentage of employees trained are calculated by number of employees trained in their specified categories over the total number of employees trained

SOCIAL ASPECTS (continued)

Development and Training (continued)

	2021	2020
Average training hours completed per employee^:		
By gender		
Male	**16**	22
Female	**8**	15
By employee category		
Senior management	**9**	8
Middle management	**24**	26
Others	**6**	32

^ Average training hours are calculated by total number of hours trained during the year in their specified categories over the number of employees as at that year end in their specified categories

Labour Standards

The Group seeks to provide a work environment with equal opportunities and diversified human resources. The Group's guidelines on staff recruitment and avoidance of unlawful employment policy outlines the Group's obligations as a responsible employer and the procedure necessary to ensure all candidates are treated equally and employment is complaint with local laws and regulations.

Information such as statement on work hours, pay and performance issues, policies on benefits, trainings, leave and disciplinary procedures and possible sanction are clearly stated on a written employee hand book provided in the national language of the employees.

The Group prohibits any employment which would constitute child labour and forced labour. The Group's implemented employment policies which are in strict adherence of the local employment laws and regulations. Prior to any confirmation of employment of the Group, our human resources department will require job applicants to provide valid identity documents to verify that the applicants are lawfully employable and ensure full compliance with relevant laws and regulations that prohibit child and forced labour. If any violations were to be detected, the Group would immediately cease any labour activities. Any false documents would be considered fraudulent and the Group would have the right to terminate the labour contract immediately. The Group will regularly review the employees' information to ensure there is no violation of any regulations and policies.

During the Year, there is no child or forced labour in the Group as the Group works in compliance with the Employment Ordinance of the Hong Kong Special Administrative Region and Labour Contract Law of the PRC in term of employment management.

SOCIAL ASPECTS (continued)

Supply Chain Management

Maintaining an efficient and fair supply chain is one of the agendas of the Group to ensure stable and quality supplies.

For this purpose, the Group closely collaborates with stakeholders along the supply chain to improve overall environmental, social and governance performance and to ensure all supply chain management processes are in line with the best practice incorporated.

Major materials that the Group purchases are materials or parts for UPPC System for its provision of the Energy Saving Business. During the Year, the Group had 304 suppliers (2020: 272 suppliers), all of which are located in the PRC.

The Group expects the suppliers to implement good employment measures by dealing with their employees fairly and reasonably, respecting employees' rights and providing employees with an environment free from discrimination, child labour and forced labour. The suppliers also need to adhere to transparent business processes and high standards of conduct which they have to avoid conflicts of interest and prohibit corruption and bribery. Before making any procurement decisions, the Group will conduct due diligence and assessments on suppliers to avoid environmental and social risks along the supply chain. Suppliers are chosen mainly based on their service or product quality, price, reputation, financial background, sustainability and social responsibility track record and delivery time.

We regularly evaluate our key suppliers' performance to determine whether to extend our partnership with them.

During the Year, the Group was not aware that any key suppliers had any significant actual and potential negative impact on business ethics, environmental protection, human rights and labour practices, nor did any of them have any non-compliance incident in respect of human rights issues.

Product and Service Responsibility

Maintaining a high quality and standard of the products and services is crucial to the Group's success and sustainable development. Therefore, maintaining consistency in quality and precision of the products are the Group's major priorities. Each UPPC System of the Group are subject to stringent quality tests before release to the customers. Our project managers are responsible for the monitoring of the overall progress and quality of works undertaken by us. Regular management meetings are conducted to discuss quality issues and remedy defects identified, if any. The Group also provides after-sales services such as maintenance services, email and phone supports.

Complaint Management

The Group welcomes all feedbacks from customers as it is necessary to improving our products and services. Procedures for handling feedbacks are established. Feedbacks are recorded in detail and appropriate follow-up actions are taken promptly.

For the years 2021 and 2020, there were no products sold subject to recalls for safety and health reasons and there were no products and services related complaints received.

SOCIAL ASPECTS (continued)

Product and Service Responsibility (continued)

Labelling

The Group requires that labelling is accurate, legitimate, clear, and not misleading, and intellectual property rights, if applicable, are protected. We ensure that the information and marketing materials we provided do not contain any misleading content to protect customers' interests.

Privacy Matters

The Group is committed to protecting customer data and privacy information, and keeping business information confidential. Training to employees in this regard and proper information system security are required.

We acknowledge the importance of protecting the privacy and confidentiality of our customers' information. An internal policy which governs the collection, handling, and disclosure of clients' data has been developed and communicated to our staff. The Group has prohibited the use of any personal information of customers by other parties for direct marketing purposes if unlawful or without explicit and implicit consent of customers.

During the Year, the Group was not aware of any non-compliance with relevant laws, rules and regulations relating to products and services safety that have resulted or may result in significant impact on the Group.

Anti-Corruption

Anti-corruption measures and laws are enforced within the business arena of the Group. The Group endeavor to maintain high moral standard and integrity, and forbid any forms of corruptions by setting out guidance in the Group's Code of Conducts. Whistleblowing policy is a good example of an anti-corruption, anti-fraud, and anti-malpractice policy followed by the Group which encourages reporting of any inappropriate behavior.

The Group established anti-corruption policies to prohibit employees from receiving any advantages offered by customers, suppliers, colleagues, or other parties, while they are performing employee duties, and prohibit any activities involving conflicts of interest, bribery, extortion, fraud, and money laundering. In addition, trainings on anti-corruption practices are provided to our directors and senior management personnel who are involved in the Group's loan financing business.

The Group is not aware of any complaints of corruption against the Group or any of the staff and are no concluded legal cases regarding corrupt practices brought against the Group or its employees during the Year.

SOCIAL ASPECTS (continued)

Community Investment

The Group believed that a sustainable community plays a vital role in its long-term growth and success. Therefore, the Group has portrayed immense dedication in contributing to the amelioration of the society through collaborating with the local communities it operates in and addressing the community's need.

The Group also encourages employees to devote time and to actively get involved in community engagements and charity works.

Labour Needs

The Group strives to enlarge the business operation so that we can hire more workers to utilise communities' available labour resources.

Community Activities

We encourage our employees to participate in community activities, such as community health initiatives, sports, cultural activities, volunteer work, and charitable events.

Due to the outbreak of COVID-19 and various government measures on social distancing, the Group did not take part in community activities during the Year.

Environmental Protection

All employees of the Group are encouraged to participate in environmental protection activities and raise the environmental awareness of people in the communities.

INDEPENDENT AUDITORS' REPORT

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE MEMBERS OF
CCIAM FUTURE ENERGY LIMITED
(FORMERLY KNOWN AS "THE HONG KONG BUILDING AND LOAN AGENCY LIMITED")
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of CCIAM Future Energy Limited (formerly known as "The Hong Kong Building and Loan Agency Limited") (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 63 to 141, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, 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 Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the "Auditors' 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.

MATERIAL UNCERTAINTY RELATING TO GOING CONCERN

We draw attention to Note 3(b) in the consolidated financial statements, which indicates that the Group incurred a net loss of approximately HK$65,923,000 and a net cash outflow from operating activities of approximately HK$3,388,000 for the year ended 31 December 2021. These factors indicate the existence of material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITORS' REPORT (continued)

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Material uncertainty relating to going concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment on intangible assets for energy saving solution business Refer to Notes 4 and 17 to the consolidated financial statements. As at 31 December 2021, the Group's intangible assets belonged to the design and provision of energy saving solutions cash generating unit (the "CGU"). Management performed impairment assessment of the CGU and recognised an impairment loss on intangible assets of approximately HK$21,678,000 for the year ended 31 December 2021 to fully impaired the intangible assets We focused on these areas as the impairment assessment of the CGU made by management involved significant estimates and judgement with respect to the discount rate and underlying cashflows, in particular future revenue growth rate and capital expenditure. Independent external valuer was engaged by management to support the management's estimation.	Our procedures in relation to management's impairment assessment of intangible assets included: • Evaluating the independent professional external valuer's competence, capabilities and objectivity; • Assessing the appropriateness of the valuation methodology, key assumptions and estimates used based on our knowledge of the relevant industry and using our valuation experts; • Challenging the reasonableness of key assumptions used based on our knowledge of the business and industry; and • Checking, on a sample basis, the accuracy and relevance of the input data used. We found that the assumptions made by management in relation to the value in use calculations of intangible assets to be supportable by available evidence.

KEY AUDIT MATTERS (continued)

Key audit matter

Allowance for expected credit losses recognised in respect of trade receivables and finance lease receivables

Refer to Notes 4, 20 and 22 to the consolidated financial statements.

At 31 December 2021, the Group has gross trade receivables of approximately HK$61,478,000 and allowance for expected credit losses of approximately HK$46,006,000.

At 31 December 2021, the Group has gross finance lease receivables of approximately HK$79,672,000 and allowance for expected credit losses of approximately HK$34,196,000.

Management performed periodic assessment on the recoverability of the trade receivables and finance lease receivables and the sufficiency of allowance for expected credit losses based on information including internal credit assessment of different customers, ageing of the trade receivables and finance lease receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and ongoing trading relationships with the relevant customers. Management also considered forward-looking information that may impact the counterparties' ability to repay the outstanding balances in order to estimate the expected credit losses for impairment assessment.

We focused on this are a due to the impairment assessment of trade receivables and finance lease receivables under the expected credit losses model involved the use of significant management judgments and estimates.

How our audit addressed the key audit matter

Our procedures in relation to management's estimated allowance for expected credit losses of the trade receivables and finance lease receivables as at 31 December 2021 included:

- Understanding and evaluating the key controls that the Group has implemented to manage and monitor its credit risk and assessment of expected credit losses allowance;

- Checking, on a sample basis, the ageing profile of the trade receivables and finance lease receivables as at 31 December 2021 to the underlying financial records and post year-end settlements to bank receipts;

- Inquiring of management for the status of each of the material trade receivables and finance lease receivables past due as at year end and corroborating explanations from management with supporting evidence, such as internal credit assessment of selected customers, understanding ongoing business relationship with the customers based on trade and finance lease records, checking historical and subsequent settlement records of and other correspondence with the counterparties; and

- Assessing the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses.

We found that the management judgement and estimates used to assess the recoverability of the trade receivables and finance lease receivables and determine the allowance for expected credit losses to be supportable by available evidence.

OTHER INFORMATION

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

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.

RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE 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 Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITORS' 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 auditors' report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, 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.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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.

AUDITORS’ RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 auditors’ report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditors’ report is Kwok Tsz Chun.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Kwok, Tsz Chun
Practising Certificate Number: P06901

Hong Kong, 25 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	8	**7,583**	7,985
Cost of sales		**(6,374)**	(4,136)
Gross profit		**1,209**	3,849
Other income	9	**4,523**	3,032
Net allowance for expected credit losses on trade receivables and finance lease receivables		**(35,163)**	(26,051)
Amortisation of intangible assets	17	**(2,467)**	(4,540)
Impairment loss on intangible assets	17	**(21,678)**	(20,315)
Impairment loss on right-of-use assets	19	**(131)**	(257)
Impairment loss on property, plant and equipment	18	**(104)**	–
Loss on early settlement of trade receivables		**–**	(289)
Selling expenses		**(1,335)**	(2,625)
Administrative and operating expenses		**(10,323)**	(20,334)
Loss from operations		**(65,469)**	(67,530)
Finance costs	10	**(4,076)**	(3,620)
Loss before taxation	11	**(69,545)**	(71,150)
Taxation	12	**3,622**	3,728
Loss for the year		**(65,923)**	(67,422)
Other comprehensive income for the year, net of tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign investments		**1,419**	5,518
Other comprehensive income for the year, net of tax		**1,419**	5,518
Total comprehensive expense for the year, net of tax		**(64,504)**	(61,904)
Loss for the year attributable to owners of the Company		**(65,923)**	(67,422)
Total comprehensive expense attributable to owners of the Company		**(64,504)**	(61,904)
		HK cents	HK cents
Loss per share			
– Basic and diluted	16	**(12.60)**	(17.33)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Intangible assets	17	–	24,145
Property, plant and equipment	18	–	110
Right-of-use assets	19	–	306
Finance lease receivables	22	**40,717**	41,314
		40,717	65,875
Current assets			
Inventories		**467**	471
Trade and bills receivables	20	**15,472**	47,022
Prepayments, deposits and other receivables	21	**2,010**	1,047
Finance lease receivables	22	**4,759**	14,604
Cash and bank balances	23	**18,886**	28,757
		41,594	91,901
Current liabilities			
Trade and other payables	24	**9,386**	17,079
Lease liabilities	25	**229**	316
Other borrowings	26	**24,486**	23,820
		34,101	41,215
Net current assets		**7,493**	50,686
Total assets less current liabilities		**48,210**	116,561

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current liabilities			
Lease liabilities	25	–	225
Deferred tax liabilities	27	–	3,622
		–	3,847
Net assets		**48,210**	112,714
Capital and reserves			
Share capital	28	**3,177,339**	3,177,339
Reserves		**(3,129,129)**	(3,064,625)
Total equity		**48,210**	112,714

Approved and authorised for issue by the board of directors on 25 March 2022 and signed on its behalf by:

Mr. Chong Kok Leong
Director

Mr. Zhuang Miaozhong
Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

		Reserves			
	Share capital HK$'000	Share options reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2020	3,148,629	–	(1,418)	(3,004,203)	143,008
Loss for the year	–	–	–	(67,422)	(67,422)
Other comprehensive income for the year	–	–	5,518	–	5,518
Total comprehensive income/(expense) for the year	–	–	5,518	(67,422)	(61,904)
Recognition of equity-settled share-based payments	–	2,900	–	–	2,900
Forfeit of share option	–	(138)	–	138	–
Placing of shares (Note 28)	8,000	–	–	–	8,000
Transaction costs attributable to placing of shares (Note 28)	(240)	–	–	–	(240)
Rights issues of shares (Note 28)	23,550	–	–	–	23,550
Transaction costs attributable to rights issues of shares (Note 28)	(2,600)	–	–	–	(2,600)
At 31 December 2020 and 1 January 2021	**3,177,339**	**2,762**	**4,100**	**(3,071,487)**	**112,714**
Loss for the year	**–**	**–**	**–**	**(65,923)**	**(65,923)**
Other comprehensive income for the year	**–**	**–**	**1,419**	**–**	**1,419**
Total comprehensive income/(expense) for the year	**–**	**–**	**1,419**	**(65,923)**	**(64,504)**
Forfeit of share option	**–**	**(729)**	**–**	**729**	**–**
At 31 December 2021	**3,177,339**	**2,033**	**5,519**	**(3,136,681)**	**48,210**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Cash flows from operating activities			
Loss before taxation		**(69,545)**	(71,150)
Adjustments for:			
Bank interest income	9	**(31)**	(19)
Finance costs	10	**4,076**	3,620
Depreciation of property, plant and equipment	18	**12**	25
Depreciation expenses on right-of-use assets	19	**182**	482
Amortisation of intangible assets	17	**2,467**	4,540
Impairment loss on intangible assets	17	**21,678**	20,315
Impairment loss on right-of-use assets	19	**131**	257
Impairment loss on property, plant and equipment	18	**104**	–
Allowance for expected credit losses on trade receivables		**26,808**	12,149
Allowance for expected credit losses on finance lease receivables		**8,639**	20,727
Reversal of allowance for expected credit losses on trade receivables		**(5)**	(6,785)
Reversal of allowance for expected credit losses on finance lease receivables		**(279)**	(40)
Loss on early settlement of trade receivables		**–**	289
Loss on disposal of property, plant and equipment		**–**	1
Equity-settled share-based payments		**–**	2,900
Operating loss before working capital changes		**(5,763)**	(12,689)
(Increase)/decrease in prepayments, deposits and other receivables		**(925)**	196
Decrease in trade and bills receivables		**5,615**	1,091
Decrease in finance lease receivables		**3,482**	5,639
Decrease in inventories		**17**	125
Decrease in trade and other payables		**(5,814)**	(4,876)
Cash used in operations		**(3,388)**	(10,514)
Income tax paid		**–**	–
Net cash used in operating activities		**(3,388)**	(10,514)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**–**	5
Purchase of property, plant and equipment		**(4)**	(18)
Bank interest income received		**31**	19
Net cash generated from investing activities		**27**	6

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2021

	Notes	**2021** **HK$'000**	2020 HK$'000
Cash flows from financing activities			
Repayments of lease liabilities		**(354)**	(532)
Interest paid		**(6,119)**	(115)
Net proceeds from placing of shares	28	**–**	7,760
Net proceeds from rights issues of shares	28	**–**	20,950
Net cash (used in)/generated from financing activities		**(6,473)**	28,063
Net (decrease)/increase in cash and cash equivalents		**(9,834)**	17,555
Cash and cash equivalents at beginning of year		**28,757**	11,076
Effect of exchange rate changes on the balance of cash held in foreign currencies		**(37)**	126
Cash and cash equivalents at end of year		**18,886**	28,757
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**18,886**	28,757

The accompanying notes from an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. CORPORATE INFORMATION

CCIAM Future Energy Limited (formerly known as "The Hong Kong Building and Loan Agency Limited") (the "Company") was incorporated in Hong Kong and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of registered office of the Company is Unit D, 7/F, Seabright Plaza, 9-23 Shell Street, North Point, Hong Kong.

Pursuant to a special resolution passed in extraordinary general meeting on 22 February 2021 and the Company Registry in Hong Kong has issued the certificate of change of name dated 3 March 2021, the English name of the Company changed from "The Hong Kong Building and Loan Agency Limited" to "CCIAM Future Energy Limited" and the adoption of "信能低碳有限公司" as the secondary name in Chinese of the Company to replace its existing secondary name in Chinese "香港建屋貸款有限公司" which is used for identification purpose only.

Details of the substantial shareholders of the Company are disclosed in the section headed "Substantial Shareholders" in the Directors' Report of the annual report.

The Company is an investment holding company and its subsidiaries are principally engaged in design and provision of energy saving solutions.

The consolidated financial statements are presented in Hong Kong dollars ("HK$") which is the same as functional currency of the Company and rounded to the nearest thousand (HK$'000), unless otherwise stated.

2 APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

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

In addition, the Group has early applied the Amendment to HKFRS 16 COVID-19 – Related Rent Concessions beyond 30 June 2021.

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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

2 APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (continued)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current 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 Transaction[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 HKFRSs 2018-2020[1]

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 for annual periods beginning on or after a date to be determined.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, these consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation (continued)

Going Concern

For the year ended 31 December 2021, the Group incurred a net loss of approximately HK$65,923,000 (2020: HK$67,422,000) and a net cash outflow from operating activities of approximately HK$3,388,000 (2020: HK$10,514,000). Further, the Group had other borrowing of approximately HK$24,486,000 and cash and bank balances was approximately HK$18,886,000 as at 31 December 2021. Details in relation to the other borrowings are disclosed in Note 26 to the consolidated financial statement. These conditions cast significant doubt on the Group's ability to continue as a going concern. The Group is implementing the following measures in order to improve the working capital, liquidity and cash flow position of the Group:

(i) *Alternative source of funding*

The Company is actively considering to raise new capital by carrying out fund raising activities including but not limited to rights issue, open offer and placing of new shares.

(ii) *Control policy for operating cost*

The Group is implementing operation plans to control costs and generate adequate cash flows from the Group's operations.

The ability of the Group to continue as a going concern is dependent upon the eventual successful outcomes of the above mentioned measures. These outcomes are inherently uncertain and cannot be determined with reasonable certainty. Hence a material uncertainty exists as at 31 December 2021 that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise the Group's assets and discharge the Group's liabilities in the normal course of business.

Notwithstanding the existence of the conditions described above, the directors of the Company have determined it is appropriate to adopt the going concern basis in the preparation of consolidated financial statements. The directors of the Company have reviewed the Group's cash flow projections prepared by the management. The cash flow projections cover a period of not less than twelve months from the end of the reporting period. The directors of the Company are of the opinion that, taking into account the above mentioned plans and measures, the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2021 on a going concern basis.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basic of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified accumulated impairment loss. Results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable during the year.

(e) Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred 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 generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

(i) deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

(ii) liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date;

(iii) assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and

(iv) lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease terms ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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 interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the 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 of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Business combination (continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another standard.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquire is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment of non-financial assets (other than goodwill)

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also 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.

Recoverable amount is the higher of fair value less costs to sell and value in use. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Revenue and other income recognition

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

A contract asset and a contract liability relating to a contract are accounted for an presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Revenue and other income recognition (continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the Group transferred the associated goods or services before payments from customers in which the Group adjusts for the promised amount of consideration for significant financing components, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The Group recognises interest income during the period between the payment from customers and the transfer of the associated goods or services.

The Group recognises revenue from the following major sources:

Energy saving solutions income

Energy saving solutions income is recognised when the contract relates to work on energy saving solutions under the control of the customer and therefore the Group's construction activities create or enhance an asset under the customer's control.

When the outcome of energy saving solutions contract can be reasonably measured, revenue from the contract is recognised progressively over time using the input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Revenue and other income recognition (continued)

Existence of significant financing component (continued)

Repair and maintenance service income

Repair and maintenance service income is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation, as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

Finance lease interest income

Finance lease interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

(h) Government grants

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

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

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred.

Depreciation is provided on the straight line method so as to write down the cost of property, plant and equipment to their realisable value over their anticipated useful lives at the following annual rates:

Office equipment:	25%
Furniture and fixture:	20%
Computer:	25%

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. Residual values, useful lives and the depreciation method are reviewed and adjusted if appropriate, at least at each financial year end.

Depreciation is recognised so as to write off the costs of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average costing method. Net realisable value is based on estimated selling price less any estimated costs to be incurred to completion on sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract 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 component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of leased properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight- line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from COVID-19 related rent concessions in which the Group applied the practical expedient.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Leases (continued)

The Group as a lessee (continued)

Right-of-use assets (continued)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life.

Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

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

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Leases (continued)

The Group as a lessee (continued)

Lease liabilities (continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change 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 change due to changes in market rental rates following a market rent review/ expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The lease liabilities are presented as a separate line in the consolidated statement of financial position.

Lease modifications

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

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

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

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

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Leases (continued)

The Group as a lessee (continued)

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

COVID-19 – related rent concessions

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

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the exchange reserve.

(m) Employee benefits

Retirement benefit costs

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Payments to Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance are made based on a percentage of the employee's basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme.

(iii) Payments to the state-managed retirement benefit schemes ("PRC Scheme") are charged as expenses when employees have rendered services entitling them to the contributions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Taxation (continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Current and deferred tax are recognised in profit or loss.

(o) Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest and dividend income which are derived from the financial assets and shareholders' rights are presented as other revenue and other income.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- The financial asset is held within a business model whose objective is to collect contractual cash flows; and

- The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at financial assets at financial assets at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

All other financial assets are subsequently measured at financial assets at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and effective interest rate

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The effective interest method is a method of calculating the amortised cost of debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial assets, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying effective interest rate to the gross carrying amount of the financial asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

Amortised cost and effective interest rate (continued)

Financial assets that do not meet the criteria for being measured at amortised cost or at FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Impairment of financial assets subject to impairment assessment under HKFRS 9

Impairment under expected credit losses model

The Group performs impairment assessment under expected credit losses ("ECL") model on financial assets (including trade and bills receivables, deposits and other receivables, finance lease receivables, cash and bank balances) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting period. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting period as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade and bills receivables and finance lease receivables. The ECL on these assets are assessed individually for significant balances or collectively using a provision matrix for the remaining balances with appropriate groupings based on shared credit risk characteristics of customers from the relevant operating segment.

For all other instruments, the Group measures the loss allowance equal to 12m 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 increases in the likelihood or risk of a default occurring since initial recognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (continued)

Significant increase in credit risk

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

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

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

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

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

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is likely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, other receivable and finance lease receivable where the corresponding adjustment is recognised through a loss allowance account.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the asset of the Group after deducting all of its liabilities. The Group's financial liabilities are classified into other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, lease liabilities, and other borrowings are subsequently measured at amortised cost, using the effective interest rate method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Equity instruments

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

Effective interest method

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities are derecognised when the obligation specific in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid and payable is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

When the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Share options granted to consultants

Share options issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the counterparties render services, unless the services qualify for recognition as assets.

(s) Provisions

Provisions are recognised when the Group have a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

(t) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprises of cash in hand, demand deposits and short term highly liquid investments which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Related party transactions

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

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

(ii) has significant influence over the Group; or

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

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

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

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

(iii) both entities are joint ventures of the same third party;

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

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

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

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

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

a. that person's children and spouse or domestic partner;

b. children of that person's spouse or domestic partner; and

c. dependants of that person or that person's spouse or domestic partner.

A transaction is considered to be a related party transaction when there is a transfer of resources and obligations between related parties.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or to provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in Note 3 to the consolidated financial statements, management has made certain key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk in causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(a) Income taxes

Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determinations are made.

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

Property, plant and equipment, right-of-use assets and intangible assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

(b) Impairment of property, plant and equipment, right-of-use assets and intangible assets (continued)

The carrying amounts of property, plant and equipment at the end of the reporting period are approximately HK$Nil (2020: HK$110,000) and an impairment loss of approximately HK$104,000 was recognised for the year. Details of impairment loss calculation are provided in Note 18 to the consolidated financial statements.

The carrying amounts of right-of-use assets at the end of reporting period are approximately HK$Nil (2020: HK$306,000) and an impairment loss of approximately HK$131,000 was recognised for the year (2020: HK$257,000). Details of impairment loss calculation are provided in Note 19 to the consolidated financial statements.

The carrying amounts of intangible assets at the end of the reporting period were approximately HK$Nil (2020: HK$24,145,000) and an impairment loss of approximately HK$21,678,000 was recognised for the year (2020: HK$20,315,000). Details of the impairment loss calculation are provided in Note 17 to the consolidated financial statements.

(c) Provision of ECL for financial assets at amortised cost

The loss allowances for financial assets at amortised cost are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 5(b).

As at 31 December 2021, the carrying amount of trade receivables, other receivables and finance lease receivables are approximately HK$15,472,000 HK$124,000 and HK$45,476,000 respectively (net of allowance for expected credit losses of HK$46,006,000, HK$9,200,000 and HK$34,196,000 respectively).

As at 31 December 2020, the carrying amount of trade receivables, other receivables and finance lease receivables are approximately HK$46,874,000, HK$3,000 and HK$55,918,000 respectively (net of allowance for expected credit losses of HK$18,320,000, HK$9,200,000 and HK$25,021,000 respectively).

The provision of ECL is sensitive to changes in estimates. The information about the allowance for expected credit losses and the Group's trade receivables, other receivables and finance lease receivables are disclosed in Notes 5(b), 20, 21 and 22.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

(d) Going concern basis

As disclosed in Note 3(b), the directors of the Company adopted the going concern basis in the preparation of consolidated financial statements, notwithstanding the existence of the conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern, as the Group is implementing measures to improve the working capital and liquidity and cash flow position of the Group.

The directors of the Company have determined it is appropriate to adopt the going concern basis in the preparation of consolidated financial statements and have reviewed the Group's cash flow projections prepared by the management, covering a period of not less than twelve months from the end of the reporting period. The assessment of the going concern of the Group require exercise of significant judgement by the directors of the Company, particularly as to whether the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Categories of financial instruments

	2021 **HK$'000**	2020 HK$'000
Financial assets		
At amortised costs		
Trade and bill receivable	**15,472**	47,022
Finance lease receivables	**45,476**	55,918
Deposits and other receivables	**439**	449
Cash and bank balances	**18,886**	28,757
	80,273	132,146

	2021 **HK$'000**	2020 HK$'000
Financial liabilities		
At amortised costs		
Other financial liabilities at amortised cost	**9,386**	17,079
Lease liabilities	**229**	541
Other borrowings	**24,486**	23,820
	34,101	41,440

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, finance lease receivables, deposits and other receivables, cash and bank balances, trade and other payables, other borrowings and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose them primarily to the financial risks of changes in foreign exchange risk and interest rate risk.

Market risk exposures are measured by sensitivity analysis. There has been no change to the Group's exposure to market risk or the manner in which it manages and measures the risk.

(i) Foreign exchange risk

The Group operates in Hong Kong and the PRC is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi ("RMB"). Foreign exchange risk arises from the foreign currency denomination of commercial transactions, assets and liabilities. The Group has no significant direct exposure to foreign currencies as most of the commercial transactions, assets and liabilities are denominated in a currency same as the functional currency of each entity of the Group.

(ii) Interest rate risk

The Group is also exposed to cash flow interest rate risk mainly in relation to variable rate bank balances. The Group's exposure to fair values interest rate risk is mainly caused by fixed-rate other borrowing. The Group monitors the interest rate exposure on a continuous basis and adjusts the portfolio of bank balances and borrowings where necessary.

At the end of the reporting period, the Group had no significant exposure to cash flow interest rate risk.

Credit risk and impairment assessment

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables, deposits and other receivables, finance lease receivables and cash and bank balances. At 31 December 2021, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Trade receivables, other receivables and finance lease receivables

Credit evaluations are performed on all customers requiring credit terms. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as to the economic environment.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore significant concentrations of credit risk primarily arises when the Group has significant exposure to individual customers.

The Group applies the HKFRS 9 general approach to measure ECL on finance lease receivables and other receivables. The Group estimates the amount of loss allowance for ECL on financial lease receivables and other receivables that are measured at amortised cost based on the credit risk of the finance lease receivables and other receivables. The Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

In respect of trade receivables and finance lease receivables arising from design and provision of energy saving solutions business, the Group has a concentration of credit risk in certain individual customers. At the end of each reporting period, the five largest receivable balances accounted for approximately 99.64% (2020: approximately 99.46%) of the trade receivables and the largest trade receivable was approximately 93.42% (2020: approximately 80.08%) of the Group's total trade receivables. At the end of each reporting period, the five largest receivable balances accounted for approximately 99.99% (2020: approximately 96.78%) of the finance lease receivables and the largest finance lease receivable was approximately 88.67% (2020: approximately 71.24%) of the Group's total finance lease receivables. The Directors closely monitor the risk exposure of the customers and collateral and would take appropriate action to ensure the risk exposure is acceptable. The Directors are of the view that the expected cash flow of trade receivables and finance lease receivables are sufficient to cover the carrying amount of trade receivables and finance lease receivables as at 31 December 2021.

In order to minimise the credit risk, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the management reviews the recoverability of each trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group applies simplified approach on trade receivables to provide for the ECL prescribed by HKFRS 9. The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Trade receivables, other receivables and finance lease receivables (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2021 and 2020:

As at 31 December 2021	**Expected loss rate %**	**Gross carrying amount HKD'000**	**Allowance for expected credit loss HKD'000**
Current (not past due)	**100.0**	**4,653**	**(4,653)**
Less than 1 month past due	**55.7**	**2,224**	**(1,238)**
1 to 3 months past due	**–**	**31**	**–**
3 months to 1 year past due	**100.0**	**1,224**	**(1,224)**
More than 1 year past due	**72.9**	**53,346**	**(38,891)**
		61,478	**(46,006)**

As at 31 December 2020	Expected loss rate %	Gross carrying amount HKD'000	Allowance for expected credit loss HKD'000
Current (not past due)	0.1	2,074	(1)
Less than 1 month past due	0.1	69	–
1 to 3 months past due	0.1	21	–
3 months to 1 year past due	0.1	72	–
More than 1 year past due	29.1	62,958	(18,319)
		65,194	(18,320)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Trade receivables, other receivables and finance lease receivables (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for finance lease receivables as at 31 December 2021 and 2020:

As at 31 December 2021	**Stage**	**Expected loss rate %**	**Gross carrying amount HKD'000**	**Allowance for expected credit loss HKD'000**
12-month ECL	Stage 1	**2.4**	**41,498**	**(991)**
Lifetime ECL (not credit impaired)	Stage 2	**38.1**	**8,030**	**(3,061)**
Lifetime ECL (credit impaired)	Stage 3	**100.0**	**30,144**	**(30,144)**
			79,672	**(34,196)**

As at 31 December 2020	Stage	Expected loss rate %	Gross carrying amount HKD'000	Allowance for expected credit loss HKD'000
12-month ECL	Stage 1	2.1	42,624	(897)
Lifetime ECL	Stage 2	63.0	38,315	(24,124)
			80,939	(25,021)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Trade receivables, other receivables and finance lease receivables (continued)

The following tables show the reconciliation of loss allowances that have been recognised for finance lease receivables:

	12m ECL HK$'000	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 January 2020	(514)	(2,916)	–	(3,430)
Changes due to financial instruments recognised as at 1 January 2020:				
– Transfer to lifetime ECL	(67)	67	–	–
– Impairment losses recognised	(415)	(20,312)	–	(20,727)
– Impairment losses reversed	8	32	–	40
Exchange adjustments	91	(995)	–	(904)
As at 31 December 2020	(897)	(24,124)	–	(25,021)
Changes due to financial instruments recognised as at 1 January 2021:				
– Transfer to credit-impaired	–	21,372	(21,372)	–
– Impairment losses recognised	(96)	(458)	(8,085)	(8,639)
– Impairment losses reversed	13	228	22	263
– Write-offs	15	1	–	16
Exchange adjustments	(26)	(80)	(709)	(815)
As at 31 December 2021	(991)	(3,061)	(30,144)	(34,196)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Trade receivables, other receivables and finance lease receivables (continued)

The closing loss allowances for including trade receivables, other receivables and finance lease receivables as at 31 December 2021 and 2020 reconcile to the opening loss allowances as follows:

	Trade receivables with extended credit terms HK$'000	Trade receivables with normal credit terms HK$'000	Other receivables HK$'000	Finance lease receivables HK$'000	Total HK$'000
At 1 January 2020	(4,810)	(7,167)	(9,200)	(3,430)	(24,607)
Reclassification of credit term	4,810	(4,810)	–	–	–
Allowance for expected credit losses recognised in profit or loss	–	(12,149)	–	(20,727)	(32,876)
Reversal of allowance for expected credit losses recognised in profit or loss	–	6,785	–	40	6,825
Exchange realignment	–	(979)	–	(904)	(1,883)
At 31 December 2020 and 1 January 2021	**–**	**(18,320)**	**(9,200)**	**(25,021)**	**(52,541)**
Reclassification of credit term	**–**	**–**	**–**	**–**	**–**
Allowance for expected credit losses recognised in profit or loss	**–**	**(26,808)**	**–**	**(8,639)**	**(35,447)**
Reversal of allowance for expected credit losses recognised in profit or loss	**–**	**5**	**–**	**279**	**284**
Exchange realignment	**–**	**(883)**	**–**	**(815)**	**(1,698)**
At 31 December 2021	**–**	**(46,006)**	**(9,200)**	**(34,196)**	**(89,402)**

Trade receivables, other receivables and finance lease receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period greater than agreed contract terms.

Impairment losses on trade receivables, other receivables and finance lease receivables are presented as net allowance of ECL within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Trade receivables, other receivables and finance lease receivables (continued)

Expected loss rates are based on actual loss experience over the past 2 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables, other receivables and finance lease receivables are set out in Notes 20, 21 and 22 respectively.

The management monitored the financial background and creditability of those debtors on an ongoing basis. The Group seeks to minimise its risk by dealing with counterparties which have good credit history. Majority of the trade receivables that are neither past due nor impaired have no default payment history. In this regard, the directors consider that the Group's credit risk is significantly reduced.

Deposits and bills receivables

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. The Group has assessed that the expected credit loss rate for these receivables are immaterial under 12 months expected credit losses method.

Deposits with bank

In respect to the Group's deposit with bank, the Group limits its exposure to credit risk by placing deposits with financial institution with high credit rating and no recent history of default. Given the high credit ratings of the banks, management does not expect any counterparty to fail to meet its obligations. The Group assessed 12m ECL for bank balances. Management will continue to monitor the position and will take appropriate action if their ratings are changed. As at 31 December 2021 and 2020, the Group has no significant concentration of credit risk in relation to deposit with bank. Based on the average loss rates, the 12m ECL on bank balances is considered to be insignificant and therefore no loss allowance was recognised.

In these regards, other than the credit risks mentioned above, the management considers the Group does not have any other significant credit risk and the exposures to these credit risks are monitored on an ongoing basis.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

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

	Weighted average interest rate %	Repayable on demand or less than 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
As at 31 December 2021							
Non-derivative financial liabilities							
Trade and other payables	**–**	**9,386**	**–**	**–**	**–**	**9,386**	**9,386**
Other borrowings	**17.0**	**28,649**	**–**	**–**	**–**	**28,649**	**24,486**
Lease liabilities	**9.6**	**237**	**–**	**–**	**–**	**237**	**229**
		38,272	**–**	**–**	**–**	**38,272**	**34,101**

	Weighted average interest rate %	Repayable on demand or less than 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
As at 31 December 2020							
Non-derivative financial liabilities							
Trade and other payables	–	17,079	–	–	–	17,079	17,079
Other borrowings	15.4	27,869	–	–	–	27,869	23,820
Lease liabilities	9.6	351	233	–	–	584	541
		45,299	233	–	–	45,532	41,440

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

6. CAPITAL RISK MANAGEMENT

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 optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes other borrowing, net of cash and bank balances and total equity comprising issued share capital and reserves. Details of which are disclosed in respective notes.

The Group monitors capital using a gearing ratio, calculated as net debt divided by total capital. Net debt is calculated as other borrowing, net of cash and bank balances. Total capital is calculated as "total equity" as shown in the consolidated statement of financial position plus net debt. The Group aims to maintain the gearing ratio at a reasonable level. The gearing ratios at the end of the reporting periods were as follows:

	2021 **HK$'000**	2020 HK$'000
Other borrowings (Note 26)	**24,486**	23,820
Less: cash and bank balances	**(18,886)**	(28,757)
Net debt/(cash)	**5,600**	(4,937)
Total equity	**48,210**	112,714
Total capital	**53,810**	107,777
Gearing ratio	**10.4%**	N/A

7. SEGMENT INFORMATION

Information reported to the Directors, being the chief operating decision maker ("CODM") for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which the Group is organised and specifically focuses on the Group's operating divisions. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

During the years ended 31 December 2021 and 2020, the Group operates in one operating segment which is the provision of design and provision of energy saving solutions. A single management team reports to the Directors of the Group (being the chief operating decision-maker) who comprehensively manages the entire business. Accordingly, the Group does not present separately segment information.

7. SEGMENT INFORMATION (continued)

Geographical information

The Group operates in two principal geographical areas – Hong Kong and the People's Republic of China (the "PRC").

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers		Non-current assets	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC	**7,583**	7,985	**40,717**	65,740
Hong Kong	**–**	–	**–**	135
	7,583	7,985	**40,717**	65,875

Information about major customer

Included in the Group's revenue of approximately HK$7,583,000 (2020: HK$7,985,000), the revenue of approximately HK$6,673,000 (2020: HK$6,730,000) which arose from two (2020: two) customers of the design and provision of energy saving solutions business which contributed 10% or more to the Group's revenue for the year.

Revenue from major customers, each of them amounted to 10% or more of the Group's revenue, are set out below:

	2021	2020
	HK$'000	HK$'000
Customer A (Note (a))	**4,533**	–
Customer B (Note (b))	**–**	3,574
Customer C (Note (b))	**–**	3,156
Customer D(Note (a))	**2,140**	–

Notes:

(a) No information on revenue for the year ended 31 December 2020 is disclosed for these customers since none of them contributed 10% or more than to the Group's revenue for the year ended 31 December 2020.

(b) No information on revenue for the year ended 31 December 2021 is disclosed for these customers since none of them contributed 10% or more than to the Group's revenue for the year ended 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

8. REVENUE

Revenue represents the aggregate of the amounts received and receivable from third parties, income from design and provision of energy saving solutions. Revenue recognised during the years are as following:

	2021 HK$'000	2020 HK$'000
Revenue from contracts with customers		
Energy saving solutions income	**6,679**	7,124
Repair and maintenance service income	**904**	861
	7,583	7,985

9. OTHER INCOME

	2021 HK$'000	2020 HK$'000
Bank interest income	**31**	19
Interest income on finance lease receivables	**159**	268
Interest income on extended trade receivables	**–**	1,136
Reversal of accrued service fee	**4,326**	–
Reversal of accrued interest expenses on other borrowings	**–**	1,262
Government grants (Note)	**–**	294
Exchange gain, net	**–**	42
Others	**7**	11
	4,523	3,032

Note:

During the year ended 31 December 2020, the Group recognised government grant of approximately HK$294,000 in respect of COVID-19-related subsidies which is related to Employment Support Scheme provided by the Hong Kong government.

10. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest expenses on other borrowing	**4,040**	3,593
Interest expenses on lease liabilities	**36**	27
	4,076	3,620

11. LOSS BEFORE TAXATION

The Group's loss before taxation is arrived at after charging/(crediting):

	Notes	2021 HK$'000	2020 HK$'000
Staff costs (including directors' remuneration)			
– Directors' fees	13	**1,230**	1,235
– Salaries, bonus and wages		**5,105**	8,125
– Equity-settled share-based payments		**–**	2,900
– Lieu of notice payment		**–**	1,294
– Contribution to retirement benefits schemes		**244**	427
		6,579	13,981
Auditors' remuneration			
– Audit services		**750**	630
– Non-audit services		**–**	150
Amortisation of intangible assets	17	**2,467**	4,540
Impairment loss on intangible assets	17	**21,678**	20,315
Impairment loss on property, plant and equipment	18	**104**	–
Impairment loss on right-of-use assets	19	**131**	257
Depreciation of property, plant and equipment	18	**12**	25
Depreciation expenses on right-of-use assets	19	**182**	482
Expenses relating to short-term lease		**91**	409
Exchange gain, net		**–**	(42)
Loss on disposal of property, plant and equipment		**–**	1
Net allowances for expected credit losses on trade receivables and finance lease receivables			
– Allowance for expected credit losses on trade receivables		**26,808**	12,149
– Allowance for expected credit losses on finance lease receivables		**8,639**	20,727
– Reversal of allowance for expected credit losses on trade receivables		**(5)**	(6,785)
– Reversal of allowance for expected credit losses on finance lease receivables		**(279)**	(40)
		35,163	26,051

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

12. TAXATION

	2021 **HK$'000**	2020 HK$'000
Deferred taxation		
Credit for the year (Note 27)	**3,622**	3,728

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

(i) Hong Kong Profits Tax

Under the two-tiered profits tax rates regime, the first HK$2 million of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK$2 million will be taxed at 16.5%. The assessable profits of corporation not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime is applicable to the Group for the years ended 31 December 2020 and 2021.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements.

No provision of profit tax as no assessable profit for the both years.

(ii) PRC Enterprise Income Tax

The subsidiaries of the Group established in the PRC is generally subject to PRC Enterprise Income Tax on its taxable income at an income tax rate of 25%. One of the Company's subsidiary in the PRC is qualified as a High Technology Enterprise from 18 November 2021 and enjoy PRC Enterprise Income Tax rate of 15%.

Reconciliation between tax expenses and accounting profit at applicable tax rates:

	2021 **HK$'000**	2020 HK$'000
Loss before taxation	**(69,545)**	(71,150)
Tax calculated at the rates applicable to the tax jurisdiction concerned	**(10,888)**	(11,271)
Tax effect of non-taxable income	**(710)**	(1,275)
Tax effect of non-deductible expenses	**10,536**	11,193
Tax effect of temporary differences	**(3,622)**	(3,728)
Tax effect of unused tax losses not recognised	**1,062**	1,353
Tax credit for the year	**(3,622)**	(3,728)

13. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the directors for the years ended 31 December 2021 and 2020:

Year ended 31 December 2021

	Directors' fees HK$'000	Basic salaries, allowances and other benefits HK$'000	Contributions to retirement benefit schemes HK$'000	Equity-settled share-based payment HK$'000	Total HK$'000
Executive directors					
Mr. Chong Kok Leong	360	–	–	–	360
Mr. Zhuang Miao Zhong	234	–	–	–	234
Mr. Cheng Lut Tim	336	–	–	–	336
	930	–	–	–	930
Independent non-executive directors					
Mr. Choy Hiu Fai, Eric	100	–	–	–	100
Mr. Huang Lizhi	100	–	–	–	100
Mr. Lam Yau Fung, Curt	100	–	–	–	100
	300	–	–	–	300
Total	1,230	–	–	–	1,230

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

13. DIRECTORS' EMOLUMENTS (continued)

Year ended 31 December 2020

	Directors' fees HK$'000	Basic salaries, allowances and other benefits HK$'000	Contributions to retirement benefit schemes HK$'000	Equity-settled share-based payment HK$'000	Total HK$'000
Executive directors					
Mr. Chong Kok Leong	450	–	–	341	791
Dr. Li Ai Guo (note (i))	110	503	54	124	791
Mr. Zhuang MiaoZhong	168	–	–	136	304
Mr. Cheng Lut Tim (note (ii))	12	–	–	–	12
	740	503	54	601	1,898
Independent non-executive directors					
Mr. Choy Hiu Fai, Eric	170	–	–	14	184
Mr. Huang Lizhi	169	–	–	14	183
Mr. Ng Kay Kwok (note (iii))	136	–	–	14	150
Mr. Lam Yau Fung, Curt (note (iv))	20	–	–	–	20
	495	–	–	42	537
Total	1,235	503	54	643	2,435

Notes:

(i) Dr. Li Ai Guo retired as executive director of the Company on 15 June 2020.

(ii) Mr. Cheng Lut Tim was appointed as executive director of the Company with effect from 19 December 2020.

(iii) Mr. Ng Kay Kwok resigned as an independent non-executive director of the Company with effect from 1 September 2020.

(iv) Mr. Lam Yau Fung, Curt was appointed as an independent non-executive director of the Company with effect from 19 October 2020.

There were no arrangements under which a director waived or agreed to waive any emoluments during the years ended 31 December 2021 and 2020. Apart from Directors, the Group has not classified any other person as chief executives during the years ended 31 December 2021 and 2020.

14. EMPLOYEES' EMOLUMENTS

(a) Five highest paid individuals

The five highest paid employees of the Group during the year included one (2020: two) directors, details of whose remuneration are set out in note 13 above. Details of the remuneration for the year of the remaining four (2020: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021	2020
	HK$'000	HK$'000
Salaries, bonus and other benefits	**3,182**	4,267
Contributions to retirement benefits schemes	**91**	72
Equity-settled share-based payment	**–**	2,031
	3,273	6,370

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Number of individuals	
	2021	2020
HK$		
Nil – 1,000,000	**2**	–
1,000,001 – 2,000,000	**2**	1
2,000,001 – 3,000,000	**–**	2
	4	3

14. EMPLOYEES' EMOLUMENTS (continued)

(b) Senior management of the Company

The emoluments of the senior management of the Company are within the following bands, including equity settled share-based payment:

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

During the years ended 31 December 2021 and 2020, no emoluments were paid by the Group to any of the highest paid individuals and senior management as an inducement to joining the Group or as compensation for loss of office.

15. DIVIDEND

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

16. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2021 **HK$'000**	2020 HK$'000
Loss		
Loss attributable to the owners of the Company for the purpose of basic and diluted loss per share	**(65,923)**	(67,422)

	2021 **'000**	2020 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**523,331**	389,097

Note:

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the year ended 31 December 2021 is based on share in issue during the year ended 31 December 2021. The weighted average number of ordinary Shares for the purpose of calculating basic loss per Shares for the year ended 31 December 2020 have been adjusted for the effects of placing of shares, share consolidation and rights issue of Shares completed on 27 July 2020, 26 August 2020 and 11 December 2020 respectively.

For the years ended 31 December 2021 and 2020, the Company's outstanding share options were not included in the calculation of diluted loss per share because the effects of the Company's outstanding share options were anti-dilutive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

17. INTANGIBLE ASSETS

	Patents
	HK$'000
Cost	
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	**889,901**
Accumulated amortisation and impairment loss	
At 1 January 2020	840,901
Amortisation expenses	4,540
Impairment for the year	20,315
At 31 December 2020 and 1 January 2021	**865,756**
Amortisation expenses	**2,467**
Impairment for the year	**21,678**
At 31 December 2021	**889,901**
Carrying amounts	
At 31 December 2021	**–**
At 31 December 2020	24,145

Notes:

(a) The intangible assets represent 7 patents regarding the acquired and owned "Ultra Performance Plant Control System" ("UPPC System") for its novelty and industrial applicability in the PRC under the cash generating unit of design and provision of energy saving solutions business.

(b) As at 31 December 2021, the remaining useful life of the patents for UPPC System is 8.8 years (2020: 9.8 years).

(c) The Group carried out a review of the recoverable amount of the patents which are allocated to energy saving solution business for impairment assessments. An impairment loss of approximately HK$21,678,000 (2020: HK$20,315,000) on the intangible assets allocated to energy saving solution business was recognised during the year.

17. INTANGIBLE ASSETS (continued)

Patents have been allocated for impairment testing purposes to the following group of cash generating units ("CGU"):

– Design and provision of energy saving solutions ("Energy Saving Business")

The Energy Saving Business CGU represented the entire provision of design and provision of energy saving solutions operating segment of the Group (see Note 7 in the consolidated financial statements).

Impairment testing on patents

The recoverable amount of the above CGU was determined on the basis of value in use calculations. The recoverable amount is based on certain assumptions. The value in use calculations use cash flow projections based on the financial budgets approved by the management covering a 10-year period. Given that the expected receipt of future economic benefits of projects are phased over its contractual life which generally lasts for 5 to 8 years, the management prepared a 10-year projection in order to better reflect the substance of such business model in the value in use of Energy Saving Business CGU. The pre-tax discount rate used is 19.15% (2020: 20.12%) per annum. Cash flows beyond 10-year period are extrapolated using a steady 2.51% (2020: 3%) growth rate per annum.

The management engaged an independent professional valuer to assess the value-in-use of Weldtech Group, which represented the CGU, as at 31 December 2021 which was used to determine the value-in-use of the CGU, after taking into account (i) the economic development of the PRC; (ii) the development of energy saving industry; (iii) the impact for outbreak of Novel Coronavirus (the "COVID-19") in PRC and (iv) the expected business flow and development plan of the Energy Saving Solutions Business during the valuation process. Due to the slow-down of the PRC economy as a result of the COVID-19 Pandemic and financial crisis faced by the PRC developers during the year that impacted the market negatively, commercial activities as well as energy consumption of existing and potential customers were weakened and hence in the preparation of the cash flow forecasts for the valuation as at 31 December 2021, the management forecasted decreases in profits and cash flows compared to those forecasted in last year for the valuation as at 31 December 2020.

Impairment loss of approximately HK$21,678,000 (2020: HK$20,315,000) were recognised during the year ended 31 December 2021 in respect of the patents. The recoverable amount of the CGU was determined to be approximately HK$21,000,000 as at 31 December 2021.

The decrease in the value-in-use valuation of the CGU and the resulting impairment loss HK$21,678,000 during the year ended 31 December 2021 was mainly due to the following factors: (i) the slow-down in the PRC economy and the continuing outbreak of the COVID-19 that weakened the market demand; (ii) decrease in revenue compared with last year; (iii) a more conservative approach to forecasting future revenue in coming years; (iv) the fierce competition within the Energy Saving Business; and (v) continuous lowering of government subsidies. Due to above factors, an overall poor market sentiment in energy saving sector was resulted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

17. INTANGIBLE ASSETS (continued)

Impairment testing on patents (continued)

The key assumption and major parameters used in the value in use calculations are as follows:

Budgeted market share	Average market share in the period immediately before the budget period. The values assigned to the assumption reflect past experience.
Budgeted gross margin	Average gross margins achieved in the period immediately before the budget period which reflect past experience.
Risk-free rate	2.78% (2020: 3.15%)
Cost of equity (pre-tax)	21.26% (2020: 26.58%)
Discount rate (pre-tax)	19.15% (2020: 20.12%)
Terminal growth rate	2.51% (2020: 3%)

18. PROPERTY, PLANT AND EQUIPMENT

	Office equipment HK$'000	Furniture and fixtures HK$'000	Computer HK$'000	Total HK$'000
Cost				
At 1 January 2020	1,091	46	1,364	2,501
Addition	–	–	18	18
Disposal	(43)	–	–	(43)
Exchange realignment	70	–	73	143
At 31 December 2020 and 1 January 2021	**1,118**	**46**	**1,455**	**2,619**
Addition	**–**	**–**	**4**	**4**
Exchange realignment	**31**	**–**	**32**	**63**
At 31 December 2021	**1,149**	**46**	**1,491**	**2,686**
Accumulated depreciation and impairment				
At 1 January 2020	1,020	46	1,319	2,385
Charge for the year	13	–	12	25
Disposal	(37)	–	–	(37)
Exchange realignment	66	–	70	136
At 31 December 2020 and 1 January 2021	**1,062**	**46**	**1,401**	**2,509**
Charge for the year	**–**	**–**	**12**	**12**
Impairment for the year	**58**	**–**	**46**	**104**
Exchange realignment	**29**	**–**	**32**	**61**
At 31 December 2021	**1,149**	**46**	**1,491**	**2,686**
Carrying amounts				
At 31 December 2021	**–**	**–**	**–**	**–**
At 31 December 2020	56	–	54	110

During the year ended 31 December 2021, the directors assessed the recoverable amount of the property, plant and equipment based on a value in use calculation by reference to the valuation performed by an independent valuer, concluded that amounts of approximately HK$104,000 (2020: Nil) was impaired in respect of Design and provision of energy saving solutions. Details of the key assumptions are set out in note 17.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

19. RIGHT-OF-USE ASSETS

	Leased properties HK$'000
Cost	
At 1 January 2020	839
Addition	649
Exchange realignment	66
At 31 December 2020 and 1 January 2021	**1,554**
Exchange realignment	**34**
At 31 December 2021	**1,588**
Accumulated depreciation and impairment	
At 1 January 2020	465
Charge for the year	482
Impairment for the year	257
Exchange realignment	44
At 31 December 2020 and 1 January 2021	**1,248**
Charge for the year	**182**
Impairment for the year	**131**
Exchange realignment	**27**
At 31 December 2021	**1,588**
Carrying amounts	
At 31 December 2021	**–**
At 31 December 2020	306

Lease liabilities of HK$649,000 are recognised with related right-of-use assets of HK$649,000 as at 31 December 2020. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Details of total cash outflow of leases is set out in the consolidated statement of cash flows.

During the current year, the Group leases the property for self-own use. Lease contracts are entered into for fixed term of two years (2020: two years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

During the year ended 31 December 2021, the directors assessed the recoverable amount of the right-of-use assets based on a value in use calculation by reference to the valuation performed by an independent valuer, concluded that amounts of approximately HK$131,000 (2020: HK$257,000) was impaired in respect of Design and provision of energy saving solutions. Details of the key assumptions are set out in note 17.

20. TRADE AND BILLS RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables with normal credit terms	**61,478**	65,194
Less: allowance for expected credit losses	**(46,006)**	(18,320)
Total trade receivables, net of allowance for expected credit losses	**15,472**	46,874
Bills receivables	**–**	148
	15,472	47,022

The ageing analysis of trade receivables is based on the invoice date, net of allowance for expected credit losses, as follows:

	2021 HK$'000	2020 HK$'000
0-90 days	**1,017**	2,163
91-180 days	**–**	72
Over 180 days	**14,455**	44,639
	15,472	46,874

According to the credit rating of different customers, the Group allows credit term average of 90 days to its customers. Trade receivables disclosed above include amounts which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The directors of the Company consider that these balances are fully recoverable.

In determining the recoverability of trade receivables, the Group considers any change in credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. The impairment loss recognised represents the difference between the carrying amount of the specific trade receivables and the present value of the expected recoverable amount.

Net allowance for expected credit losses of approximately HK$26,803,000 has been recognised for trade receivables during the year ended 31 December 2021 (2020: HK$5,364,000). Details of assessment for expected credit losses of trade receivables are set out in Note 5(b).

During the year ended 31 December 2021, no loss on early settlement of trade receivable has been recognised (2020: HK$289,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Prepayments	**1,571**	598
Receivables from disposal of a subsidiary (Note)	**9,200**	9,200
Other receivables	**124**	3
Refundable rental deposits and other deposits	**315**	446
	11,210	10,247
Less: allowance for expected credit losses on other receivables	**(9,200)**	(9,200)
	2,010	1,047

Note:

As at 31 December 2021 and 2020, the receivables from disposal of a subsidiary amounting to HK$9,200,000 was overdue and a allowance for expected credit losses of HK$9,200,000 was provided in previous years. No movement in allowance account for years ended 31 December 2021 and 2020.

Details of assessment for expected credit losses of other receivables are set out in Note 5(b).

22. FINANCE LEASE RECEIVABLES

	2021 HK$'000	2020 HK$'000
Current portion of finance lease receivables	**36,838**	31,986
Non-current portion of finance lease receivables	**42,834**	48,953
	79,672	80,939
Less: allowance for expected credit losses	**(34,196)**	(25,021)
	45,476	55,918

22. FINANCE LEASE RECEIVABLES (continued)

Leasing arrangements

Certain of the Group's energy saving equipments are leased out under finance leases. All leases are denominated in RMB. The term of finance lease entered into is range from 5–16 years (2020: range from 5–17 years).

Amounts receivable under finance leases

	Minimum lease payments		**Present value of minimum lease payments**	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
Not later than one year	**41,195**	32,524	**36,838**	31,986
Later than one year and not later than five years	**22,466**	22,531	**16,736**	17,060
Later than five years	**66,629**	79,573	**26,098**	31,893
	130,290	134,628	**79,672**	80,939
Less: Unearned finance income	**(50,618)**	(53,689)	**–**	–
Present value of minimum lease payments receivable	**79,672**	80,939	**79,672**	80,939
Less: Allowance for expected credit losses	**(34,196)**	(25,021)	**(34,196)**	(25,021)
	45,476	55,918	**45,476**	55,918

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

22. FINANCE LEASE RECEIVABLES (continued)

Amounts receivable under finance leases (continued)

Analysed for reporting purposes as:

	2021 **HK$'000**	2020 HK$'000
Current assets	**4,759**	14,604
Non-current assets	**40,717**	41,314
	45,476	55,918

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The effective interest rate is approximately 8.45% per annum for the years ended 31 December 2021 and 2020.

Finance lease receivables were considered credit-impaired when the customers fail to settle according to the settlement terms for more than 180 days after taking into consideration the recoverability of collateral and deposits.

Net allowance for expected credit losses of approximately HK$8,360,000 has been recognised for finance lease receivables during the year ended 31 December 2021 (2020: HK$20,687,000). Details of assessment for expected credit losses of finance lease receivables are set out in Note 5(b).

23. CASH AND BANK BALANCES

Bank balances carry interest at market rates from 0.01% to 0.35% (2020: 0.01% to 0.35%). The fair value of these assets approximates the corresponding carrying amount.

The Group has bank deposits denominated in Renminbi ("RMB"), which expose the foreign currency risk. RMB is not freely convertible into other currencies. The carrying amounts of the Group's RMB denominated monetary assets at the end of the reporting period are as follows:

	2021 **HK$'000**	2020 HK$'000
RMB	**4,662**	3,513

24. TRADE AND OTHER PAYABLES

	2021 HK$'000	2020 HK$'000
Trade payables	**664**	3,666
Accrued service fee for acquisition of a subsidiary	**–**	3,871
Accrued expenses	**2,106**	2,269
Interest payables	**5,085**	6,877
Receipts in advance (note)	**938**	4
Other payables	**593**	392
	9,386	17,079

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

	2021 HK$'000	2020 HK$'000
0 – 90 days	**57**	410
91 – 180 days	**–**	2,309
181 – 365 days	**10**	3
Over 365 days	**597**	944
	664	3,666

Trade payables are interest-free and normally settled on delivery. The average credit period for purchase of goods is 90 days.

Note: The receipts in advance relate to the advance consideration from customer for Energy Saving Solutions. This amount represent revenue expected to recognised in the future. The Group will recognise the expected revenue when the performance obligation is completed, which is expected to occur within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

25. LEASE LIABILITIES

	2021		2020	
	Present value of the minimum lease payments HK$'000	**Total minimum lease payments HK$'000**	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within one year	**229**	**237**	316	351
After one year but within two years	**–**	**–**	225	233
	229	**237**	541	584
Less: Total future interest expenses	**–**	**(8)**		(43)
Present value of lease liabilities		**229**		541

Analysed for reporting purposes as:

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Current liabilities	**229**	316
Non-current liabilities	**–**	225
	229	541

26. OTHER BORROWINGS

	2021 HK$'000	2020 HK$'000
Other borrowings	**24,486**	23,820
The carrying amounts of the above borrowing are repayable:		
Within one year shown under current liabilities	**24,486**	23,820

Notes:

(i) During the year ended 31 December 2017, a subsidiary of the Group entered into a loan agreement with a lender for other borrowing with principal amount of approximately RMB20,000,000, which is guaranteed by the Company, and carried a fixed interest rate at 12% per annum. On 28 September 2018, the loan agreement was expired and carried the default interest rate at 17% (12% p.a. stated in loan agreement and 5% additional default interest) per annum. The Group was negotiating the extended agreement with the lender of other borrowing during the years ended 31 December 2018 and 2019.

On 24 March 2020, the Group entered into a supplemental loan agreement with the lender of other borrowing to extend the maturity date of other borrowing to 31 December 2021, pursuant to terms and conditions under the supplemental loan agreement. Under the supplemental loan agreement, it states that the interest rate, for the period from November 2018 to 31 December 2019 remained at 12% p.a. Therefore, an amount of approximately HK$1,262,000 of reversal of accrued interest expense was recognised in the consolidated satement of profit or loss during the year ended 31 December 2020.

On 20 December 2021, the Group entered into another supplemental loan agreement with the lender of other borrowing whereby the lender agreed the payment terms of the outstanding loan amount be revised such that the Group shall repay not less than 70% of the receipts from trade receivable to the lender within five working days of receipt of monies from the trade debtors.

(ii) On 25 October 2019, the immediate holding company of the lender, CITIC International Assets Management Limited, increased the shareholding in the Company after the implementation of the scheme of arrangement and the lender became a related party of the Group with common shareholder.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

27. DEFERRED TAX LIABILITIES

The followings are the major deferred tax recognised and movements thereon during the current and prior years:

	Intangible assets HK$'000
At 1 January 2020	7,350
Credit to profit or loss (Note 12)	(3,728)
At 31 December 2020 and 1 January 2021	3,622
Credit to profit or loss (Note 12)	(3,622)
At 31 December 2021	–

At the end of the reporting period, the Group has estimated tax losses of approximately HK$44,658,000 (2020: HK$37,575,000) from the PRC available for offsetting against future taxable profits and will expire in ten years. No deferred tax assets have been recognised as it is uncertain that there will be sufficient future profits available to utilise the balances.

28. SHARE CAPITAL

	Number of shares		Share capital	
	2021	2020	**2021**	2020
	'000	'000	**HK$'000**	HK$'000
Issued and fully paid:				
At the beginning of the year	**523,331**	3,724,981	**3,177,339**	3,148,629
Placing of shares (Note (i))	**–**	200,000	**–**	7,760
Share consolidation (Note (ii))	**–**	(3,532,483)	**–**	–
Rights issues of shares (Note (iii))	**–**	130,833	**–**	20,950
At the end of the year	**523,331**	523,331	**3,177,339**	3,177,339

Notes:

(i) Placing of shares

On 27 July 2020, the Company placed 200,000,000 placing shares at the placing price of HK$0.04 per placing share. The net proceeds of approximately HK$7,760,000, after deducting the transaction costs of approximately HK$240,000, are intended to be used for general working capital of the Group and/or for future investments pursuant to the investment objectives of the Company. Details of the placing of shares were set out in the Company's announcements dated 13 July 2020 and 27 July 2020.

(ii) Share consolidation

Upon the share consolidation became effective on 26 August 2020, the share capital of the Company decreased from 3,924,981,811 ordinary shares ("Existing Shares") to 392,498,181 consolidated shares on the basis that every ten Existing Shares in the share capital of the Company to be consolidated into one consolidated share by the deduction of 3,532,483,630 shares. Details of the share consolidation were set out in the Company's announcements dated 31 July 2020, 20 August 2020 and 24 August 2020.

(iii) Rights issues of shares

On 11 December 2020, the Company completed a rights issue of Shares and issued 130,832,727 rights shares at a subscription price of HK$0.18 per rights share on the basis of one rights share for every three existing shares held on the record date, and the net proceeds of the rights issue, after deducting the transaction costs of approximately HK$2,600,000, were approximately HK$20,950,000 which were mainly used for general working capital of the Group and/or for future energy saving/clean energy related new projects. Details of the rights issue were disclosed in the announcements of the Company dated 16 October 2020 and 11 December 2020 and the circular of the Company 20 November 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

29. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	Notes	2021 HK$'000	2020 HK$'000
Non-current asset			
Interest in subsidiaries		–	390
Right-of-use assets		–	135
		–	525
Current assets			
Prepayments, deposits and other receivables		**181**	105
Amounts due from subsidiaries		**32,236**	44,403
Cash and bank balances		**7,878**	23,970
		40,295	68,478
Current liabilities			
Lease liabilities		**88**	165
Other payables and accruals		**1,360**	1,760
		1,448	1,925
Net current assets		**38,847**	66,553
Total assets less current liabilities		**38,847**	67,078
Non-current liability			
Lease liabilities		–	88
Net assets		**38,847**	66,990
Capital and reserves			
Share capital	30	**3,177,339**	3,177,339
Reserves		**(3,138,492)**	(3,110,349)
Total equity		**38,847**	66,990

Approved and authorised for issue by the board of directors on 25 March 2022 and signed on its behalf by:

Mr. Chong Kok Leong
Director

Mr. Zhuang Miaozhong
Director

29. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Movements of the Company's reserves

	Share capital HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2020	3,148,629	–	(3,103,542)	45,087
Loss for the year	–	–	(9,707)	(9,707)
Recognition of equity-settled share-based payments (Note 33)	–	2,900	–	2,900
Forfeit of share option	–	(138)	138	–
Placing of shares (Note 28)	8,000	–	–	8,000
Transaction costs attributable to placing of shares (Note 28)	(240)	–	–	(240)
Rights issues of shares (Note 28)	23,550	–	–	23,550
Transaction costs attributable to rights issues of shares (Note 28)	(2,600)	–	–	(2,600)
At 31 December 2020 and 1 January 2021	**3,177,339**	**2,762**	**(3,113,111)**	**66,990**
Loss for the year	**–**	**–**	**(28,143)**	**(28,143)**
Forfeit of share option	**–**	**(729)**	**729**	**–**
At 31 December 2021	**3,177,339**	**2,033**	**(3,140,525)**	**38,847**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

30. SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31 December 2021 and 2020 were as follows:

Name of companies	Place of Incorporation/ operation	Issued and fully paid-up share/ registered capital	Percentage of equity attributable the Company				Principal activities
			2021		2020		
			Direct	Indirect	Direct	Indirect	
Total Global Holdings Limited	BVI	US$50,000	**100%**	**–**	100%	–	Investment holding
Weldtech Technology Co., Limited	Hong Kong	HK$1,724	**100%**	**–**	–	100%	Investment holding
濠信節能科技(上海)有限公司[1] (Haoxin Technology (Shanghai) Company Limited)	PRC	Paid-up capital US$12,380,000	**–**	**100%**	–	100%	Design and provision of energy saving solutions
濠信節能科技(宿遷)有限公司[1] Haoxin Technology (Suqian) Company Limited	PRC	Paid-up capital HK$27,800,000	**–**	**100%**	–	100%	Design and provision of energy saving solutions

(1) These companies are registered as wholly-foreign-owned enterprises with limited liability 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.

31. CAPITAL COMMITMENT

Capital commitments at each of the end of the reporting period contracted but not provided for in the consolidated financial statements were as follows:

	2021	2020
	HK$'000	HK$'000
Commitments for the construction contract	**5,807**	3,365

32. RETIREMENT BENEFITS PLANS

The Group participate in a defined contribution scheme which is registered under a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the scheme are held separately from those of the Group, in funds under the control of trustee.

For members of the MPF Scheme, the Group contribute 5% or HK$1,500 in maximum of relevant payroll costs to the scheme, which contribution is matched by employees.

Pursuant to the regulations of the relevant authorities in the PRC, the Group participates in the PRC Schemes whereby the Group is required to contribute to the PRC Schemes to fund the retirement benefits of the eligible employees. Contributions made to the PRC Schemes are calculated based on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC. The relevant authorities of the PRC are responsible for the entire pension obligations payable to the retired employees. The only obligation of the Group with respect to the PRC Schemes is to pay the ongoing required contributions under the PRC Schemes.

The retirement benefit schemes contribution represents gross contributions by the Group to the PRC Schemes operated by the relevant authorities of the PRC.

The total cost charged to the profit or loss of approximately HK$91,000 (2020: HK$151,000) represents contributions paid and payable to the MPF Scheme by the Group in respect of the current year.

33. SHARE OPTION SCHEME

On 22 May 2008, the Company adopted a share option scheme (the "Share Option Scheme"), pursuant to which the board of directors of the Company (the "Board") may, at its discretion, grant options to the eligible participants (as defined in the Share Option Scheme) including employees, directors, shareholders and other person whom the Board considers, in its sole discretion, has contributed or will contribute to the Group. The subscription price for the shares under the Share Option Scheme will be a price determined by the Board in its absolute discretion but shall not be lower than the higher of (i) the closing price of the shares as stated in the Exchange's daily quotation sheet on the date of grant, which must be a business day; and (ii) the average closing price of the shares as stated in the Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of grant. The maximum number of shares which may be issued upon exercise of all outstanding options granted under the Share Option Scheme and any other share option scheme(s) of the Company must not exceed 30% of the total number of shares in issue from time to time. The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to a director, chief executive or substantial shareholder or any of their respective associates in excess of 0.1% of the Company's share capital and with a value in excess of HK$5,000,000 must be approved by the Company's shareholders. Options granted under the Share Option Scheme will entitle the holder to subscribe for shares from the date of grant up to the 10th anniversary of the date of grant. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

On 19 June 2020, a total of 116,203,500 options were granted to Directors and employees of the Group pursuant to the Share Option Scheme. The estimated fair value of share options granted on 19 June 2020 are approximately HK$2,900,000 and out of approximately 561,000 share options with fair value of approximately HK$138,000 were forfeited in relation to those Directors and employees resigned during the year.

As the fair value of the services received could not be estimated reliably by the Company, the fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on Binomial Option Pricing Model. The contractual life of the share option is used as an input into this model. Expectations of early exercise multiple are incorporated into the Binomial Option Pricing Model.

The number of outstanding share options and subscription price per share option was adjusted from HK$0.066 to HK$0.656 per share option after taking into account of the effect of the Share consolidation and rights issue during the year ended 31 December 2020.

33. SHARE OPTION SCHEME (continued)

The inputs into the model as grant date were as follows:

	2020
Grant date share price	HK$0.055
Share price:	HK$0.055
Exercise price:	HK$0.066
Adjusted exercise price	HK$0.656
Expected volatility:	67.55%
Risk-free rate:	0.32%
Expected dividend yield:	0%
Option period:	5 years
Fair value per option	HK$0.0246-0.0269

Expected volatility was determined by using the historical volatility of the Company's share price over the expected option period. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

During the year ended 31 December 2021, no share based payment expenses was recognised in relation to share option granted by the company (2020: HK$2,900,000).

Details of specific categories of options are as follows:

Date of grant	Vesting period	Exercise period	Exercise price
19 June 2020	Vested immediately from the date of grant	1 January 2021 to 31 December 2025	HK$0.656

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

33. SHARE OPTION SCHEME (continued)

Details of the terms and movements of the share options granted pursuant to the Share Option Scheme are as follows:

2021

Category of grantee	Date of grant	Exercise Price per share	Exercise Price per share after adjustment	Expiry date	Balance as at 1.1.2021 '000	Granted during the year '000	Adjusted during the year '000	Exercised during the year '000	Forfeited during the year '000	Balance as at 31.12.2021 '000
Directors	**19.6.2020**	**HK$0.066**	**HK$0.656**	**31.12.2025**	**1,887**	**–**	**–**	**–**	**–**	**1,887**
Employees	**19.6.2020**	**HK$0.066**	**HK$0.656**	**31.12.2025**	**9,236**	**–**	**–**	**–**	**(2,983)**	**6,253**
					11,123	**–**	**–**	**–**	**(2,983)**	**8,140**
Exercisable at the end of the year										**–**
Weighted average exercise price (HK$)					**0.656**	**–**	**–**	**–**	**0.656**	**0.656**
Weighted average remaining contractual life (years)										**4**

2020

Category of grantee	Date of grant	Exercise Price per share	Exercise Price per share after adjustment	Expiry date	Balance as at 1.1.2020 '000	Granted during the year '000	Adjusted during the year '000	Exercised during the year '000	Forfeited during the year '000	Balance as at 31.12.2020 '000
Directors	19.6.2020	HK$0.066	HK$0.656	31.12.2025	–	19,272	(17,334)	–	(51)	1,887
Employees	19.6.2020	HK$0.066	HK$0.656	31.12.2025	–	96,932	(87,186)	–	(510)	9,236
					–	116,204	(104,520)	–	(561)	11,123
Exercisable at the end of the year										–
Weighted average exercise price (HK$)					–	0.066	0.656	–	0.656	0.656
Weighted average remaining contractual life (years)										5

34. MATERIAL RELATED PARTIES TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, during the year the Group had the following transactions with related parties.

(a) Income or expense items:

	2021 HK$'000	2020 HK$'000
Rental expenses paid to a shareholder	**–**	240
Interest expense recognised to a company that became a related party after the implementation of the Scheme of Arrangement	**4,040**	3,593

The Directors are of the opinion that the transactions were entered into on normal commercial terms and in the ordinary course of the Group's business.

(b) Compensation of key management personnel

The key management of the Group comprises all Directors, details of their remuneration are disclosed in Note 13 to the consolidated financial statements. The remuneration of Directors is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

None of the above related party transactions falls under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Interest payable HK$'000	**Other borrowings** HK$'000	**Lease liabilities** HK$'000	**Total** HK$'000
At 1 January 2020	4,293	22,318	376	26,987
Changes from financing cash flows:				
Repayments of lease liabilities	–	–	(532)	(532)
Interest paid	(115)	–	–	(115)
Non-cash changes:				
Addition of lease liabilities (Note 25)	–	–	649	649
Finance costs (Note 10)	3,593	–	27	3,620
Reversal of accrued interest expenses (Note 9)	(1,262)	–	–	(1,262)
Exchange realignment	368	1,502	21	1,891
At 31 December 2020 and 1 January 2021	**6,877**	**23,820**	**541**	**31,238**
Changes from financing cash flows:				
Repayments of lease liabilities	**–**	**–**	**(354)**	**(354)**
Interest paid	**(6,119)**	**–**	**–**	**(6,119)**
Non-cash changes:				
Finance costs (Note 10)	**4,040**	**–**	**36**	**4,076**
Exchange realignment	**287**	**666**	**6**	**959**
At 31 December 2021	**5,085**	**24,486**	**229**	**29,800**

36. EVENT AFTER THE END OF REPORTING PERIOD

The recent escalation of COVID-19 to a global pandemic has an adverse impact on market sentiments and has posed challenge to the whole world. In the opinion of the directors, COVID-19 has not resulted in material impact to the Company's business, financial condition and results of operations during the year ended 31 December 2021 and its effect may continue in the year of 2022 and the Company will continue to closely monitor the development of the pandemic and take all possible and reasonable measures to mitigate the effect on the Company's operations.

37. APPROVAL FOR CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Directors on 25 March 2022.

SUMMARY OF FINANCIAL INFORMATION

For the year ended 31 December 2021

A summary of the results and of the assets and liabilities of the Group for the five financial years ended 31 December 2021, as extracted from the audited consolidated financial statements, is as set out below.

RESULTS

	For the year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**7,583**	7,985	41,272	50,506	80,719
Loss for the year attributable to owners of the Company	**(65,923)**	(67,422)	(109,325)	(1,371,738)	(193,233)
	HK cents	HK cents	HK cents (restated)	HK cents	HK cents
Loss per share					
– Basic	**(12.60)**	(17.33)	(42.42)	(59.47)	(8.45)
– Diluted	**(12.60)**	(17.33)	(42.42)	(59.47)	(8.45)

ASSETS AND LIABILITIES

	As at 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**82,311**	157,776	190,757	281,240	1,329,455
Total liabilities	**(34,101)**	(45,062)	(47,749)	(1,162,231)	(827,636)
Net assets/(liabilities)	**48,210**	112,714	143,008	(880,911)	501,819