

TATA Health International Holdings Limited

TATA健康國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1255)



2021 ANNUAL REPORT



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Board of Directors

Executive Directors

Mr. Yang Jun (*Chairman*)
Mr. Lai Wenjing

Non-executive Directors

Mr. Lin Zheming
Mr. Lin Jun
Mr. Chu Chun Ho, Dominic
Mr. Chen Anhua

Independent Non-executive Directors

Mr. Xie Rongxing
Prof. Yan Haifeng
Ms. Tan Yuying

Audit Committee

Mr. Xie Rongxing (*Chairman*)
Prof. Yan Haifeng
Ms. Tan Yuying

Remuneration Committee

Prof. Yan Haifeng (*Chairman*)
Mr. Xie Rongxing
Mr. Yang Jun

Nomination Committee

Mr. Yang Jun (*Chairman*)
Mr. Xie Rongxing
Prof. Yan Haifeng

Authorized Representatives

Mr. Lai Wenjing
Mr. Wong Tin Yu

Company Secretary

Mr. Wong Tin Yu

Registered Office

Clifton House
75 Fort Street
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

Flat F-J, 11th Floor
Block 2, Kwai Tak Industrial Centre
15-33 Kwai Tak Street
Kwai Chung
New Territories
Hong Kong

Stock Code

1255

Website

www.s-culture.com

Legal Adviser

CFN Lawyers
27/F, Neich Tower
128 Gloucester Road
Wanchai, Hong Kong

Auditors

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31st Floor, Gloucester Tower
The Landmark
11 Pedder Street
Central, Hong Kong

Cayman Share Registrar

Ocorian Trust (Cayman) Limited
Clifton House
75 Fort Street
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Hong Kong Branch Share Registrar

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

Principal Bankers

Bangkok Bank Public Company Limited
Hang Seng Bank Limited
National Australia Bank Limited



		For the year ended 31 December	
		2021	2020
Revenue	HK\$'000	160,925	155,363
Gross profit	HK\$'000	104,718	34,283
Loss before taxation	HK\$'000	(69,143)	(172,683)
Loss attributable to owners of the Company	HK\$'000	(60,761)	(151,869)
Gross profit margin	%	65.1	22.1
Loss margin attributable to owners of the Company	%	(37.8)	(97.8)
Loss per share — basic and diluted	HK\$	(0.26)	(0.71)

		As at 31 December	
		2021	2020
Current ratio		0.7 times	1.2 times
Gearing ratio (total debt to total equity)		311.8%	722.5%
Average trade receivables turnover period		17 days	34.6 days
Average trade payables turnover period		16.4 days	11.9 days
Average inventory turnover period		215.4 days	268.3 days





CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of TATA Health International Holdings Limited (the "Company" or "TATA Health", together with its subsidiaries, the "Group"), I am pleased to present the annual results of the Group for the year ended 31 December 2021 (the "Year").



Looking back on 2021, the COVID-19 pandemic remained severe and the overall economy was still sluggish. However, through adhering to a diversified strategy, which focused on footwear trading, while actively expanding healthcare products, internet medical and financial businesses, the Group's results during the Year managed to achieve a significant growth. The annual revenue of the Group has reached HK\$160.9 million, representing an increase of 3.5% as compared to the corresponding period of 2020. With the completion of the placing in mid-2021 and the proposed disposal of certain properties located in Hong Kong at the end of 2021, the Group's overall ability to continue as a going concern has also been greatly improved.

In terms of the footwear business, according to the information from the Hong Kong Tourism Board, the preliminary number of visitors arrivals to Hong Kong in 2021 was approximately 91,400 visitors, down by 97.4% year-on-year. The retail business in Hong Kong has been severely impacted, nonetheless, the revenue of the footwear business, which accounted for the main source of revenue of the Group, has shown a gratifying growth, with an increase of 18.8% as compared to that of 2020 and reached approximately HK\$152.9 million in 2021. Gross profit margin has also increased significantly to around 65.1% due to the substantial reduction in the provision for inventory allowance.

For the healthcare business segment, due to the prevention and control of the pandemic, some regions in Australia had fully implemented measures to stop entry and close borders. Consequently, the revenue of this segment during the Year was only approximately HK\$1.7 million. Based on the consideration of maintaining a sustainable level, this segment has significantly reduced various expenses, such as labour and rental. However, we are optimistic towards the future of the Chinese healthcare products market, and the Group will continue its investment in this business segment.

For the financial services segment, the segment has recorded revenue of approximately HK\$5.6 million during the Year, which was a significant decline when compared to the same period in 2020. To this end, apart from reducing the cost of labour in Hong Kong, the business sector has been actively looking for new potential markets since the beginning of the Year, such as increasing the layout in the Singapore market.

In 2021, while deepening the in-depth cooperation with the hospitals of three major universities in Shanghai, we also continued to consolidate the one-stop internet medical platform for the internet medical business. During the Year, only a revenue of approximately HK\$0.8 million was recorded. As of the end of the Year, the cumulative number of users and patients was approximately 140,000. Moreover, this segment has been actively exploring for new businesses. Through utilizing the advantages from cooperating with professional organizations in aspects such as traditional Chinese medicine and healthcare, it aims to develop a "medical + health" integrated business.

In the face of uncertainties ahead, the Group will actively respond and operate with prudence. On the premise of ensuring the sustainable and stable development of the existing businesses, the Group will implement a big health strategy, effective market development strategy and cost control. I, together with other members of the Board, will continue to contribute our experience, knowledge and efforts to achieve more optimal returns to the shareholders of the Company (the "Shareholders").

By order of the Board

TATA Health International Holdings Limited

Yang Jun

Chairman

31 March 2022



Operation Review and Future Development

In 2021, due to the deterioration of the global economy caused by COVID-19, the retail industry was seriously affected and the Company faced severe challenges. Nevertheless, the Group still actively seeks financing opportunities to make efforts to expand its market position in the big health industry. In addition to ensuring the sustainable and stable operation of its main business — the footwear business, the Group completed the construction of the one-stop Internet medical platform, and will also implement effective market development strategies, reduce costs, streamline the organizational structure and expand the healthcare products business in Australia. Also, with the completion of the placing in mid-2021 and the proposed disposal of properties located in Hong Kong at the end of 2021, the Group's overall ability to continue as a going concern has also been greatly improved.

Footwear Business

Revenue of the Group's footwear business for the Year was approximately HK\$152.9 million, representing an approximately 18.8% increase from approximately HK\$128.7 million for the year of 2020. We had recorded a same store sales growth of approximately 23.6% during the Year (2020: same store sales decline by approximately 39.6%). This was mainly due to the gradual recovery in sales in the fourth quarter of 2021 as a result of the positive local consumer spending sentiment and the local epidemic situation becoming stable during such period.

Healthcare Business

The revenue of the healthcare business segment for the Year was approximately HK\$1.7 million (2020: HK\$5.5 million), while a segment loss for the Year of approximately HK\$4.9 million (2020: HK\$6.2 million) was recorded. The decrease in revenue compared with the year of 2020 was due to the continuous outbreak of COVID-19 and months of lockdown and customs blockade in Australia.

Nevertheless, the healthcare business segment is still on the way to build a well-known Asia-Pacific cross-border channel supply chain and distribution network for healthcare, skincare, maternal and infants care and personal care products.

Financial Services

The operating revenue of DSG Finance Holdings (Hong Kong) Limited (a subsidiary of the Company) and its subsidiaries (collectively, the "DSG Group") derives from: (i) advisory services in securities; (ii) investment management services; and (iii) advisory services in corporate finance.

As COVID-19 seriously disrupted a wide range of Hong Kong's economic activities, DSG Group had only achieved a total revenue of approximately HK\$5.6 million (2020: HK\$20.3 million). The decrease was mainly due to the DSG Group's decreased income from investment management services. As the sharp slowdown of the Chinese economy started from the third quarter of 2021, the funds managed under DSG Asset Management (HK) Limited (a subsidiary of DSG Group) as the fund manager, failed to register a positive performance and their performance fee decreased accordingly.

Online Medical Services Business

The online medical services business of the Group, being the first to obtain an internet medical licence, is still the first and only class III comprehensive Internet hospital in Shanghai. It is entering into the post-entrepreneurial phase after completing the establishment of a one-stop Internet hospital platform. Revenue of approximately HK\$0.8 million was recorded during the Year (2020: HK\$0.9 million).

By the end of the Year, the cumulative number of registered users of the Internet hospital and orders for online consultation reached approximately 135,000 and 16,500, respectively.

Prospects

In 2021, the global economy continued to be affected by COVID-19. The Hong Kong Tourism Board (HKTB) announced that, affected by the COVID-19 pandemic, Hong Kong saw cumulative visitor arrivals of around 91,400 during the Year, a 97.4% drop year-on-year.

A UBS research report pointed out that the number of COVID-19 diagnoses in Hong Kong peaked in early March 2022 and gradually fell. It is expected that the total retail sales in Hong Kong may decline in the first half of 2022. However, with the government's distribution of HK\$10,000 consumption vouchers, it is believed that retail sales will recover strongly in the second half of 2022 and are expected to increase by 7% year-on-year. Based on the good performance of the footwear segment in 2021, the management expects that the footwear segment will also grow steadily in 2022.

In response to the economic downturn, the DSG Group will keep strengthening business cooperation with other business sectors of the Group to achieve synergy and sustainable growth.

For the healthcare business, by fully understanding and integrating huge market opportunities and customers' demand, the Group will continuously build a competitive brand supply chain and management model, develop and introduce new high quality health supplements to customers, to ensure the supply stability, price advantage, and utilize Australian natural components, and 100% genuine security system to gain Chinese consumers' favor.

The Group will continuously be dedicated to developing more sales channels and quality Australian supplement products with good, easy and fast services. Furthermore, as the Company has completed the specific mandate placing, and approximately 30% of the net proceeds raised therefore will be invested in the health industry, the healthcare business will intend to work with highly undervalued brands but with huge potential to become an exclusive distributor in Chinese market.

In light of the Group's strategic transformation towards the big health industry, the online medical services business is at the end of its start-up stage. After completing the construction of the one-stop Internet medical platform, the Group will strengthen marketing efforts and expand sales performance.

Overall, the performance of the Group was still affected by the macro environment caused by unstable factors such as COVID-19, etc. Nonetheless, the Group will continue to integrate the businesses of footwear, financial services, healthcare and online medical services to rationalise its structure of business segments, and will continue to look for strategic partnerships in the health sector to build up a healthy business ecosystem, and create substantial value for the Shareholders.

Financial Review

Revenue

Revenue of the Group's businesses for the Year was HK\$160.9 million, representing an approximately 3.5% increase from HK\$155.4 million for the year of 2020. The increase of revenue was mainly due to the increase of revenue of the footwear business in the amount of HK\$24.2 million.

Revenue from footwear business

Revenue of the Group's footwear business for the Year was HK\$152.9 million, representing an approximately 18.8% increase from HK\$128.7 million for the year of 2020.

With regard to the sales of the major brands under distribution agreements for the Year as compared with the year of 2020, sales of "Clarks" footwear products and "Josef Seibel" footwear products had increased by approximately 12.8% and approximately 63.7%, respectively.

As at 31 December 2021, the Group operated 29 retail outlets in Hong Kong (2020: 31) and 1 retail outlet in Macau (2020: nil).

Revenue from the provision of financial services

Revenue of the Group's financial services for the Year was HK\$5.6 million, representing an approximately 72.6% decrease from HK\$20.3 million for the year of 2020, which was mainly attributable to the decrease of asset management fee income.

Revenue from healthcare business

Revenue of the Group's healthcare business for the Year was HK\$1.7 million, representing an approximately 69% decrease from HK\$5.5 million for the year of 2020. The main reason for the sales decrease as compared with the year of 2020 was due to the continuous outbreak of COVID-19 and on-and-off lockdowns in Australia.

With regard to the sales of the major brands under distribution agreements for the Year, sales of AXS products, milk powder and other brands supplement products accounted for approximately 59.8%, 39.7% and 0.5% of total sales turnover, respectively.

Revenue from online medical services business

Revenue of the Group's online medical services business for the Year was approximately HK\$0.8 million (2020: HK\$0.9 million). As in 2020, due to the impact of COVID-19, the revenue of this segment remains at a low level.

Cost of Goods Sold

Our cost of goods sold amounted to HK\$56.2 million for the Year, representing approximately 34.9% of the Group's revenue (2020: HK\$121.1 million, representing approximately 77.9% of the Group's revenue). The decrease in cost of goods sold was mainly due to the reversal of allowance for inventories with the amount of approximately HK\$6.9 million.

Gross Profit

The gross profit (gross profit equals to revenue minus cost of goods sold) of the Group for the Year was HK\$104.7 million, representing an increase of approximately 205.5% from HK\$34.3 million of the year of 2020. Gross profit margin of the Group for the Year was approximately 65.1% (2020: approximately 22.1%). Such increase in gross profit margin was predominantly attributable to the increase of sales revenue for the footwear business and the reversal of allowance for inventories, with the amount of approximately HK\$24.2 million and HK\$6.9 million, respectively.

Depreciation

Depreciation accounted for approximately 8.6% of revenue for the Year (2020: approximately 14.5%).

Staff Costs

Staff costs for the Year were HK\$83.9 million, representing approximately 52.1% of the Group's revenue (2020: HK\$92.9 million, representing approximately 59.8% of the Group's revenue). The decrease in staff costs was mainly due to the decrease in number of staff of the Group as compared to the year of 2020.

Finance Costs

Our finance costs for the Year amounted to HK\$2.8 million (2020: HK\$3.6 million). The finance costs mainly consist of interest expenses incurred on the trade related financing facilities with banks, other borrowing and lease liabilities, and imputed interest on loans from related companies.

Loss Before Tax

As a result of the foregoing, our loss before tax for the Year was HK\$69.1 million, as compared to a loss before tax of HK\$172.7 million for the year ended 31 December 2020.

Liquidity and Financial Resources

The Group finances its working capital with internally generated cash flows, other borrowing and bank borrowings. As at 31 December 2021, the Group had bank balances and cash amounting to approximately HK\$26.7 million (31 December 2020: approximately HK\$28.2 million), representing a decrease of approximately 5.2% from 31 December 2020. Most of the bank deposits and cash were denominated in Hong Kong Dollars. As at 31 December 2021, the Group had short-term bank borrowings amounting to approximately HK\$15.7 million (31 December 2020: approximately HK\$27.7 million) and other borrowings with the amount of approximately HK\$15.0 million (2020: HK\$15.0 million). As at 31 December 2021, the Group did not have any outstanding long-term bank borrowings, except for loans from related companies and a lease liability of approximately HK\$11.7 million and HK\$2.0 million, respectively.

Pledge of Assets

As at 31 December 2021, leasehold land and buildings, assets classified as held for sale, investment properties and deposit and prepayment for a life insurance policy (31 December 2020: leasehold land and buildings, investment properties, deposit and prepayment for a life insurance policy) were pledged to secure the bank borrowings and banking facilities granted to the Group.

Gearing Ratio

As at 31 December 2021, the Group's gearing ratio (total debt to total equity) was approximately 311.8% (31 December 2020: approximately 722.5%). The lower gearing ratio was mainly attributable to the increase of non-current assets and the decrease of non-current liabilities with the amount of approximately HK\$26.6 million and HK\$35.8 million, respectively.

Property, plant and equipment impairment related to the footwear products and financial services segments

Circumstances leading to the impairment:

As a result of the changes in the current economic environment related to the COVID-19 pandemic and the segment losses for the trading of footwear products segment and financial services segment of the Group for the Year, the management of the Group concluded there was an indication for impairment and conducted an impairment assessment on recoverable amounts of property, plant and equipment. The Group estimates the recoverable amounts of the several cash-generating units in the trading of footwear products segment and financial services segment to which the assets belong, cannot generate cash inflows individually, nor can they allocate corporate assets on a reasonably consistent basis.

Management Discussion and Analysis

The recoverable amount of each cash-generating unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the Group covering the following 5 years or the remaining lease terms of each cash-generating unit. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on each cash-generating units' past performance and managements' expectations for the market development. The growth rates and discount rate have been reassessed as at 31 December 2021 taking into consideration the lower degree of estimation uncertainties in the current Year due to the gradual recovery from the COVID-19 pandemic.

The recoverable amount of financial services segment is considered minimal.

Based on the result of the assessment, the management of the Group determined that the recoverable amount of each cash-generating unit is lower than the carrying amount. The impairment amount has been allocated to each category of property, plant and equipment such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero.

Assets Classified as Held For Sale

On 27 September 2021, Kong Tai Sundry Goods Company Limited (an indirect wholly-owned subsidiary of the Company) (the "Vendor") and Real Champ Investment Limited (a company which is ultimately owned as to 73.5% by Mr. Chong Hot Hoi (who was a director of the Vendor in the past 12 months from 31 December 2021 and therefore a connected person of the Company at the subsidiary level) and as to 26.5% by Mr. Chu Chun Ho, Dominic (a non-executive Director)) (the "Purchaser") entered into an expression of interest which sets out the terms and conditions on which the Purchaser is interested, in principle, in purchasing certain properties held by the Vendor and the parties further entered into a formal sale and purchase agreement on 31 December 2021 relating to the disposal of one parking lot and several properties located in Hong Kong (the "Properties") at a consideration of HK\$41 million (the "Disposal") and which were classified as investment properties and property, plant and equipment. The Disposal was scheduled to be completed on or before 11 February 2022, and thus the Properties have been classified as assets held for sale and were presented separately in the consolidated statement of financial position. The completion of the Disposal took place on 11 February 2022.

The Purchaser agreed to continue to provide the Properties as pledge for the Group to obtain banking facilities.

Advance to Entity

On 1 August 2018, Shang Ying Health Holdings Limited (an indirect wholly-owned subsidiary of the Company) ("SY Health"), as lender, entered into a loan agreement with Century Health Holdings Co., Limited ("Century Health"), as borrower, pursuant to which SY Health had agreed to grant a secured loan to Century Health with a principal amount of AUD8,000,000 bearing interest at a rate of 2.5% per annum for a term of 3.5 years (the "Loan"), for the purpose of funding the health products business of Century Health and its subsidiaries (the "CH Group"). The Loan was secured by: (a) a first ranking security over all assets of Century Health; (b) a first ranking security over 90% of the entire issued share capital of Century Health held by Sixth Avenue Group Holdings Pty Ltd; and (c) personal guarantees held by two key individuals of the CH Group. For further details, please refer to the announcement of the Company dated 1 August 2018. The Loan with the amount of AUD7,137,356 had been advanced to Century Health in 2021.

Future Plans for Material Investments or Capital Assets

As disclosed in the paragraph headed "Prospects" above, the Group will continue to integrate the business and look for strategic partnerships in the health sector to build up a healthy business ecosystem. The Company will also actively seek various kinds of financing to make efforts to transform the big health industry.

Considering the deterioration impact of the continuous worsening outbreak of COVID-19 on the Group's sustainable operation, the management will implement more prudent and effective market development strategies, and more strict cost controls.

Significant Investments Held, Material Acquisitions or Disposals of Subsidiaries, Associates and Joint Ventures

Save as disclosed below, the Group had no significant investments held, nor any material acquisitions or disposals of subsidiaries, associates and joint ventures during the Year.

Proposed Investment in Promethera Therapeutics SA

Shang Ying International Trade Holdings Limited ("Shang Ying Trade", a subsidiary of the Company) (as investor and lender), the Company (as guarantor for the payment obligations of Shang Ying Trade under the Investment and Shareholders Agreement as defined below), Promethera Biosciences SA (as shareholder) and Promethera Therapeutics SA (as company) entered into an investment and shareholders agreement (the "Investment and Shareholders Agreement") dated 29 June 2021 and an amendment agreement (the "Amendment Agreement") dated 30 August 2021 with other co-investors and co-lenders, pursuant to which the investors and lenders agreed to make an investment for a total amount of EUR19,994,711.80 in Promethera Therapeutics SA and Promethera Therapeutics SA agreed to issue new shares to the investors and take out loans from the lenders. Under the Investment and Shareholders Agreement, Shang Ying Trade conditionally agreed to (i) subscribe for 186,516 new shares to be issued by Promethera Therapeutics SA for EUR6,999,945.48; and (ii) lend a loan in the principal amount of EUR3,000,000 in return for a warrant entitling Shang Ying Trade to convert the loan into shares of Promethera Therapeutics SA. Under the Amendment Agreement, Shang Ying Trade will provide an additional cash advance of EUR1,000,000, which is refundable upon fulfilment of a specific condition precedent. Upon completion of the Investment and Shareholders Agreement, Shang Ying Trade will hold approximately 37.61% of the enlarged issued share capital of Promethera Therapeutics SA. Shang Ying Trade (as purchaser), Promethera Biosciences SA (as seller) and Promethera Therapeutics SA (as seller) also entered into the share purchase deed dated 29 June 2021 ("Share Purchase Agreement"), pursuant to which Shang Ying Trade conditionally agreed to acquire 40% of the total issued share capital of Aceso-Promethera Asia Company Limited for a consideration of EUR1 subject to (among other things) the Investment and Shareholders Agreement becoming unconditional as to completion.

As the conditions precedent to the Investment and Shareholders Agreement and the Share Purchase Agreement have not been fulfilled and/or waived (as the case maybe) by the specified long stop date, the Investment and Shareholders Agreement and the Share Purchase Agreement have lapsed. Shang Ying Trade has paid a sum of EUR500,000 to date, being cash advanced under the Investment and Shareholders Agreement. Shang Ying Trade has not paid the EUR1,000,000 additional cash advance under the Amendment Agreement. The Company has also appointed AGIO LEGAL, a local law firm in Belgium, as legal counsel to provide advice to the Group and deal with relevant matters involved after the subsequent termination of the said agreements.

For details, please refer to the announcements of the Company dated 29 June 2021, 10 August 2021, 30 August 2021, 20 October 2021 and 27 October 2021, respectively.

Treasury Policy

The Group adopts a treasury policy that aims to better control its treasury operations and lower borrowing costs. As such, the Group endeavours to maintain an adequate level of cash and cash equivalents to address short-term funding needs. The Board will also consider various funding sources depending on the Group's funding needs to ensure that the financial resources have been used in the most cost-effective and efficient way to meet the Group's financial obligations. The Board reviews and evaluates the Group's treasury policy from time to time to ensure its adequacy and effectiveness.

The Subscription

On 25 March 2021, each of Fly Smart Limited, Crystal Cosmic Limited, Ms. ZHU Tongxia, Mr. MIAO Xianrui and Mr. HAN Liang (the "Subscribers") entered into a subscription agreement with the Company, pursuant to which the Company has conditionally agreed to allot and issue, and each of the Subscribers has conditionally agreed to subscribe for an aggregate of 28,845,000 new Shares (the "Subscription Share(s)") at the subscription price of HK\$2.6 per subscription Share (the "Subscription"). The aggregate nominal value of the Subscription Shares was HK\$288,450. The net price of each Subscription Share was approximately HK\$2.58 and the closing price per Share on the date of the subscription agreements was HK\$3.75.

Management Discussion and Analysis

The Subscription was completed on 18 May 2021 and the gross proceeds and net proceeds raised were HK\$74,997,000 and HK\$74,497,000, respectively. The Directors considered that the Subscription represented an opportunity to raise funding for the business development of the Group and would strengthen the Group's financial position. For further details, please refer to the announcement and circular of the Company dated 25 March 2021 and 28 April 2021, respectively.

The following table sets out the details of the intended use of the net proceeds from the Subscription and the amount of net proceeds that the Group had utilised during the Year:

	Approximate proportion of total amount	Intended use of net proceeds from the Subscription	Net proceeds utilised during the Year	Unutilised net proceeds as at 31 December 2021	Expected timeline for utilising the unutilised net proceeds <i>(Note)</i>
Replenishment of the Company's working capital, for payment of items such as salaries, administrative expenses and fees charged by various professional parties	25%	HK\$18,624,250	HK\$18,624,250	Nil	—
Improvement of the Company's one-stop-shop Internet hospital platform, which will be mainly utilized in the areas of customer service support, user acquisition, product improvement and development	15%	HK\$11,174,550	HK\$11,174,550	Nil	—
For the Australian health supplement sector, strengthening the supply chain, developing and introducing new products, and developing the online platform of the Company's subsidiary, SAP, Zebra	30%	HK\$22,349,100	HK\$22,349,100	Nil	—
Seeking new business development opportunities and acquisition targets in the healthcare industry, identifying high-growth investment targets that are in line with the Company's strategy and enhance the Company's value	30%	HK\$22,349,100	HK\$21,080,480.9	HK\$1,268,619.1	By 31 December 2022
Total	100%	HK\$74,497,000	HK\$73,228,380.9	HK\$1,268,619.1	

Note: The expected timeline for utilising the unutilised net proceeds is based on the best estimation of the future market conditions made by the Group. It may be subject to change based on the current and future development of market conditions.

Announcement pursuant to Rule 3.7 the Takeovers Code

On 7 May 2020, the Company had received a letter from Alvarez & Marsal Asia Limited regarding the appointment of Ms. Yeung Mei Lee and Ms. Wing Sze Tiffany Wong as joint and several receivers and managers (collectively, the "Receivers") over 119,993,617 shares of the Company (the "Charged Shares") held by Shang Ying Financial Holding Co., Limited (the "Borrower"), which had been charged to Great Wall International Investment X Limited. The number of Charged Shares increased to 123,993,617 on 18 May 2021, represented approximately 51.06% of the issued Shares as at the date of this report, and the Company was given to understand that the Receivers may look for potential purchaser(s) for the Charged Shares (the "Possible Transaction") which was subsequently suspended in April 2021 and resumed operation in January 2022. For further details of the Possible Transaction, please refer to the announcements of the Company dated 8 May 2020, 12 May 2020, 12 June 2020, 13 July 2020, 13 August 2020, 11 September 2020, 12 October 2020, 12 November 2020, 11 December 2020, 12 January 2021, 11 February 2021, 12 March 2021, 12 April 2021, 13 January 2022, 11 February 2022, 11 March 2022 and 13 April 2022, respectively.

Foreign Currency Risk

The Group's sales and purchases for the Year were mostly denominated in Hong Kong dollars, Renminbi, Macau Pataca, Singapore dollars, Euros, US dollars and Australian dollars. The Renminbi is not a freely convertible currency, and the currency market for Macau Pataca is relatively small and undeveloped. In view of the above, future exchange rates of the above currencies could vary significantly from the current or historical exchange rates as a result of the controls that could be imposed by the respective governments and the depth and breadth of the respective markets of currency exchange. The respective exchange rates may also be affected by economic developments and geopolitical changes domestically and internationally, and the demand and supply of the respective currencies. The appreciation or devaluation of the respective currencies against Hong Kong dollars may also have an impact on the Group's results.

The Group manages its foreign currency risk by closely monitoring the movements of foreign currency exchange rates. The Group did not enter into any foreign currency forward contracts to hedge against foreign currency risk as at 31 December 2021.

Human Resources

As at 31 December 2021, the Group employed 185 employees (2020: 228). Remuneration packages are generally structured by reference to market terms and individual qualifications and experience. During the Year, various training activities, such as training of product and service knowledge, management skills as well as local consumer laws were conducted to improve the quality of sales services.

Dividends

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

Total Shareholder Return

Total shareholder return ("TSR") is calculated based on capital gains and dividends of the shares of the Company. The Company had a TSR of approximately negative 43.0% for the Year (2020: negative 22.9%).

Independent Auditors' Report

The Group's auditors has issued an unmodified opinion with a material uncertainty related to going concern in the independent auditors' report on the audit of the consolidated financial statements of the Group for the Year.

Material Uncertainty Related to Going Concern

As described in note 3.1 to the consolidated financial statements, which indicates that the Group incurred a net loss of approximately HK\$70,454,000 during the Year and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK\$38,004,000. As stated in note 3, these events or conditions, along with other matters as set forth in note 3, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The auditors' opinion is not modified in respect of this matter.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To show its strong commitment towards the community, the Group endeavours to undertake responsibilities and obligations as a corporate citizen of the community by contributing to environmental protection, social progress and development in our course of business. In accordance with the requirements set forth in Environmental, Social and Governance Reporting Guide (the “ESG Guide”) contained in Appendix 27 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), TATA Health hereby presents this Environmental, Social and Governance (“ESG”) report (“ESG Report”) for the Year.

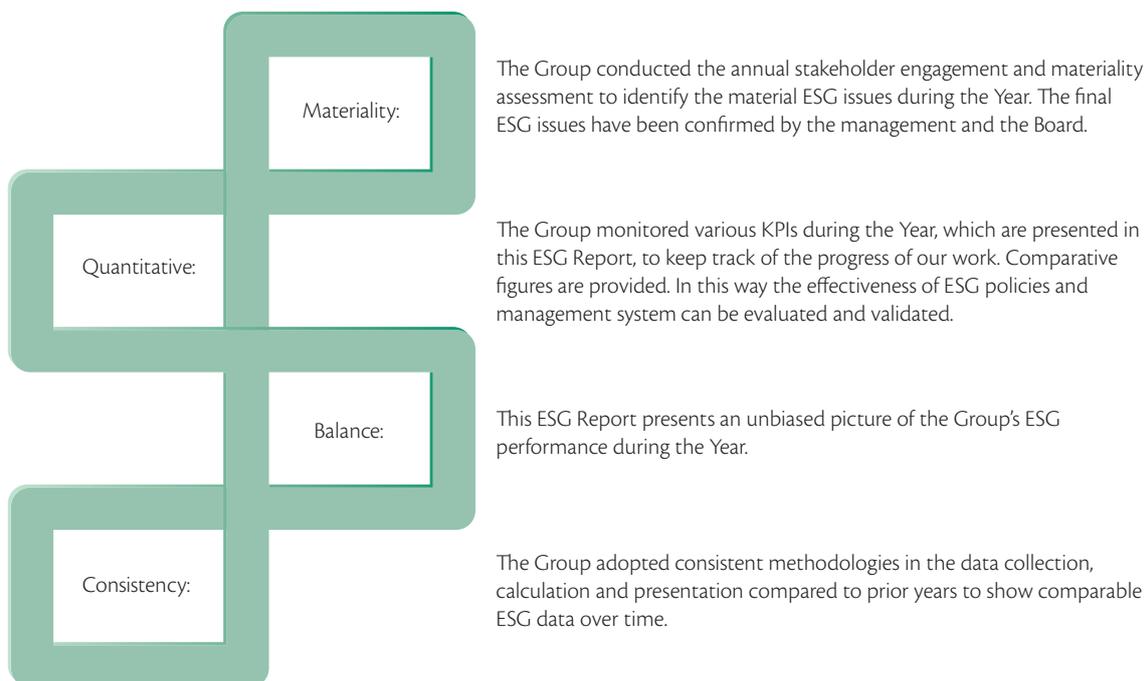
Reporting Scope

TATA Health strives to add value for its Shareholders, customers and the community through its aspiration to provide top-notch product quality and service delivery, while continually focusing on sustainability. The Group also commits to improving its ESG performance by upholding good corporate governance standards, protecting our environment including reducing greenhouse gas emissions, reducing energy consumption, protecting the environment and natural resources, and providing employees with an excellent and safe working environment. This annual report describes the performance and initiatives of TATA Health’s operations in Hong Kong and Australia, including our footwear business, healthcare business and financial service business¹ which are the principle businesses of the Group. This ESG Report includes only material ESG issues which have been identified by TATA Health through materiality assessment and were directly controllable by the Group.

During the Year, the Group continued to expand the online medical service business, Shangying Internet Medical (Shanghai) Co. Limited (“Shangying Medical”), an indirect non-wholly owned subsidiary of the Company. The “Fever Consultation Platform of Shanghai” (a WeChatMini Program called “Novel Coronavirus Workshop”), which was jointly established with Shanghai Xuhui District Central Hospital by the Group, was in operation during the Year.

Reporting Principle

The Group strictly follows the four Reporting Principles during the preparation of this ESG Report.



¹ This Year, we have incorporated the financial services segment into the reporting scope as the operations of the financial services segment was becoming more material and ESG data collection mechanism was enhanced during the Year which made the inclusion feasible.

Vision and Strategy

Vision

The Group is devoted to building up a healthy business ecosystem and promote a better lifestyle for people.

Mission

Keep integrating and developing the business on human lifestyle and healthcare products, rationalize our structure of company segments, and continue to optimize healthy business ecosystem.

Values

Promote and optimize human's healthy life and generate substantial value to our Shareholders.

ESG Working Group

The Group is committed to fulfilling stakeholders' expectations on its ESG practices. The Board has the overall responsibility for the Group's ESG strategy and reporting, and is responsible for ensuring that appropriate and effective ESG risk management and internal control systems are in place.

To further raise awareness of environmental protection and social responsibility and drive behavioural changes among employees, we have established the ESG Taskforce with representatives from different functions, including finance, human resources, retail shops, healthcare and financial services functions, with endorsement from the Board. The ESG Taskforce monitors issues that are material to the Group's operations. In addition, the ESG Taskforce evaluates the impact, efficiency and effectiveness of policies that are already in place, and takes remedial actions if the ESG policies are not properly implemented. The Group collects environmental, social and governance information on a regular basis through ESG Taskforce, and then consolidates, analyses and discloses performance in the ESG report. Through the analysis, the Group's ESG risk would then be identified and assessed. In addition, the Group will continue to monitor ESG performance and will seek feasible measures to achieve the goal of emission reduction and consumption reduction from year-on-year basis. ESG risks in the Group's operations are covered by its comprehensive risk management and internal control systems as described in the section headed "Risk Management and Internal Control" under the "Corporate Governance Report". As part of the Group's internal control systems, an independent professional consultant has been engaged for ongoing assessment of the risk management and internal control systems so as to identify potential deficiencies and provide recommendations for improvement accordingly.

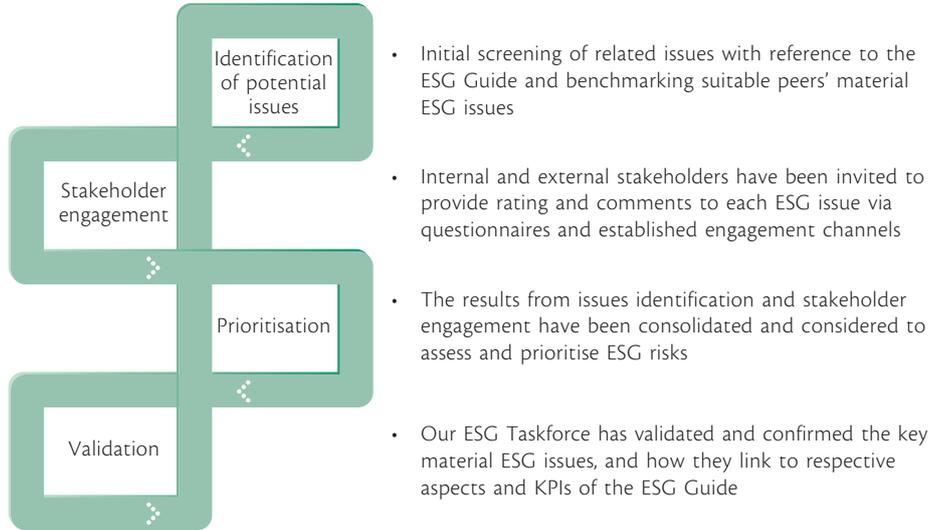
Stakeholder Engagement

With the aim to achieve sustainable development, it is essential to understand the stakeholder's expectations and concerns. In order to identify key ESG matters of the Group, we have engaged with the internal and external stakeholders of the Group and provided updates on recent developments through diverse engagement channels. The table below highlights the key stakeholders and the communication channels:

<i>Major stakeholder groups</i>	<i>Key engagement channels</i>
<i>Shareholders and investors</i>	<ul style="list-style-type: none"> ✓ Annual general meeting and notices ✓ Regular corporate publications including financial statements ✓ Circulars and announcements whenever necessary ✓ Enquiries and suggestions mailed to the Company's principal place of business ✓ Meetings and responses to verbal and written enquiries on an as-needed basis
<i>Government and regulatory bodies</i>	<ul style="list-style-type: none"> ✓ Verbal and written communications on an as-needed basis
<i>Media</i>	<ul style="list-style-type: none"> ✓ Company website ✓ Press conferences ✓ Responses to verbal and written enquiries on an as-needed basis
<i>Employees</i>	<ul style="list-style-type: none"> ✓ Weekly business and operational meetings ✓ Monthly group meeting ✓ Internal meetings whenever needed ✓ Regular email communication
<i>Customers</i>	<ul style="list-style-type: none"> ✓ Customer service hotline ✓ Marketing and promotion activities ✓ Company website
<i>Suppliers/business partners</i>	<ul style="list-style-type: none"> ✓ Regular communication meeting ✓ Site visit ✓ Cooperation agreement
<i>Community and general public</i>	<ul style="list-style-type: none"> ✓ Charity activities ✓ Community activities
<i>Board members</i>	<ul style="list-style-type: none"> ✓ Board and committee meetings

Materiality Assessment

For the purpose of the materiality assessment, in addition to the above-mentioned engagement channels, we have performed a specific stakeholder survey in order to understand the views and opinions of the key stakeholders, who have significant influence or dependency on the Group's operations, on the Group's ESG issues. According to the results from the stakeholder engagement exercise, we have performed a materiality assessment to identify relevant ESG issues and assess their materiality to the Group's businesses as well as to the stakeholders. The materiality assessment process is set out as follows:



Materiality Matrix

The matrix below lists out the ESG issues which were determined to be material to the Group during the Year:

Aspect	Issue	
Environment	1	Waste generation, handling and/or recycling
	2	Water consumption
	3	Energy consumption and CO ₂ emission
	4	Packaging material used for products
	5	Use of natural resources
Employees	6	Employee welfare and benefits
	7	Staff recruitment, training, promotion, development and retention
	8	Diversity and equal opportunities
	9	Open communications and transparency
	10	Occupational health & safety
	11	Employment practices and labour standards
Customers/Clients	12	Products and services responsibility
	13	Product recall procedures
	14	Customer service and complaint handling
	15	Client data protection and privacy
Community	16	Contributions to local communities
	17	Employee volunteering in the community
Corporate Governance	18	Anti-Corruption/bribery
Supply Chain	19	Sourcing of materials and products from eco-friendly suppliers



Through the materiality assessment, we have prioritized the ESG issues based on (i) external interest; and (ii) internal assessment on importance to business, in order to ensure the most concerned ESG issues of the stakeholders are aligned with the Group’s strategic sustainability framework. The top right region lists out highly material issues, whereas the least material issues are shown at the bottom left.

Our Sustainability Strategy

To deliver our commitment to creating value for stakeholders in a more systematic approach, the Group’s sustainability strategy is built on four pillars: Environment, Business, Employees and Community. In this ESG Report, we proudly present our effort and performance on the Group’s sustainable development in accordance with the four pillars and we will continue to engage with our stakeholders to review and explore opportunities to further improve and refine the sustainability strategy.

Our Environment	Our Employees	Our Business	Our Community
We strive to establish environmental initiatives to protect the environment	We care for our employees’ wellbeing and development	We promise to serve our customers with utmost sincerity and dedication	We contribute ourselves in bettering social harmony

Our Environment

With the increasing public awareness to environmental issues due to the prominence of climate change and extreme weather, the Group attaches much importance to environmentally friendly practices by advocating green culture in the corporate landscape. In this regard, the Group focuses on controlling the impact of its operations on the environment and natural resources. In addition to complying with environment-related laws and international standards, the Group has incorporated the green concept into the Group's internal management and daily operational activities so as to achieve the goal of sustainable development, and has continuously assessed and controlled the potential impact of its activities on the environment.

Due to the retail and service provision nature of the Group's business, we generate neither significant amounts of emissions nor consume significant amounts of resources. As such, there are no environment-related laws and regulations that have a material impact on the Group. During the Year, the Group did not note any cases of non-compliance relating to the environmental laws and regulations in Hong Kong and Australia.

Emissions

The Group's operations involve the procurement of footwear products for retailing, the trading of healthcare products as well as the provision of financial advisory services. It did not generate significant air emissions, water discharge nor hazardous waste during the Year, with only a limited amount of non-hazardous waste from administrative and selling activities. Therefore, disclosures in relation to air emissions, water discharge and hazardous waste are considered inapplicable, while the amount of non-hazardous waste is considered immaterial and therefore not disclosed. The Group will continue to monitor the amount of non-hazardous waste produced each year and will seek to reduce the amount of waste produced from year-on-year basis.

The Group is committed to reducing the amount of waste generated from its operations and business activities. The Group encourages recycling in its daily operations, and has implemented proper waste handling measures. The Group has been gradually adopting an electronic work platform and is moving towards a paperless workplace. We have actively engaged our staff to reduce printing and to make use of duplex printing for internal documents. Recycled papers have also been used as key printing materials. For internal notices among offices and retail outlets, electronic communication channels have been adopted to replace the circulation of printed notices.

Greenhouse gas emissions

The major source of our greenhouse gas emissions (GHGs) is from electricity consumption. During the Year, electricity related carbon dioxide equivalent (CO₂e) generated from our business operation were:

	Unit	2021	2020	2019
Indirect GHG emission from electricity consumption (Scope 2)	Tonnes CO ₂ e	140.42	167.22	299.97
Scope 2 GHG emission Intensity	Kg CO ₂ e/square feet of shop and office floor area	3.70	4.41	6.05

We regularly monitor the Group's carbon footprint and have implemented a wide range of energy saving measures to reduce the corresponding emissions. We have achieved an approximately 16.03% decrease in the GHGs intensity during the Year. Please refer to the section headed "Use of Energy" below for the energy consumption data and reduction initiatives of the Group. The Group will continue to monitor GHG emissions each year and will seek feasible measures to reduce the emission from year-on-year basis.

Use of Resources

The Group has continuously put efforts in integrating business performances with environmental and resources efficiency considerations. We have implemented a number of environmentally friendly measures in workplaces, including but not limited to its retail shops, warehouses and office areas.

Use of Energy

For retail shops, the Group has implemented energy saving practices by increasing the use of LED lighting fixtures. In addition to the energy efficient lighting equipment, the Group has also rescheduled the operating hours of certain stores to reduce our utility consumption. This has benefited the environment in terms of energy consumption and resulted in the reduction of operating costs for the Group.

The Group has also started to install inverter air-conditioning systems and performed regular maintenance on its facilities to achieve higher energy efficiency. Staff are encouraged to switch off the light and air-conditioners after they have finished using a room and after normal office hours.

The total electricity consumed by the Group during the Year was:

	Unit	2021	2020	2019
Electricity consumption	kWh	333,955	366,565	527,227
Electricity consumption Intensity	kWh/square feet of shop and office floor area	8.80	9.66	10.63

After carefully reviewing current business operations, the Group has set the consumption target of electricity as the same as the intensity in the Year.

Use of Water

Although our major business operations are not water intensive, we pledge ourselves to increase the water efficiency and reduce water usage in order to foster water conservation awareness among our employees as well as all external stakeholders.

The Group emphasises water saving to its staff through education. Reminder labels have been placed in the workplace and regular staff communications regarding water saving have been established.

Water consumption is closely monitored at the retail stores and offices. Where appropriate, water devices are replaced with more efficient models. Waste water that is discharged from our offices and retail stores is flushed through municipal drainage systems.

We have performed regular inspections and maintenance on our water taps, containers and pipelines to prevent leakage. Our staff have been encouraged to report leaks, for which necessary repairs will be performed in a timely manner. As a result, we have maintained the relatively low usage of water during the Year.

There was no water sourcing issue with the Group as we mainly consume municipal water. Total water consumption of the Group during the Year² was:

	Unit	2021	2020	2019
Water consumption	m ³	234	270	262
Water consumption Intensity	m ³ /square feet of shop and office floor area	0.006	0.007	0.005

After carefully reviewing current business operations, the Group has set the consumption target of water as the same as the intensity in the Year.

Packaging materials

Furthermore, packaging plays an important role to ensure that the Group’s footwear products can reach its target customers in optimal conditions. For the footwear business segment, the only packaging material was non-woven shopping bags for the Group’s retail customers, which was approximately 1.61 tonnes (2020: 1.37 tonnes) during the Year.

According to the information provided by the Group’s major supplier, almost all packaging for the shoes we sold — ranging from the shoe box to the cardboard shoe inserts — were made from recyclable materials, and the Group’s Clarks branded shoeboxes were made from 95% recycled content.

While for the healthcare business, the packaging is mainly used on the healthcare products’ paper box, which accounted for about 0.1 tonnes (2020: 0.1 tonnes) during the Year.

The Environment and Natural Resources

Besides from matters relating to emissions and the use of resources as mentioned above, we proactively assess other environmental impact of the Group’s retail operations and continue to tackle the risks identified through the Group’s environmental performance controls and monitoring mechanism.

Apart from the aforesaid internal environmentally friendly measures, the Group considers leather as a major raw material for its footwear business. For the Group’s major shoe supplier, Clarks, over 90% of the leather for footwear is sourced from tanneries that have achieved either Bronze, Silver or Gold certification against the Leather Working Group Environmental Stewardship Protocol. Apart from the leather Clarks uses, it has also been working to shift towards lower impact materials. It is currently bringing in a new technology to integrate recycled material into its products. The majority of its shoes contain at least 5% recycled material from production scraps which helps reduce waste during the manufacturing process.

As for the healthcare business, since the Group is a distributor instead of a manufacturer, there are barely any significant impacts on environment and natural resources except for paper box packaging.

We understand that the Group’s offices and, in particular the retail stores in Hong Kong, may require various types of renovation work, which may also cause harm to the environment. Therefore, we aim to reuse furniture in retail outlets, warehouses and offices where possible. We always instruct the Group’s contractors to use more environmentally friendly materials, conduct renovation work in accordance with the Noise Control Ordinance (Cap. 400 of the Laws of Hong Kong), and dispose of the construction waste properly in the process of renovation in accordance with the Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong).

² The above statistics include water which was consumed and paid for directly by our Hong Kong retail shops and department store counters as well as the office and warehouse in Australia, excluding those with charges included in the management fees of properties where we operated or those that were beyond our direct control. The water consumption of the finance services segment was inapplicable as the water supply of the office building where its office is located was managed by the landlord, thus separate accounting for water usage is not feasible.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To further raise awareness of environmental protection and drive behavioural changes among employees, we have established the ESG Taskforce with representatives from different functions, including finance, human resources, retail shops and healthcare functions, with endorsement from the Board. We will continue to broaden the scope of the Group's green agenda in order to uphold its environmental commitment.

Climate Change

We recognise that climate change poses significant risks and opportunities to the Group's business in various aspects. For instance, extreme weather conditions may result in more frequent and violent typhoons that may cause damage to the Group's retail stores in Hong Kong as well as disrupt delivery of its healthcare products from overseas to mainland China. As such, the footwear segment has developed emergency plans for staff to handle extreme weather situations, such as special work arrangement, etc. The financial services segment has also adapted the same mechanism to avoid any loss during extreme weather situations. As for the healthcare segment, our staff will monitor updates from observatory closely during typhoon season and plan for the logistics ahead in order to prevent disruption to the logistic chain.

In addition, the natural environment may change accordingly rendering it a less suitable habitat for wildlife, potentially increasing the procurement costs of the Group's footwear products as the leather price may surge due to insufficient supply. For the healthcare business side, the climate change issue may also increase the difficulty in sourcing raw materials on health products which may affect procurement costs. With the above-mentioned environmentally friendly initiatives, we will continue to minimize the impacts of the Group's operations on the environment, thereby slowing down the pace of climate change.

Our Employees

Employment

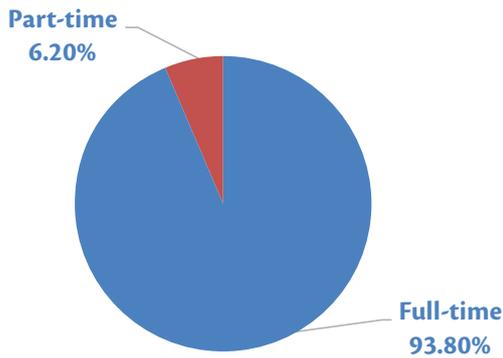
TATA Health recognises that employees are important assets to the Group. We invest and entrust in their future as we believe human capital is part and parcel of the Group. TATA Health's continued success relies on the commitment, enthusiasm and energy of the Group's employees. We are committed to developing a positive and respectable working environment that encourages collaboration and cooperation between employees and across departments. We place heavy emphasis on training and development opportunities together with social activities for the Group's employees, with appropriate incentivizing schemes for them to progress together with the Group's business. We also aim to promote workforce diversity, in terms of age, gender and nationality, as well as a culture of equal opportunity.

We strictly comply with the relevant employment laws and regulations within our scope of business including the Employment Ordinance (Cap. 57 of the Laws of Hong Kong) (the "Employment Ordinance"), Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong), Minimum Wage Ordinance (Cap. 608 of the Laws of Hong Kong), Sex Discrimination Ordinance (Cap. 480 of the Laws of Hong Kong), Disability Discrimination Ordinance (Cap. 487 of the Laws of Hong Kong), Family Status Discrimination Ordinance (Cap. 527 of the Laws of Hong Kong), Race Discrimination Ordinance (Cap. 602 of the Laws of Hong Kong) and National Employment Standards in Australia. Furthermore, the Group has established staff handbooks and properly documented policies in the areas of compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare related matters. The human resources department (the "HR Department") is responsible for ensuring the employment-related processes and procedures are conducted in accordance with the established policies, thereby complying with the aforementioned laws and regulations. There were no material non-compliance cases noted in relation to employment laws and regulations during the Year. As at 31 December 2021, there were 185 employees in total. In details, there were 129 employees in the footwear business, 10 employees in the financial services business in Hong Kong and 46 employees in the healthcare and medical services business.

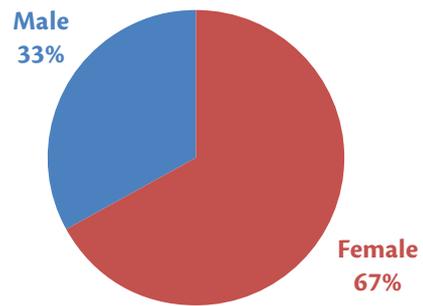
As an illustration, the workforce statistic by employment type, gender and geographic region are illustrated in pie graphs while the employee turnover rate by gender, age group and geographic region as well as the age and employee category distribution are disclosed as bar charts:

Employment Type, Gender and Geographic Region

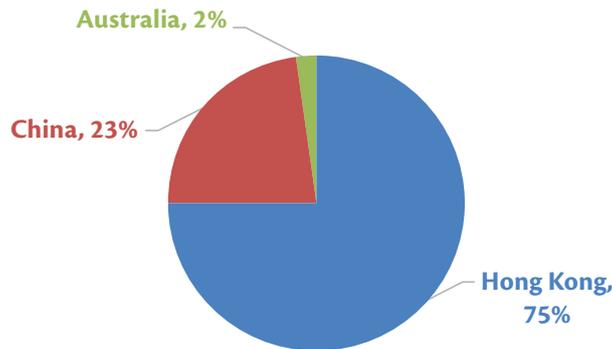
EMPLOYEE BREAKDOWN BY EMPLOYMENT TYPE



EMPLOYEE BREAKDOWN BY GENDER

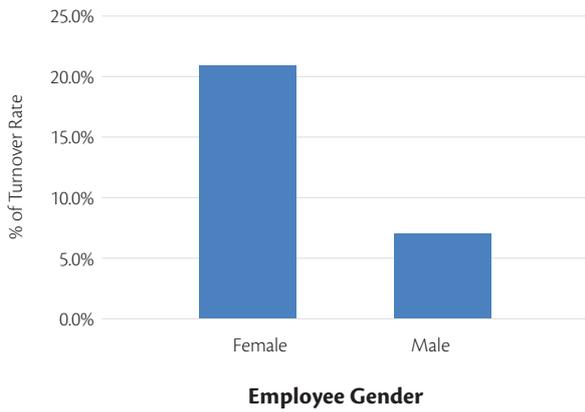


EMPLOYEE BREAKDOWN BY GEOGRAPHIC REGION

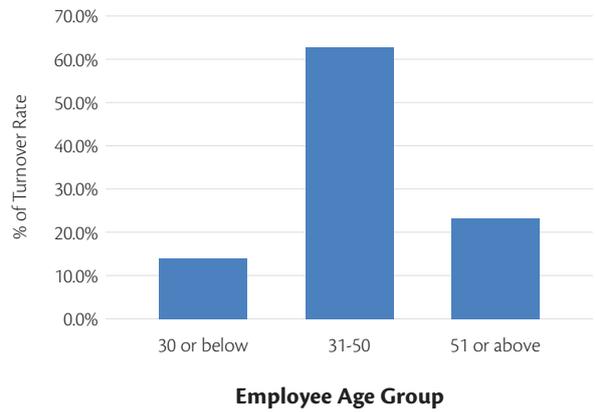


Employment Turnover Rate by Gender, Age Group and Geographic Region

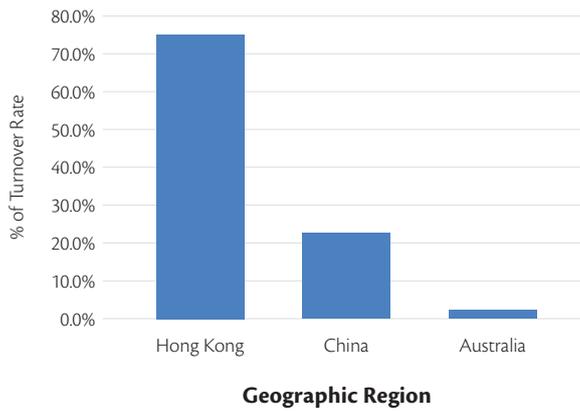
EMPLOYEE TURNOVER RATE BY GENDER



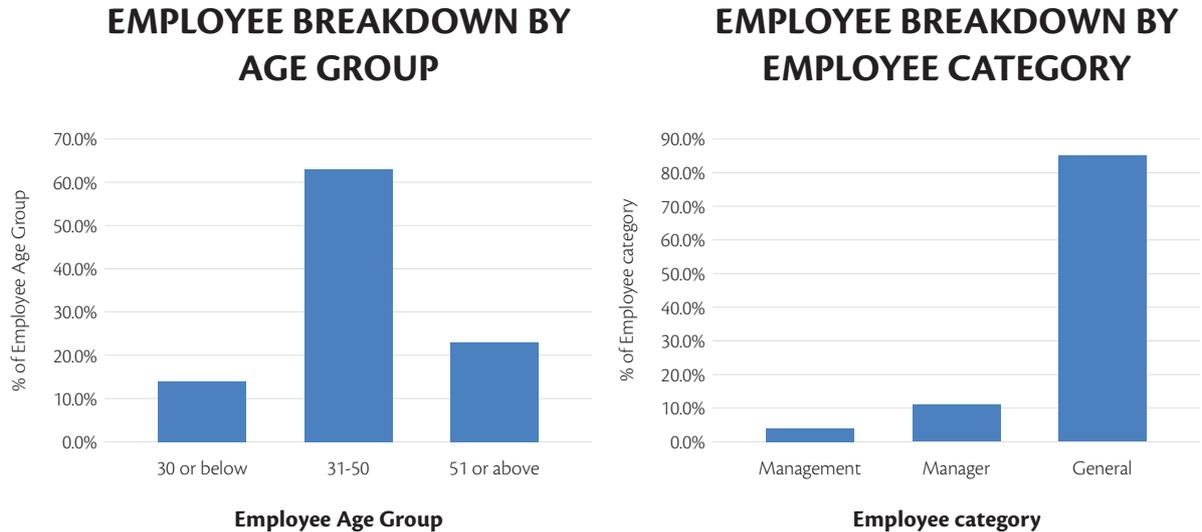
EMPLOYEE TURNOVER RATE BY AGE GROUP



EMPLOYEE TURNOVER RATE BY GEOGRAPHIC REGION



Age and Employee Category Distribution



The Group is committed to complying with relevant labour standards and employment laws and regulations which are applicable to our business. During the Year, no material and significant disputes between the Group and the employees occurred.

Health and Safety

The Group places strong emphasis on the health and safety of its staff. The Group has implemented internal guidelines and reporting systems for occupational health and safety-related matters and trainings have been provided on a regular basis to promote their awareness in this regard. Regarding the working environment for the Group’s sales personnel, most of the concessions are located in the selected shopping malls or department stores, in which good hygiene and safety standards are maintained for the Group’s sales personnel and customers. Where appropriate, warning signs or notices are posted to draw the attention of staff to occupational safety especially when they are performing their duties in warehouses or storage areas.

During each of the past three years including the Year, there were no incidents of serious and/or fatal injuries or accidents, and there were no material non-compliance cases noted in relation to the Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong) and the Workplace Health and Safety related laws and regulations in Australia. No employee had suffered from any injury which has led to any lost day.

During the Year, no employee had suffered from any injury which had led to any lost day.

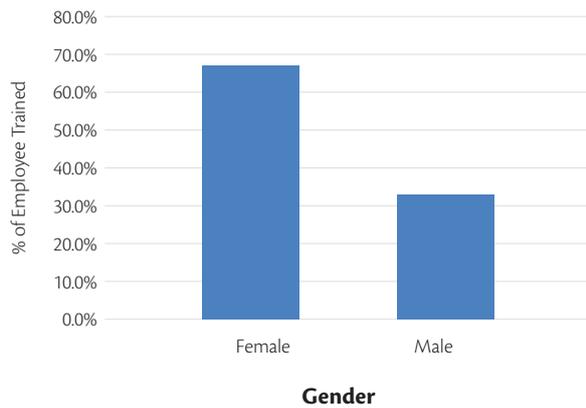
Other than the risks related to their physical health, the Group considers that the mental health of its staff is equally important. Therefore the Group has organised a series of staff activities to strengthen team spirit and sense of belonging to the Group, as well as to promote work-life balance. Also, the Group awards retail staff with outstanding sales performance and significant improvement regularly with certificates during these activities, which serve as recognition and the Group’s appreciation for their effort and contribution towards its business.

Development and Training

To uphold TATA Health’s commitment to enhance service qualities and strengthen the capabilities of our employees, TATA Health places adequate and appropriate resources on training and staff development opportunities. The Group’s comprehensive training programs cover a wide range of topics, including quality service skills, retail and sales techniques, product knowledge, language skills, management skills and interpersonal skills. During the Year, the total training hours were approximately 623 hours (2020: 1,364 hours). Through these training programs, we aim to enhance the Group’s employees’ productivity and working ability, strengthen their competitiveness and improve organizational efficiency.

During the Year, the development and training statistic by gender and employee category are disclosed in following bar charts:

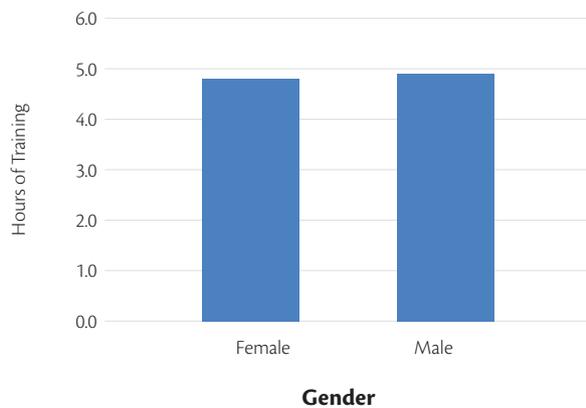
EMPLOYEE TRAINED BY GENDER



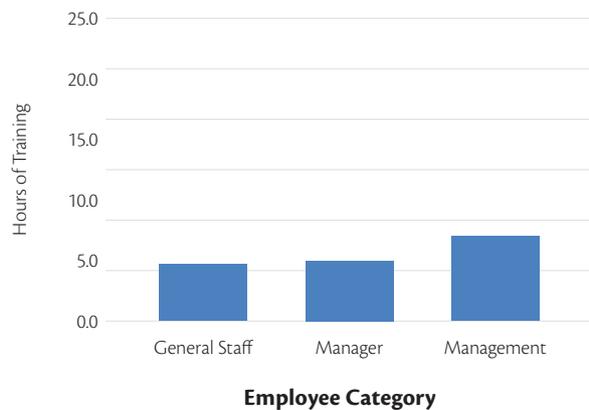
EMPLOYEE TRAINED BY EMPLOYEE CATEGORY



AVERAGE TRAINING HOURS COMPLETED PER EMPLOYEE BY GENDER



AVERAGE TRAINING HOURS COMPLETED PER EMPLOYEE BY EMPLOYEE CATEGORY



Labour Standards

The Group strictly prohibits child and forced labour. We adopt a comprehensive screening and recruitment process, and conduct regular reviews and inspections to ensure that we comply with relevant labour standards consistently throughout the Group's operations. The HR Department also conducts regular checks on the internal staff system with employees' personal details to ensure there is no child and forced labour in the Group.

There were no material non-compliance issues noted regarding labour standards, including but not limited to the Employment Ordinance in Hong Kong and National Employment Standards in Australia during the Year.

Our Business

Supply Chain Management

The Group has established stringent supplier selection procedures. Suppliers must be able to maintain a high standard in quality control, service and environmental protection. The Group offers equal opportunity to all potential business partners. Supplier selections and procurement decisions would be made based on assessment over certain criteria such as reputation and image of the brand, design and quality, price, delivery time, supplier's background and experience. At the same time, the purchase department will conduct background investigation, credit checks, product inspection during the engagement in accordance with internal policies and procedures with proper filing to ensure audit trail. We also expect the Group's suppliers to share its environmental and social vision and strictly comply with relevant laws and regulations. The Group conducts its supplier environmental and social risk checks with reference to databases such as AmforiBSCI and Supplier Ethical Data Exchange to ensure the Group's practice aligns with the most updated requirements of a sustainable supply chain. Suppliers with environmentally friendly products and services are more preferred by the Group.

Details of number of suppliers by geographic region are set out in the table below:

Region	Number of Suppliers
Mainland China	16
United Kingdom	1
Japan	1
Germany	1

Product Responsibility

Products and Services Responsibility

The Group is responsible for its products and services and emphasises on business ethics. The Group does not engage in any kind of unfair business activities. Its procurement and service delivering processes ensure information regarding products and services are accurate, clear and open. Furthermore, the Group upholds the principle of ethical selling by ensuring the truthfulness and fairness of the information on marketing materials with regular and adequate reviews, in order to comply with the Trade Description Ordinance (Cap. 362 of the Laws of Hong Kong) for the footwear segment, and the Law of the People's Republic of China on the Protection of Consumer Rights and Interests for the healthcare segment, since China is the sole consumer market of the healthcare segment of the Group. The Group has established the Customer Right Policy to govern customer rights, health and safety relating to our products and services, with proper return and recall procedures for defective products. The Group provides a holistic product return and recall system to increase its customers experience with its service. In particular, the healthcare segment has offered free returns or exchanges within 7 days of delivery of goods, regardless of the reasons for the returns or exchanges so as to protect consumer rights.

During the Year, (i) 0% of the total products sold by the Group was subject to recalls for safety and health reasons; and (ii) the Group had received zero products and/or services related complaints.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Furthermore, since healthcare products pose higher social risk, the healthcare segment has established the Quality Control Policy and After-sales Management Policy to govern the quality control procedures in accordance with the requirements as set out in the Australia New Zealand Food Standards Code and the Product Quality Law of the People's Republic of China.

Protecting Intellectual Property Rights

The Group upholds the value to protect intellectual property rights as it is crucial for competitiveness and brand value. We have established internal controls in protecting the Group's intellectual property rights, such as restricting access to only eligible staff, incorporating confidentiality terms into employment contract, etc. Meanwhile, we respect the intellectual property rights of others and take every possible step to avoid infringing others' intellectual property rights. We only procure products from suppliers directly or through officially authorized distributors. We strictly comply with the Registered Designs Ordinance (Cap. 522 of the Laws of Hong Kong) in Hong Kong and Patents Act, Patent Regulations, Code for Conduct for Patents and Trade Marks Attorneys in Australia.

Customer Service

The Group's business model focuses on catering customer needs, providing customers with the most suitable and high quality products and services. We implement all relevant and necessary measures to uphold the Group's commitment, aiming at providing the best value to customers. We have developed internal guidelines and provided training to the Group's retail staff in the footwear business for handling customer complaints and conducting investigations on reported cases. Our effective follow-up mechanism helps ensure customer complaints will not be left unattended.

As for healthcare segment, we have established the After-sales Management Policy, which stipulates the mechanisms for handling customers' comments, complaints, returns, etc., and the analysis of relevant data for developing improvement plans regularly.

As a professional financial advisory service provider, we are committed to providing our Chinese clients with global asset allocation and cross-border financial products investment platforms. Also, we use due care to match client needs with practitioners who have the competence required for their assignments and we foster innovation and new ideas to improve the value and performance of our services.

Data Privacy Policy

We put personal data privacy as our top priority and strictly comply with the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong), Cybersecurity Law of the People's Republic of China and the related data privacy ordinance in Australia. The Group only collects information which we consider necessary for its operations. The data collected will be used directly for the purposes as stated at the time such data is collected. The Group would never transfer or disclose any personal data to third parties unless consent has been obtained from the data owner. Meanwhile, the Group will maintain a sound data security system and measures to prevent unauthorised use of personal data.

There were no material non-compliance issues noted regarding product responsibility and data privacy as required by related laws and regulations during the Year.

Anti-corruption

The Group has been devoting itself to openness, responsibility and honesty. All staff are required to comply with relevant personal and professional codes of conduct (the "Codes of Conduct"). Other than the anti-bribery and anti-corruption policies as stated in the Codes of Conduct, the Group has established whistle-blowing channels and performed regular evaluations on the effectiveness of its internal control system so as to detect and prevent any cases of fraudulent activities, in an effort to abide by relevant regulations including but not limited to the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong) in Hong Kong and Foreign Corrupt Practices Act in Australia. The Group provided internal anti-corruption training from time to time but at least once a year through channels like brochure and in-class discussion to ensure its employees are kept updated with the Group anti-corruption policy.

During the Year, no legal case regarding corruption was brought against the Group or its employees. In addition, the Group was not aware of any cases of non-compliance with laws and regulations on anti-corruption and anti-money laundering.

Our Community

Community Investment

We have established a social service team with the aim of bringing the Group's compassionate staff members together to participate in social and charitable activities to exhibit its caring culture to the community. During the Year, we donated approximately HKD740,000 (2020: HKD770,000) to various beneficiaries. The scope of community support activities covered post-disaster assistance, youth support and community co-development. During the Year, the Group continued to uphold the responsibility for identification of the community needs as well as provision of support and care to people in need and various organisations.

Awards and Recognition

The outstanding achievements of TATA Health have been highly recognized by all sectors of society. The trade names of the Group, including S. Culture, Clarks and Josef Seibel, were accredited with Quality Tourism Services Scheme by the Hong Kong Tourism Board. Moreover, Kong Tai Sundry Goods Company Limited, a subsidiary of the Group, has been awarded the Caring Company Logo for the Year, in recognition of its commitment for the environment, employees, as well as the community over the past years.





Directors

Executive Directors

Mr. Yang Jun, aged 42, has been an executive Director since June 2017. He is also the Chairman of the Board, the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. Mr. Yang graduated from Nanjing Army Command College. He is an entrepreneur with extensive experience in corporate management of enterprises engaged in a variety of industries. Mr. Yang is the chairman and the controlling shareholder of Shang Ying Holdings Group Limited ("Shang Ying Holdings"). He is an executive director and the chairman of Xu Sen International Holding Company Limited ("Xu Sen International"; 旭森國際控股(集團)有限公司), a holding company incorporated in the PRC which is mainly engaged in equity investment, project investment, real estate investment, electronic commerce and internet financing. In particular, two of the equity investments of Xu Sen International are Shangying Global Co., Ltd. ("Shangying Global", a company listed on the Shanghai Stock Exchange, stock code: 600146) and Shanghai Etong Technology Co., Ltd. ("Etong Technology", a company listed on the National Equities Exchange and Quotations in the PRC (the "NEEQ"), stock code: 430258). He was a general manager of Shangying Global from December 2018 to April 2020, a director of Shangying Global from January 2019 to April 2020, and a director of Etong Technology from March 2013 to January 2020. Mr. Yang is a director of each of Shang Ying International Holdings Limited and Shang Ying Financial Holding Co., Limited (both the controlling Shareholders).

Prior to joining Xu Sen International, Mr. Yang was the chairman of Shanghai Hong Ze Century Investment Development Company Limited (上海泓澤世紀投資發展有限公司) from 2004 to 2009, which was mainly engaged in equity investment and project investment. From 1999 to 2004, Mr. Yang was a general manager of Shanghai Hao Mei Gardening Limited Company (上海好美園藝有限公司), which was mainly engaged in greening works and cabling works.

Mr. Lai Wenjing, aged 44, has been an executive Director and chief financial officer of the Company since July 2020. He graduated from the University of London in the United Kingdom with a master's degree in accounting (Distinction). He is qualified as a certified public accountant under the Association of Chartered Certified Accountants (ACCA) and the Fellow of Chartered Certified Accountant (FCCA). Mr. Lai has over 15 years of experience in advanced financial management, capital operations and investment and financing in both domestic and overseas multinational companies, focusing in the medical, retail e-commerce and resource industries. Mr. Lai is currently the vice president of Shang Ying Holdings, in which Mr. Yang Jun (the chairman of the Board, an executive Director and the controlling Shareholder) is the chairman and the controlling shareholder of Shang Ying Holdings, and has been in charge of its accounting and financial matters since September 2019. Prior to joining Shang Ying Holdings, he served as (i) a senior consultant of Deloitte Touche Tohmatsu and was engaged in auditing and tax consulting from April 2005 to April 2009; (ii) the chief financial officer of Hu An Cable Holdings Ltd. (a company listed on the Singapore Exchange, stock code: K13) in Singapore from May 2009 to August 2010 and had assisted in the successful listing of the company; (iii) the general manager and chief financial officer of Mozambique National Construction and Maintenance Co., Ltd. in South Africa from September 2010 to September 2013; (iv) the chief financial officer of Shanghai Meihua Medical Investment Management Co., Ltd. from October 2013 to September 2014; and (v) an independent consulting partner of InterGest (China) Enterprise Management Consulting Co., Ltd. from October 2014 to December 2018.

Non-executive Directors

Mr. Lin Zheming, aged 42, has been re-designated as a non-executive Director with effect from 1 September 2019. Prior to the re-designation, he has been an executive Director since June 2017 and the chief financial officer of the Company since August 2017. He obtained a bachelor's degree in management, major in accounting, from Shanghai University of Finance and Economics. Mr. Lin is a Fellow of CPA Australia and Institute of Directors of United Kingdom, and is a member of each of The Chinese Institute of Certified Public Accountants, Chartered Professional Accountants of British Columbia, Canada, and Institute of Chartered Accountants in England and Wales. He possesses substantial experience in accounting and auditing of large-sized group companies and publicly listed companies. He has over 15 years of working experience in financial management, asset management, investment management and capital markets.

Mr. Lin (i) was a director of Shangying Global from June 2017 to September 2019; and (ii) was a vice president of Shang Ying Holdings from October 2016 to August 2019. Prior to joining Shang Ying Holdings, he worked at Fosun Mineral Resources Group as a senior financial director from September 2015 to October 2016. He worked at Baosteel Group Corporation (currently known as China Baowu Steel Group Corporation Limited) as a senior manager of asset management from September 2012 to August 2015. He worked in Ernst & Young from December 2005 to August 2012 with his last position as an audit manager.

Mr. Lin Jun, aged 43, has been a non-executive Director since June 2017. He obtained a master's degree in law from East China University of Political Science and Law in June 2004. Mr. Lin Jun is a qualified Chinese lawyer to practise law in China. Mr. Lin Jun possesses over 15 years of working experience in the legal industry.

He is currently a partner of Shanghai Baiyulan Law Firm (上海市白玉蘭律師事務所). He was recognised as an outstanding communist party member by Shanghai Bureau of Justice Affiliated Law Firm (上海市司法局直屬律師事務所) for the years 2005 to 2007 in June 2007. He was also accredited as advanced individual in Shanghai Jiading District Judicial Administrative System for 2009 (2009年度上海市嘉定區司法行政系統先進個人) by Shanghai Jiading Judiciary Bureau (上海市嘉定區司法局) in January 2010. He has been the chairman of the supervisory committee of Shangying Global since March 2014.

Mr. Chu Chun Ho, Dominic, aged 50, was an executive Director from May 2013 to July 2017 and has been re-designated as a non-executive Director since July 2017. Mr. Chu has joined the Group for 24 years. He is currently a director of each of Kong Tai Sundry Goods Company Limited, Grand Asian Limited, Cobblers Limited, Shoe Mart Company Limited, Advertiser's Media Agency Limited, Cobblers (Hong Kong) Trading Company Limited and Shoes Culture (Hong Kong) Trading Company Limited, and an administrator of Shoes Culture Company Limited (each a subsidiary of the Company).

Directors and Secretary

Mr. Chu is also the chairman of Scout Association of Hong Kong New Territories East Region, the vice chairman of the Hong Kong Youth Council, an executive director of Hong Kong Island Chaoren Association Limited, the honorary president of Sau Mau Ping District Junior Police Call, and a member of the Industry Relationship Development Committee of the Business Administration Discipline Advisory Board of the Vocational Training Council. In 2009, Mr. Chu was awarded the 11th World Outstanding Chinese Award.

Mr. Chen Anhua, aged 54, has been a non-executive Director since January 2020. He is a senior economist and obtained his Bachelor's degree in economics from Fudan University (復旦大學) in 1989. He subsequently obtained a Master's degree in business management from the Central South University (中南大學) in 1997. Mr. Chen was later also awarded the post-experience certificate in engineering business management by the University of Warwick in 2006.

Mr. Chen possesses over 20 years of extensive experience in the areas of commercial banking, asset management and investment. Between January 2002 and September 2015, he worked in the Changsha office of China Great Wall Asset Management Co., Ltd. (中國長城資產管理股份有限公司) ("China Great Wall") and has served in various vital positions including project manager and section head of both the asset operations department and the investment banking department, and the senior/senior deputy manager of different departments of the Changsha office of China Great Wall. From October 2015 to September 2016, Mr. Chen served in the asset operations department (Division I) of the head office of China Great Wall. Prior to joining the Changsha office of China Great Wall, he worked in the Agricultural Bank of China and have took up different positions including the deputy head of the branch office in Changsha. Since November 2016, Mr. Chen has been serving as the deputy general manager of China Great Wall AMC (International) Holdings Company Limited (中國長城資產(國際)控股有限公司).

Mr. Chen has been appointed as a non-executive director of CNQC International Holdings Limited (stock code: 1240) since November 2017 and was a non-executive director of Modern Land (China) Co., Limited (stock code: 1107) from January 2017 to September 2019, respectively, in which the shares of both companies are listed on the Main Board of the Stock Exchange.

Independent Non-executive Directors

Mr. Xie Rongxing, aged 71, has been an independent non-executive Director since June 2017. He is also the chairman of the Audit Committee and a member of each of the Nomination Committee and Remuneration Committee of the Company. Mr. Xie completed an independent director training for listed companies organised by the Shanghai Stock Exchange in May 2011. He has been accredited as a senior accountant by Shanghai Accounting Senior Professional and Technical Title Qualification Evaluating Committee (上海市會計專業高級職務任職資格評審委員會) in November 1997. Mr. Xie is a qualified Chinese lawyer to practise law in China. Mr. Xie was a partner of Shanghai Jiuwei Law Firm (上海市九匯律師事務所). He possesses over 20 years of working experience in accounting, law and securities.

Mr. Xie is currently serving as an independent director of various companies listed on the Shanghai Stock Exchange, including Shanghai Join Buy Co., Ltd. (stock code: 600838), CRED Holding Co., Ltd (stock code: 600890) and Shanghai Jin Jiang International Hotels Development Co., Ltd. (stock code: 600754). Mr. Xie has been an independent director of Canature Health Technology Group Co., Ltd (formerly known as Shanghai Canature Environmental Products Co., Ltd., a company listed on the Shenzhen Stock Exchange, stock code: 300272) since May 2017. He was an independent director of each of Shangying Global from June 2017 to March 2021 and Shanghai Jinshan Surface Technology Engineering Co., Ltd. (a company listed on the NEEQ, stock code: 830939) from April 2013 to October 2021.

Mr. Xie was also a member of the tenth and eleventh sessions of the Shanghai Chinese People's Political Consultative Conference. He is the vice president of Shanghai Financial Institute (上海財務學會), the deputy officer of Shanghai Institute for Promotion of Financial Culture (上海金融文化促進中心) and a social supervisor of Shanghai Red Cross (上海紅十字會社會監督員).

Prof. Yan Haifeng, aged 52, has been an independent non-executive Director since May 2020. He is also the chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee of the Company. Prof. Yan graduated from Fudan University (復旦大學) with a doctorate degree in management. Prof. Yan is currently the Director of Personnel and a professor in East China University of Science and Technology (華東理工大學). Prof. Yan was a tutor, a lecturer, an assistant professor, a professor and the Dean of the Business School in East China University of Science and Technology and a visiting scholar in the Business School of Indiana University, United States of America. Prof. Yan is currently also an independent director of Baoding Technology Co., Ltd. (寶鼎科技股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code: 002552). Prof. Yan was also an independent director of Shangying Global, (in which Mr. Yang Jun (the chairman of the Board, an executive Director and the controlling Shareholder) is directly and indirectly interested as to 11.19% shareholding in Shangying Global) from April 2020 to December 2020.

Ms. Tan Yuying, aged 48, has been an independent non-executive Director since May 2020. She graduated with a mechatronics professional degree from Shanghai Polytechnic University (上海第二工業大學) in 1999 and with a bachelor's degree in management from University of Shanghai for Science and Technology (上海理工大學) in 2004. Ms. Tan also obtained an Executive Master of Business Administration (EMBA) degree from East China University of Science and Technology (華東理工大學) in 2018. Ms. Tan was a technical staff of Shanghai Haigong Valve Factory* (上海海工閥門廠) from July 1994 to January 1998, and is currently the deputy general manager of Shanghai Hongsheng Valve Manufacture Co., Ltd.* (上海弘盛特種閥門製造有限公司).

Company Secretary

Mr. Wong Tin Yu, aged 31, was appointed as our company secretary (the "Company Secretary") in July 2019. Mr. Wong is a Senior Manager of Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated Business, Corporate and Investor Services. He has extensive experience in a diversified range of corporate services and has been providing professional secretarial services to many companies listed on the Stock Exchange for the past 9 years. Mr. Wong is a Chartered Secretary and an Associate of both the Hong Kong Chartered Governance Institute (formerly the Hong Kong Institute of Chartered Secretaries) and the Chartered Governance Institute in the United Kingdom. Mr. Wong received a Bachelor of Business Administration degree in Finance from Lingnan University in 2012.

* For identification purpose only



Corporate Governance Practices

The Company believes that good corporate governance practices are very important for maintaining and promoting investor confidence and sustainable growth of the Group. The Board is committed to maintaining a solid, transparent and sensible framework of corporate governance and related measures that the Directors consider applicable to and practical for the Group. The Board will continue to monitor and review their effectiveness.

The Company has applied the principles as set out in the Corporate Governance Code (the “CG Code”) as contained in Appendix 14 to the Listing Rules since its listing date (which was 11 July 2013). The CG Code has been amended with effect from 1 January 2022. As this Corporate Governance Report covers the Year, all the corporate governance principles and code provisions mentioned herein refer to those stated in the CG Code before the amendments, not the revised CG Code.

The Board considers that during the Year, the Company has complied with the code provisions set out in the CG Code. Key corporate governance principles and practices of the Company are summarised below.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “Model Code”) as contained in Appendix 10 to the Listing Rules as its own code of conduct regarding the Directors’ dealings in the Company’s securities. Following specific enquiry made to the Directors, each of them has confirmed their compliance with the required standards set out in the Model Code throughout the Year.

Compliance with the Written Guidelines for Securities Transactions by the Relevant Employees of the Company

The Company has established written guidelines for the relevant employees of the Company (the “Relevant Employee(s)”) in respect of their dealings in the securities of the Company (the “Written Guidelines”) on terms no less exacting than the required standards set out in the Model Code. For this purpose, “Relevant Employee” includes any employee of the Company or a director or employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to possess inside information in relation to the Company or its securities. No incident of non-compliance of the Written Guidelines was noted by the Company during the Year.

Board Composition

The Board has a balance of skills and experience appropriate for the requirements of the business of the Group. During the Year and up to the date of this report, the Board composition is as follows:

The Board (including corporate governance functions) (Total no. of existing Directors: 9)		
Executive Directors	Non-executive Directors	Independent non-executive Directors
Mr. Yang Jun (<i>Chairman</i>) Mr. Lai Wenjing	Mr. Lin Zheming Mr. Law Fei Shing (resigned on 19 June 2021) Mr. Lin Jun Mr. Chu Chun Ho, Dominic Mr. Chen Anhua	Mr. Xie Rongxing (Note 2) Mr. Lum Pak Sum (Note 2) (resigned on 19 June 2021) Prof. Yan Haifeng Ms. Tan Yuying
Total number: 2 % to total no. of existing Directors: 22.2%	Total number: 4 % to total no. of existing Directors: 44.4%	Total number: 3 (Note 1) % to total no. of existing Directors: 33.3% (Note 3)

Notes:

1. Minimum number of independent non-executive Directors: 3 (pursuant to Listing Rule 3.10(1)).
2. Independent non-executive Director having accounting expertise (pursuant to Listing Rule 3.10(2)).
3. Independent non-executive Directors represent one-third of the Board (pursuant to Listing Rule 3.10A).

The Board currently includes a balanced composition of executive and non-executive Directors (including independent non-executive Directors) and one-third of the Directors are independent non-executive Directors so that there is a strong independent element in the Board, which can effectively exercise independent judgment.

The brief biographical details of the current Directors as well as the relationships among Board members, if any, are set out in the section headed "Directors and Secretary" of this annual report.

Responsibilities of and Delegation by the Board

The Company is governed by the Board which is responsible for directing and supervising its affairs and overseeing the business, strategic direction and performance of the Group. Execution of the Board's decisions and daily operations are delegated to the executive Directors and the management. The functions reserved to the Board and those delegated to executive Directors and the management, for the running of the Company's business, have been formalised in writing. The Board reviews those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Company.

The management of the Company updates the Directors on their duties and responsibilities as well as the conduct, business activities and development of the Group. It supplies the Directors and the Board committees of the Company (the "Board Committees") with adequate, complete and reliable information in a timely manner to enable them to make informed decisions on all major matters of the Company. The management provides sufficient information and explanation to the Board to enable it to make an informed assessment of financial and other information put before it for approval. The management also supplies additional information upon request and enquiry by the Directors. Timely updates on changes in laws and compliance issues relevant to the Group and appropriate information on the Group's business and activities are provided to the Directors. The Board and each Director have a separate and independent access to the management and the Company Secretary, whenever necessary, for any information relevant to the Group they may require in discharging their duties.

Chairman and Chief Executive Officer

The Company supports that the roles of the Chairman and the Chief Executive Officer should be segregated and should not be performed by the same individual. The roles and division of responsibilities between the Chairman and the Chief Executive Officer have been clearly established and set out in writing.

The Chairman, being Mr. Yang Jun, provides leadership for and management of the Board. He is responsible for ensuring all Directors are properly briefed on issues to be discussed at Board meetings and receive, in a timely manner, adequate, accurate, clear, complete and reliable information. He also takes the primary responsibility to ensure that the Board works effectively, performs its responsibilities and discusses all key and appropriate issues in a timely manner. He fulfills this by encouraging Directors to make a full and active contribution to the Board's affairs and ensure the Board acts in the best interests of the Company. He also encourages Directors with different views to voice their concerns, allows sufficient time for discussion of issues and ensures Board decisions fairly reflect Board consensus. The Chairman is responsible for facilitating the effective contribution of non-executive Directors and ensuring constructive relations between executive and non-executive Directors. During the Year, the Chairman has met with independent non-executive Directors without the other Directors present.

The Chief Executive Officer is responsible for leading the day-to-day management of the Group's business in accordance with the strategy, policies and programs approved by the Board, and transformation of the objectives set by the Board into statements of vision, mission, goals and the corresponding strategies, plans and budgets as well as their effective implementation. The Chief Executive Officer is also responsible for providing reports and advice to the Board on the performance of the Group's business. The Chief Executive Officer would be well supported by the management, who provides relevant information and recommendations to facilitate informed decision making. Mr. Lai Wenjing, an executive Director, is temporarily taking up the responsibility of Chief Executive Officer.

The Board is still identifying a suitable candidate to fill the position of the Chief Executive Officer and will keep the Shareholders informed of such appointment by further announcement.

Non-executive Directors

The non-executive Directors (including independent non-executive Directors) have the appropriate balance of skills and knowledge in the fields of financial management, business development or strategies related to the Group's business. They scrutinise the performance of management in achieving agreed corporate goals and objectives and monitor the Group's performance reporting. They also provide independent judgment on the matters of strategies, policies and standards of conduct. Their role can serve to assure clarity and accuracy on the reporting of financial information so that systems of risk management and internal control are effectively in place, enabling the Board to maintain high standards of compliance with financial and other reporting requirements and to safeguard the interests of Shareholders and the Company.

The independent non-executive Directors and non-executive Directors have given a positive contribution to the development of the Group's strategies and policies through independent, constructive and informed comments. Independent non-executive Directors also serve as the members of the Audit Committee, Remuneration Committee and Nomination Committee and share their views through regular attendance and active participation in the meetings of Board Committees.

All the existing independent non-executive Directors have met all the guidelines for assessing their independence as set out in Rule 3.13 of the Listing Rules. The Company has received from each of them an annual written confirmation of independence and considers each of them to be independent.

Appointment and Re-election of Directors

All non-executive Directors, including independent non-executive Directors, are appointed for an initial term of three years and renewable automatically for successive terms of one year until terminated by the non-executive Director or the Company by giving not less than three months' written notice. Each of the Directors is subject to retirement and re-election at least once every three years in accordance with the Company's Articles of Association (the "Articles").

According to the Articles, the Board has the power at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Besides, at every annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years.

Directors' Attendance Records

The Board schedules regular Board meetings in advance to give Directors the opportunity to participate actively, either in person or through electronic means of communication. Directors are consulted for their views regarding inclusion of specific matters in the agenda for regular Board meetings and the draft agenda is circulated to Directors for their comments. Special Board meetings are convened as and when needed. All Directors are properly briefed on issues to be discussed at Board meetings. These Board meetings, together with the Board Committees, provide effective means for the Board and Board Committees to perform their work and discharge their duties.

During the Year, twelve Board meetings, two Audit Committee meetings, one Remuneration Committee meeting, one Nomination Committee meeting and two general meetings were held. Details of individual Directors' attendance at these meetings are set out in the following table:

Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	2021 Annual General Meeting	Extraordinary General Meeting
<i>Executive Directors</i>						
Mr. Yang Jun	12/12	—	1/1	1/1	1/1	1/1
Mr. Lai Wenjing	12/12	—	—	—	1/1	1/1
<i>Non-executive Directors</i>						
Mr. Lin Zheming	11/12	—	—	—	1/1	1/1
Mr. Law Fei Shing (Note 1)	6/6	—	—	—	—	1/1
Mr. Lin Jun	11/12	—	—	—	1/1	1/1
Mr. Chu Chun Ho, Dominic	11/12	—	—	—	1/1	1/1
Mr. Chen Anhua	11/12	—	—	—	1/1	1/1
<i>Independent non-executive Directors</i>						
Mr. Xie Rongxing (Note 2)	11/12	2/2	1/1	1/1	1/1	1/1
Mr. Lum Pak Sum (Note 3)	6/6	1/1	—	—	—	1/1
Prof. Yan Haifeng	11/12	2/2	1/1	1/1	1/1	1/1
Ms. Tan Yuying (Note 4)	11/12	1/1	—	—	1/1	1/1

Notes:

1. Mr. Law Fei Shing resigned as a non-executive Director with effect from 19 June 2021.
2. Mr. Xie Rongxing was appointed as the chairman of the Audit Committee with effect from 19 June 2021.
3. Mr. Lum Pak Sum resigned as an independent non-executive Director and the chairman of the Audit Committee with effect from 19 June 2021.
4. Ms. Tan Yuying was appointed as a member of the Audit Committee with effect from 19 June 2021.

Board Committees

The Board has proper delegation of its powers and has established four Board Committees, namely the Executive Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee, with specific written terms of reference that deal clearly with their authority and duties, to oversee particular aspects of the Group's affairs. The Board may establish other Board

Committee(s) when necessary in accordance with the Articles. The terms of reference of all Board Committees have required them to report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so.

Sufficient resources, including the advice of the external auditors and other independent professional advisers, are provided to the Board Committees to enable them to discharge their duties.

Executive Committee

The Board has established a standing Board committee, namely the Executive Committee. The Executive Committee operates as a general management committee under the direct authority of the Board to increase the efficiency of making business decisions. It monitors the execution of the Group's strategic plans and operations of all business units of the Group and discusses and makes decisions on matters relating to the management and day-to-day operations of the Group.

The current composition of the Executive Committee is as follows:

Executive Committee
Committee Members
<i>Executive Directors</i>
Mr. Yang Jun (<i>Chairman</i>)
Mr. Lai Wenjing
Total number of members: 2

The Executive Committee is accountable to the Board and oversees the implementation of the Company's strategic objectives and the business operations of the Group.

The key roles and responsibilities of the Executive Committee include:

- (i) discuss and make decisions on matters relating to the management, operation and business expansion of the Company;
- (ii) review and discuss certain day-to-day supervisory and operational functions and any other matters;
- (iii) open accounts for the Company with banks and execute any related documentation; and
- (iv) do and execute (except under the common seal of the Company) all such acts, matters, deeds, documents and things as it considers to be necessary, convenient or desirable for or in connection with the normal and ordinary course of business and the daily management and operations of the Company.

Audit Committee

The Audit Committee was established in compliance with Rules 3.21 and 3.22 of the Listing Rules and Code Provision C.3.3 of the CG Code. The Audit Committee is accountable to the Board and is primarily responsible for reviewing and monitoring the integrity of financial information and reporting by the Company, for reviewing the Group's internal control and risk management systems and for overseeing the relationship with the external auditors. The Audit Committee has access to and maintains an independent communication with the external auditors and the management to ensure effective information exchange on all relevant financial and accounting matters.

The full terms of reference of the Audit Committee are available on the Stock Exchange's and the Company's websites.

The current composition of the Audit Committee is as follows:

Audit Committee
Committee Members
<i>Independent Non-executive Directors</i>
Mr. Xie Rongxing (<i>Chairman</i>)
Prof. Yan Haifeng
Ms. Tan Yuying
Total number of members: 3
% of Independent Non-executive Directors: 100%
Minimum number of meetings per year: 2
In attendance: Representatives from the auditors, the Chief Financial Officer and the Company Secretary, as applicable

The key roles and responsibilities of our Audit Committee include:

- (i) make recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and approve the remuneration and terms of engagement of the external auditors, and deal with any questions of its resignation or dismissal;
- (ii) review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences;
- (iii) develop and implement policy on engaging an external auditors to supply non-audit services;
- (iv) monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and review significant financial reporting judgments contained in them;
- (v) review the systems of the Company on financial controls, internal control (including without limitation the procedures for compliance with the requirements of Listing Rules and the Companies Ordinance (Cap. 622 of the Laws of Hong Kong)) and risk management;
- (vi) discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems;
- (vii) where an internal audit function exists, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and review and monitor its effectiveness;
- (viii) review the Group's financial and accounting policies and practices;
- (ix) review the external auditors' management letter, any material queries raised by the external auditors to management about accounting records, financial accounts or systems of control and management's response, and ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;
- (x) review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters; and

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(xi) act as the key representative body for overseeing the Company's relations with the external auditors.

During the Year, the Audit Committee has performed the following major works:

- reviewed the annual financial statements of the Group and related results announcement and report of the Company for the year ended 31 December 2020, with recommendations to the Board for approval;
- noted and considered the major audit findings related to the 2020 annual audit from Deloitte Touche Tohmatsu, the Company's then external auditors;
- reviewed and monitored the financial reporting system, the risk management and internal control systems and the internal audit function of the Group, including their performance and effectiveness;
- reviewed the interim financial statements of the Group and related results announcement and report of the Company for the six months ended 30 June 2021, with recommendations to the Board for approval;
- received reports on the findings of Deloitte Touche Tohmatsu during their reviews and reviewed the recommendations made to management by Deloitte Touche Tohmatsu and the relevant management's responses;
- considered and made recommendations to the Board on the re-appointment of Deloitte Touche Tohmatsu;
- considered and made recommendations to the Board on the appointment of HLB Hodgson Impey Cheng Limited as the Company's auditors to fill the casual vacancy following the resignation of Deloitte Touche Tohmatsu;
- reviewed the independence of HLB Hodgson Impey Cheng Limited and engagement of HLB Hodgson Impey Cheng Limited for annual audit for the Year;
- reviewed and approved the annual audit plan of HLB Hodgson Impey Cheng Limited, including the nature and scope of the audit, the fee payable to them, their reporting obligations and their work plan;
- reviewed internal audit charter and internal control assessment plan from professional consultants;
- reviewed the arrangements for the Company's employees to use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters, with recommendations to the Board for approval; and
- reviewed the Company's corporate governance compliance matters.

The attendance records of each committee member at the Audit Committee meetings held during the Year are set out in the above section headed "Directors' Attendance Records".

There was no disagreement between the Board and the Audit Committee regarding the appointment of external auditors.

Remuneration Committee

The Remuneration Committee was established in compliance with Rules 3.25 and 3.26 of the Listing Rules and Code Provision B.1.2 of the CG Code. The Remuneration Committee is primarily responsible for recommending to the Board the remuneration of Directors and certain senior managers.

The full terms of reference of the Remuneration Committee are available on the Stock Exchange's and the Company's websites.

The current composition of the Remuneration Committee is as follows:

Remuneration Committee
Committee Members
<i>Executive Director</i>
Mr. Yang Jun
<i>Independent Non-executive Directors</i>
Prof. Yan Haifeng (<i>Chairman</i>)
Mr. Xie Rongxing
Total number of members: 3
% of Independent Non-executive Directors: 66.7%
Minimum number of meetings per year: 1
In attendance: The Chief Financial Officer, the Company Secretary and other members of the management, as applicable

The key roles and responsibilities of the Remuneration Committee include:

- (i) make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (ii) review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- (iii) make recommendations to the Board on the remuneration of non-executive Directors;
- (iv) consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- (v) 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) 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; and
- (vii) ensure that no Director or any of his associates is involved in deciding his own remuneration.

During the Year, the Remuneration Committee has performed the following major works:

- reviewed the policy on remuneration of all of the Directors and management;
- reviewed specific remuneration packages of all executive Directors and management, with recommendations to the Board for approval (i.e. the model described in Code Provision B.1.2(c)(ii) of the CG Code is adopted); and
- reviewed the remuneration packages of the Directors and management.

The attendance records of each committee member at the Remuneration Committee meeting held during the Year are set out in the above section headed "Directors' Attendance Records".

The executive Directors are the senior management of the Company. Further details of the remuneration of Directors and the 5 highest paid employees have been set out in note 12 to the consolidated financial statements.

Nomination Committee

The Nomination Committee was established in compliance with Code Provisions A.5.1 and A.5.2 of the CG Code. The primary duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and recommending any changes directly to the Board; identifying qualified and suitable individuals to become Board members and selecting and/or making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of independent non-executive Directors; and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman of the Board and the Chief Executive Officer.

The full terms of reference of the Nomination Committee are available on the Stock Exchange's and the Company's websites.

The current composition of the Nomination Committee is as follows:

Nomination Committee
Committee Members
<i>Executive Director</i>
Mr. Yang Jun (<i>Chairman</i>)
<i>Independent Non-executive Directors</i>
Mr. Xie Rongxing
Prof. Yan Haifeng
Total number of members: 3
% of Independent Non-executive Directors: 66.7%
Minimum number of meetings per year: 1
In attendance: The Chief Financial Officer, the Company Secretary and other members of the management, as applicable

The key roles and responsibilities of the Nomination Committee include:

- (i) review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- (ii) formulate a policy of selection and nomination of Directors and the procedures for the sourcing of suitably qualified Directors for consideration of the Board and implement such plan and procedures approved;
- (iii) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- (iv) ensure sufficient biographical details of nominated candidates are provided to the Board and Shareholders to enable them to make a decision regarding selection of the Board members;
- (v) assess the independence of independent non-executive Directors;

- (vi) make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer; and
- (vii) conform to and abide by any requirement, direction and regulation that may be prescribed by the Board or contained in the constitutional documents of the Company or imposed by the Listing Rules or applicable laws.

The Company also recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage. The Company believes that greater diversity of Directors is good for corporate governance and is committed to attract and retain candidate(s) for the Board with a combination of competencies from the widest possible pool of available talents; and to assess regularly the diversity profile of the Board and, where applicable, prepare the Senior Management for Board positions under the succession planning of the Company and the progress on achieving diversity objectives, if any. A Board diversity policy was adopted by the Company, pursuant to which the Board and the Nomination Committee is responsible for reviewing and assessing the Board composition under diversified perspectives (including but not limited to gender, age, cultural and educational background, or professional experience) and for ensuring that changes to the Board's composition can be managed without undue disruption. The Nomination Committee shall report its findings and make recommendation to the Board, if any. Such policy and objectives, if any, will be reviewed from time to time to ensure their appropriateness in determining the optimum composition of the Board that are aligning with the Company's strategy and objectives.

During the Year, the Nomination Committee has performed the following major works:

- reviewed the Board diversity policy;
- reviewed the structure, size, diversity and composition of the Board and Board Committees and the split between the numbers of executive Directors, non-executive Directors and independent non-executive Directors;
- considered and recommended to the Board the re-election of the retiring Directors at the 2021 annual general meeting; and
- assessed the independence of the independent non-executive Directors.

The attendance records of each committee member at the Nomination Committee meeting held during the Year are set out in the above section headed "Directors' Attendance Records".

The Company has also adopted the Director Nomination Policy. Such policy, devising the criteria and process of selection and performance evaluation, provides guidance to the Board on the nomination and appointment of Directors. The Board believes that the defined selection process is good for corporate governance in ensuring Board continuity and appropriate leadership at the Board level, and enhancing better Board effectiveness and diversity as well as compliance with the applicable rules and regulations.

The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents. In selecting and evaluating candidates for directorship, the Nomination Committee may make reference to certain criteria, such as the Company's needs, the integrity, experience, skills and professional knowledge of the candidate, and the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities. Each candidate shall be ranked by order of preference based on the needs of the Company and his/her reference check. The Nomination Committee shall report its findings and make recommendations to the Board on the appointment of appropriate candidates for directorship.

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties set out in Code Provision D.3.1 of the CG Code. The principal roles and functions of the Board in relation to corporate governance is to develop and review the Company's policies and practices on corporate governance, to review and monitor the training and continuous professional development of Directors and management, to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements, to develop, review and monitor the code of conduct applicable to employees and Directors, and to review the Company's compliance with the CG Code and disclosures in the Corporate Governance Report.

During the Year, the principal work performed by the Board in relation to corporate governance functions are summarised below:

- reviewed the template for monthly updates (including financial information and business operations) of the Group;
- reviewed the arrangements for the Company's employees to use, in confidence, and to raise concerns about possible improprieties in financial reporting, internal control or other matters;
- reviewed the Corporate Governance Policy, Shareholders' Communication Policy and Codes of Conduct applicable to employees and Directors of the Company;
- reviewed and monitored the training and continuous professional development of the Directors and management;
- reviewed and monitored the legal and regulatory compliance policy of the Company;
- reviewed the terms of reference of each of the Board Committees; and
- reviewed the Company's compliance with the CG Code.

Directors' Training and Continuous Professional Development

Each newly appointed Director shall receive an induction on the first occasion of his/her appointment to ensure that he/she has an appropriate understanding of the business and operations of the Group and that he/she is fully aware of the Director's responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

Pursuant to Code Provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Company should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director. The Company updates Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, in order to ensure compliance and enhance their awareness of good corporate governance practices. The Company also arranges suitable professional development seminars and courses for the Directors and circulates various journals, articles and commentaries about the latest development of the industry from time to time amongst Directors. Directors are requested to provide their training records to the Company for records.

According to the records provided by the Directors, the training received by them during the Year is summarised as follows:

Directors	Type of continuous professional development training ^{Notes}
<i>Executive Directors</i>	
Mr. Yang Jun	A, B
Mr. Lai Wenjing	A, B
<i>Non-executive Directors</i>	
Mr. Lin Zheming	A, B
Mr. Law Fei Shing (resigned on 19 June 2021)	A, B
Mr. Lin Jun	A, B
Mr. Chu Chun Ho, Dominic	A, B
Mr. Chen Anhua	B
<i>Independent Non-executive Directors</i>	
Mr. Xie Rongxing	A, B
Mr. Lum Pak Sum (resigned on 19 June 2021)	A, B
Prof. Yan Haifeng	A, B
Ms. Tan Yuying	A, B

Notes:

- A. Attending seminar(s), conference(s), forum(s) and/or training course(s).
- B. Reading materials provided by external parties or by the Company including but not limited to updates relating to the Company's business or directors' duties and responsibilities, the latest development of the Listing Rules and other applicable regulatory requirements.

Directors' Responsibilities over the Financial Statements

The Board is accountable to the Shareholders and is committed to presenting comprehensive and timely information to the Shareholders for assessment of the Company's performance, financial position and prospects. A separate statement containing a discussion and analysis of the Group's performance is included in the section headed "Management Discussion and Analysis" of this annual report.

The Board's endeavour to present a balanced, clear and understandable assessment extends to annual and interim reports and other financial disclosures required under the Listing Rules and other applicable rules.

The Directors acknowledge their responsibility for the presentation of financial statements, which give a true and fair view of the state of affairs of the Company and the Group, and the results and cash flows for each financial period. In preparing the financial statements, the Directors have to ensure that appropriate accounting policies are adopted. The financial statements are prepared on a going concern basis. The Board is provided with explanations and information by the management of the Company, so that the Directors have an informed assessment of the financial and other information of the Group put forward to the Board for discussion and approval.

As set out in note 3.1 to the Consolidated Financial Statements, the Group incurred a net loss of approximately HK\$70,454,000 and a net cash outflow of approximately HK\$1,469,000 during the Year.

The Directors are of the opinion that, taking into account the plans and measures as stated below, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from the date of approval for issue of the consolidated financial statements. Accordingly, the consolidated financial statements are prepared on a going concern basis.

Notwithstanding the above results, the consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent upon the success of the Group's future operations, its ability to generate adequate cash flows in order to meet its obligations as and when fall due and its ability to refinance or restructure its borrowings such that the Group can meet its future working capital and financing requirements. Also, the Directors are of the opinion that the Group will be able to finance its future financing requirements and working capital based on the following considerations: 1) financial support from Mr. Yang Jun, the ultimate controlling party of the Company, who has agreed to continuously provide financial support for the continuing operations of the Company so as to enable it to meet its liabilities when they fall due and carry on its business without a significant curtailment of operations in the twelve months from the date of approval for issue of the consolidated financial statements; 2) completion of the disposal of the Properties at a consideration of HK\$41,000,000 on 10 February 2022; and 3) subsequent to the end of the Year, the Group has successfully rolled over bank facilities of approximately HK\$55,706,000.

Remuneration of Senior Management

The senior management of the Company receive remuneration in the form of salaries, bonuses, contribution to retirement schemes, and other allowances and benefits in kind subject to applicable laws, rules and regulations.

The remuneration of the senior management of the Company for the Year falls under the following bands:

Band of Remuneration	Number of Individuals
HK\$500,001 to HK\$1,000,000	2

Auditors and Auditors' Remuneration

HLB Hodgson Impey Cheng Limited was appointed as the external auditors of the Company with effect from 30 September 2021 to fill the casual vacancy following the resignation of Deloitte Touche Tohmatsu. A statement by the auditors about its reporting responsibilities is included in the Independent Auditors' Report on the Group's consolidated financial statements on pages 62 to 63 in this annual report.

In arriving at its opinion, the auditors conducted an audit without any restrictions and had access to individual Directors (including Audit Committee members) and management of the Company.

The remuneration paid and payable to HLB Hodgson Impey Cheng Limited in respect of annual audit and non-audit services of the Group for the Year is set out below:

Type of services provided by the external auditors	2021 HK\$'000
Audit service	1,980
Non-audit services	
1. Interim review	128
Total:	2,108

Risk Management and Internal Control

The main features of the risk management and internal control systems are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage its risks across business operations.

The Group has established a risk management framework, which consists of the Board, the Audit Committee and the management. The Board determines and evaluates the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the design, implementation and the overall effectiveness of the risk management and internal control systems.

The Group has formulated and adopted the Risk Management Policy for providing direction in identifying, evaluating and managing significant risks. The management identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritizes the identified risks according to a set of standard criteria on an annual basis. Risk mitigation plans and risk owners are then established for those risks considered to be significant.

In addition, the Group has engaged an independent professional advisor to assist the Board and the Audit Committee in conducting ongoing monitoring of the risk management and internal control systems of the Group and the management of the Group had conducted ongoing monitoring of the risk management. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Relevant findings, the effectiveness of the risk management and internal control systems and significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken.

A risk management report and internal control report are submitted to the Audit Committee and the Board at least once a year. The Board had performed an annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions; the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on the risk management and internal control systems; result of internal audit work; the extent and frequency of communication with the Board in relation to the result of the risk management and internal control systems review; significant failures or weaknesses identified and their related implications; and status of compliance with the Listing Rules. The Board considers the Group's risk management and internal control systems are effective and adequate.

The Board acknowledges its responsibility over the risk management and internal control systems and reviewing their effectiveness. The risk management and internal control systems are 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.

Procedures and internal controls for the handling and dissemination of inside information

The Group complies with requirements of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (“SFO”) and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures that the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group will immediately disclose the information to the public. The Group is committed to ensuring that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact, in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

Company Secretary

Mr. Wong Tin Yu from Tricor Services Limited, an external service provider, was appointed by the Board as the Company Secretary. The biography of Mr. Wong is set out in the section headed “Directors and Secretary” of this annual report. The primary contacts of Mr. Wong Tin Yu at the Company are Mr. Lai Wenjing, an executive Director, and Mr. Lin Zheming, a non-executive Director.

During the Year, Mr. Wong Tin Yu has taken no less than 15 hours of professional training.

Communications with Shareholders and Investors

The Company believes that effective communication with Shareholders is essential for enhancing investor relations and investors’ understanding of the Group’s business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of its corporate information, which enables Shareholders and investors to make an informed investment decision.

The Company maintains a website at www.s-culture.com as a communication platform with Shareholders and investors, where information and updates on the Group’s business developments and operations and other information are available for public access. In addition, the Company regularly meets with institutional investors, financial analysts and financial media, so as to promote the development of the Company through mutual and efficient communications.

Enquiries and suggestions from Shareholders or investors to the Board are welcomed by mail to the Company’s principal place of business in Hong Kong at Flat F–J, 11th Floor, Block 2, Kwai Tak Industrial Centre, 15–33 Kwai Tak Street, Kwai Chung, New Territories, Hong Kong or via email to ir@s-culture.com for the attention of the Investor Relations Department. Inquiries are dealt with in an informative and timely manner.

Besides, Shareholders’ meetings provide an opportunity for communication between the Board and the Shareholders. It is the Company’s general practice that the Chairman of the Board as well as chairmen of the Audit Committee, the Nomination Committee and the Remuneration Committee, or in their absence, their duly appointed delegates, will be available to answer questions at the annual general meeting of the Company. In addition, the Company will invite representatives of the auditors to attend its annual general meeting to answer Shareholders’ questions about the conduct of the audit, the preparation and contents of the auditors’ report, the accounting policies and auditors’ independence.

Shareholders' Rights

To safeguard Shareholders' interests and rights, separate resolutions are proposed at Shareholders' meetings on each substantial issue, including the election of individual Directors, for Shareholders' consideration and voting. The Shareholders may convene an extraordinary general meeting or put forward proposals at Shareholders' meetings as follows:

- (1) Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company may request the Board to convene an extraordinary general meeting pursuant to Article 64 of the Articles by sending a written requisition to the Board or the Company Secretary at the Company's principal place of business in Hong Kong. The purpose of requiring such general meeting must be stated in the written requisition.
- (2) If a Shareholder wishes to propose a person other than a retiring Director for election as a Director at a general meeting, pursuant to Article 113 of the Articles, the Shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting shall send a written notice, duly signed by the Shareholder, of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected. These notices should be lodged at the Company's principal place of business in Hong Kong, or the office of the Company's branch share registrar. The period for lodgement of such notices shall commence on the day after the dispatch of the notice of such general meeting and end 7 days prior to the date of such general meeting.

For the avoidance of doubt, Shareholder(s) must provide their full name(s), contact details and identification, in the originally signed written requisition, notice or statement (as the case may be), in order to give effect thereto. Information of Shareholder(s) may be disclosed as required by law. Shareholders may refer to the Articles for further details of the rights of Shareholders.

All resolutions put forward at Shareholders' meetings of the Company shall be voted by poll pursuant to the Listing Rules. The poll results shall be posted on the websites of the Stock Exchange and the Company after each Shareholders' meeting.

Dividend Policy

The Board has adopted the Dividend Policy to set out the basic principles and criteria based on which the Board may consider the distribution of dividends. Such declaration and payment of dividends shall remain to be determined at the absolute discretion of the Board, subject to all the applicable laws and regulations and the Articles.

The Company intends to pay dividend(s) of approximately 20% to 60% of its annual profits available for distribution. However, the Board will take into account the following conditions and factors before recommending or declaring dividends, including without limitation the Company's: (i) financial results; (ii) cash flow situation; (iii) balance of distributable reserves; (iv) business conditions and strategies; (v) future operations and earnings; and (vi) capital requirements and expenditure plans.

The Board will review the said Dividend Policy as appropriate from time to time. The historical declarations of dividends of the Group should not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Group in the future. Any declaration and payment as well as the amount of the dividends will be subject to any restrictions under the applicable laws and regulations and the Articles.

Constitutional Documents

During the Year, there was no change in the memorandum and Articles of the Company. An up-to-date version of the memorandum and Articles of the Company is available on the websites of the Stock Exchange and the Company.



REPORT OF THE DIRECTORS

The Directors present this annual report together with the audited consolidated financial statements for the Year (the “Consolidated Financial Statements”).

Principal Activities and Business Review

The principal activity of the Company is investment holding, whilst its major operating subsidiaries are engaged in the trading of footwear products and healthcare products and the provision of financial services and online medical services.

The business review required under Schedule 5 to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), including a description of the principal risks and uncertainties faced by the Group, an analysis of the Group’s performance during the Year using financial key performance indicators and an indication of likely future development in the Group’s business, is set out in the “Management Discussion and Analysis” of this annual report and a description of the environmental policies and performance is set out in the “Environmental, Social and Governance Report” of this annual report. These discussions form part of this “Report of the Directors”.

An analysis of the revenue and the results of the Group by operating segments during the Year is set out in note 6 to the Consolidated Financial Statements.

Principal Subsidiaries

A list of principal subsidiaries, together with their places of incorporation/establishment and particulars of their issued share capital/registered capital and principal activities, is set out in note 45 to the Consolidated Financial Statements.

Financial Results

The loss of the Group for the Year, and the Consolidated Statement of Financial Position of the Group as at 31 December 2021 are set out in the Consolidated Financial Statements on pages 64 to 66 of this annual report.

Dividends

The Directors do not recommend the payment of any dividend in respect of the Year (2020: Nil).

Closure of Register of Members

The register of members of the Company will be closed from 2 June 2022 to 8 June 2022 (both days inclusive) for the purpose of determining the right to attend and vote at the forthcoming annual general meeting of the Company to be held on 8 June 2022 (the “2022 AGM”). In order to be entitled to attend and vote at the 2022 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on 1 June 2022.

Five Year Financial Summary

A summary of the published results and of the assets and liabilities of the Group for the last five years ended 31 December 2021 is set out on page 134 of this annual report.

Compliance with Relevant Laws and Regulations

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

Major Suppliers and Customers

For the Year, the aggregate sales attributable to the Group's five largest customers were approximately 17.9%. The aggregate purchases attributable to the Group's five largest suppliers during the Year were approximately 40% while the purchases attributable to the Group's largest supplier during the Year were approximately 32.8%.

None of the Directors, their close associates or any Shareholder (which to the knowledge of the Directors own more than 5% of the Company's issued shares) had an interest in the Group's major suppliers or customers.

Key relationships with the customers and suppliers

(a) Customers

The Group's wholesales customers of the footwear business are typically local department stores or footwear retail chain stores, whereas our wholesales customers of the healthcare business are small wholesalers and Chinese e-commerce platforms. The Group's retail customers are mainly members of the public or tourists in Hong Kong, Mainland China and Macau.

For wholesales customers of the footwear business, we had maintained business relationships and have been dealing with most of them for more than five years. Consistent with usual industry practice, the Group does not enter into any long-term sales agreements with them, while we will organize order meetings and request them to place purchase orders to us for every season. For wholesales customers of the healthcare business, we commenced business relationships with them during the Year and will review the buying terms from time to time to ensure each customer reaches the minimum purchase orders with us.

For retail customers, we aimed to pursue excellence in product and service quality. Our sales team is trained to provide customers with high quality customer shopping experience and deal with any complaints that may arise from customers, including but not limited to the verification of any alleged defects in our products. The Directors regard the interests of customers as one of our top priorities.

The Group's customers of the financial services business are mainly institutions and corporations. Consistent with usual financial services practice, customers must sign a contract with us to outline the major financing terms and conditions to safeguard the interests of both parties.

For the online medical services business, the customers currently mainly include C-end individuals and a few B-end enterprise users. Although the business is in its infancy, with the investment in marketing expenses and the support of the government, relevant customers are expected to grow significantly in the future.

(b) Suppliers

The Group is an established and reputable distributor and retailer with distribution rights with a number of renowned international lifestyle comfort footwear brands and reputable healthcare brands. The Directors consider that it is commercially beneficial to build up a close and long-term business relationship with our suppliers as our long-term collaboration would allow us to provide reliable and quality footwear products and healthcare products to our customers.

For the online medical services business, based on strategic cooperation agreements with three major hospitals affiliated to universities in Shanghai and several well-known national pharmaceutical companies, the service provider will be doctors coming from, including but not limited to, the above-mentioned hospitals, and the supplier for the sales of online medicine selling in the future will include, but not be limited to, the above-mentioned pharmaceutical companies.

Reserves and Distributable Reserves

Movements in the reserves of the Company during the Year are set out in note 44 to the Consolidated Financial Statements. Movements in the reserves of the Group are reflected in the Consolidated Statement of Changes in Equity.

REPORT OF THE DIRECTORS

The Company's reserves available for distribution to Shareholders as at 31 December 2021 amounted to approximately HK\$25.3 million (2020: HK\$66.2 million).

Pre-Emptive Rights

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

Donations

Donations made by the Group during the Year amounted to approximately HK\$742,897 (2020: approximately HK\$770,000).

Bank and Other Borrowings

Particulars of bank and other borrowings of the Group as at 31 December 2021 are set out in note 31 to the Consolidated Financial Statements.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 16 to the Consolidated Financial Statements.

Share Capital

Details of the Company's share capital and movements during the Year are set out in note 32 to the Consolidated Financial Statements.

Equity-linked Agreements

Other than the share option scheme of the Company as disclosed below and the subscription agreements as disclosed in the "Management Discussion and Analysis" of this annual report, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Year or subsisted at the end of the Year.

Share Option Scheme

The Company adopted a share option scheme (the "Share Option Scheme") on 11 June 2013 which will remain in force for 10 years from that date. The remaining life of the Share Option Scheme is approximately 1 year. The purpose of the Share Option Scheme is to enable the Group to grant options to the eligible participants to (i) motivate them to optimize their performance and efficiency for the benefit of the Group; and (ii) attract and retain or otherwise maintain ongoing business relationship with eligible participants whose contributions are, will or expected to be beneficial to the Group.

Eligible participants of the Share Option Scheme include (i) any employee, executive, or director of any member of the Group or of any company in which the Company holds, directly or indirectly, an equity interest (the "Invested Entity") (including any full-time or part-time employee, executive, executive director, non-executive director, independent non-executive director and company secretary); (ii) any supplier of goods or services to any member of the Group or any Invested Entity; (iii) any customer of the Group or any Invested Entity; and (iv) any consultant, adviser, manager, officer or entity that provides research, development or other technological support to the Group or any Invested Entity.

The Board may, at its absolute discretion, grant an option to eligible participant(s) to subscribe for the shares of the Company at an exercise price and subject to the other terms of the Share Option Scheme. The offer of a grant of options may be accepted within 28 days from the date of offer, with no consideration payable by the grantee. Unless otherwise provided in the terms of the Share Option Scheme, an option may be exercised at any time during the option period, which is defined as such periods to be determined and notified by the Board to each grantee at the time of the offer of the grant of the option.

The maximum number of shares issuable under options granted to each eligible participant in accordance with the Share Option Scheme within any 12-month period is limited to 1% of the issued share capital of the Company in issue at any time. Any further grant is subject to the Shareholders' approval in general meeting with the participant and the close associates of such participant (or his/her/its associates if the participant is a connected person) abstaining from voting.

Each grant of options to a Director, chief executive or substantial Shareholder of the Company, or any of their respective associates, must be approved by the independent non-executive Directors (excluding independent non-executive Director who is the grantee of the options). 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 Company's 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 excess of 0.1% of the issued shares of the Company in aggregate and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, is subject to Shareholders' approval in advance in general meeting.

The exercise price of options is determined by the Board, but shall be at least the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the par value of the Company's shares.

As at the date of this annual report, the total number of securities of the Company available for issue under the Share Option Scheme was 20,000,000, representing approximately 8.24% of the issued shares as at the date of this annual report. Further details of the Share Option Scheme are set out in note 36 to the Consolidated Financial Statements. No option has been granted by the Company under the Share Option Scheme since its adoption.

Directors

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

Executive Directors

Mr. Yang Jun (*Chairman*)

Mr. Lai Wenjing

Non-executive Directors

Mr. Lin Zheming

Mr. Law Fei Shing (*resigned on 19 June 2021*)

Mr. Lin Jun

Mr. Chu Chun Ho, Dominic

Mr. Chen Anhua

Independent non-executive Directors

Mr. Xie Rongxing

Mr. Lum Pak Sum (*resigned on 19 June 2021*)

Prof. Yan Haifeng

Ms. Tan Yuying

Biographies of Directors

Brief biographical details of Directors are set out on pages 30 to 33 of this annual report.

Directors' Service Contracts

None of the Directors who are proposed for re-election at the 2022 AGM has a service contract with the Company that is not determinable within one year without payment of compensation (other than statutory compensation).

Update on Directors' Information

Mr. Law Fei Shing ("Mr. Law") had tendered his resignation as a non-executive Director and Mr. Lum Pak Sum ("Mr. Lum") had tendered his resignation as an independent non-executive Director on 19 June 2021. As stated in the announcement of the Company dated 25 June 2021,

- (i) as stated in the resignation letters of Mr. Law and Mr. Lum, they held different views on, and had reservation about, a proposed investment project of the Company. Save for the above, Mr. Law and Mr. Lum have confirmed that they have no disagreement with the Board and there is no matter relating to their resignations that needs to be brought to the attention of the shareholders of the Company; and
- (ii) the Board attached great importance to the views of Mr. Law and Mr. Lum and the management had further prepared and supplemented all the relevant information and required materials and information for Board's consideration and assessment of the said proposed investment project.

The following is the updated information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

- Mr. Xie Rongxing has resigned as an independent director of Shanghai Jinshan Surface Technology Engineering Co., Ltd (a company listed on the NEEQ, stock code: 830939) in October 2021.

Save as disclosed above, the Directors confirm that no other information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Remuneration Policy and Directors' Remuneration

According to the Group's remuneration policy, in evaluating the amount of remuneration payable to Directors and senior management, the factors to be considered by the Remuneration Committee include the salaries paid by similar companies, tenure of Directors and senior management, commitment, responsibilities and individual performance (as the case may be), etc.

The Remuneration Committee considers and recommends to the Board the remuneration and other benefits paid by the Company to the Directors. The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that the levels of their remuneration and compensation are appropriate. Details of Directors' remuneration are set out in note 12(a) to the Consolidated Financial Statements.

Directors' Interests in Transactions, Arrangements or Contracts

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

Arrangement to Acquire Shares or Debentures

Apart from the Share Option Scheme operated by the Company as disclosed in the section headed "Share Option Scheme" above, neither at the end of nor at any time during the Year there subsisted any arrangement to which the Company or any of its subsidiaries was a party and the objects of or one of the objects of such arrangement are/is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Contract of Significance

No contract of significance has been entered into between the Company or any of its subsidiaries and the controlling Shareholders or any of its subsidiaries during the Year.

Directors' Interests in Competing Business

During the Year and up to the date of this annual report, the following person is considered to have interests in a business which competes or is likely to compete, directly or indirectly, with the business of the Group, as defined in the Listing Rules, as set out below:

Mr. Law Fei Shing, a non-executive Director, up until 19 June 2021 was the director and shareholder of Excel Precise Securities Limited ("Excel Precise"), which is a corporation licensed to conduct Type 1 (dealing in securities) regulated activity under the SFO. As DSG Securities (Hong Kong) Limited ("DSG Securities"), a subsidiary of the Company, is a corporation licensed to conduct Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO, the Type 1 (dealing in securities) regulated activity of Excel Precise has, to a certain extent, overlapped and thus may compete with that of DSG Securities. The Board considered that the Group is capable of managing and operating the said business independently and at arm's length.

Save as disclosed above, as far as the Directors are aware, none of the Directors had any competing interest in a business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2021, the interests of the Directors and chief executive in the shares of the Company and/or its associated corporations, which were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

(A) Long position in the issued shares of the Company

Name of Director	Nature of interests	Notes	Number of the Company's shares interested	Percentage of the Company's issued share capital*
Mr. Yang Jun	Interest held by controlled corporations	1	149,993,617	61.77%
Mr. Chu Chun Ho, Dominic	Person having a security interest in shares	2	22,000,000	9.06%

Notes:

(1) These shares were held by Shang Ying Financial Holding Co., Limited ("Shang Ying Financial", a wholly-owned subsidiary of Shang Ying International Holdings Limited ("Shang Ying International")), which was in turn wholly owned by Mr. Yang Jun. Accordingly, Mr. Yang Jun was deemed to be interested in these shares of the Company pursuant to Part XV of the SFO.

(2) Mr. Chu Chun Ho, Dominic and Mr. Chong Hot Hoi (a former Director) were jointly having security interest in these shares of the Company.

* The percentage represents the number of the Company's shares interested divided by the number of the Company's issued shares as at 31 December 2021.

(B) Long position in the shares of associated corporations of the Company

Name of associated corporation	Name of Director	Nature of interests	Number of the associated corporation's shares interested	Percentage of the associated corporation's issued share capital*
Shang Ying Financial	Mr. Yang Jun	Interest held by controlled corporation	10,000	100%
Shang Ying International	Mr. Yang Jun	Beneficial owner	100	100%

Note: Mr. Yang Jun held the entire issued share capital of Shang Ying International, which in turn held the entire issued share capital of Shang Ying Financial. As Shang Ying Financial held more than 50% of the issued share capital of the Company, and Shang Ying International held more than 50% of the issued share capital of Shang Ying Financial, Shang Ying Financial and Shang Ying International were the associated corporations of the Company within the meaning of Part XV of the SFO.

* The percentage represents the number of the associated corporation's shares interested divided by the number of the associated corporation's issued shares as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, none of the Directors or chief executive of the Company had registered an interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2021, the following parties had interests of 5% or more of the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long position in the issued shares of the Company

Name of Shareholder	Nature of interests	Notes	Number of the Company's shares interested	Percentage of the Company's issued share capital*
Shang Ying Financial	Beneficial owner	1	149,993,617	61.77%
Great Wall International Investment X Limited	Person having a security interest in shares	2&3	123,993,617	51.06%
China Great Wall AMC (International) Holdings Company Limited	Interest held by controlled corporations	2&3	123,993,617	51.06%
China Great Wall Asset Management Co., Ltd.	Interest held by controlled corporations	2&3	123,993,617	51.06%

Name of Shareholder	Nature of interests	Notes	Number of the Company's shares interested	Percentage of the Company's issued share capital⁺
Ms. Yeung Mei Lee	Joint and several receivers and managers	2&3	123,993,617	51.06%
Ms. Wong Wing Sze Tiffany	Joint and several receivers and managers	2&3	123,993,617	51.06%
Mr. Chong Hot Hoi	Person having a security interest in shares	4	22,000,000	9.06%
Mr. Liu Shaolin	Beneficial owner	5	14,848,000	6.11%
Ms. Li Yun	Interest held by spouse	5	14,848,000	6.11%

Notes:

- (1) The above interest of Shang Ying Financial was also disclosed in note (1) in the above section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares".
- (2) These shares held by Shang Ying Financial were pledged to Great Wall International Investment X Limited ("Great Wall X") to secure the repayment, obligations and responsibilities of a loan made by Great Wall X to Shang Ying Financial. Great Wall X was therefore deemed to be interested in these shares of the Company pursuant to Part XV of the SFO. In addition, the issued share capital of Great Wall X was wholly owned by China Great Wall AMC (International) Holdings Company Limited ("China Great Wall AMC"), which was in turn wholly owned by China Great Wall Asset Management Co., Ltd. ("China Great Wall"). Accordingly, China Great Wall and China Great Wall AMC were deemed to be interested in these shares of the Company which were deemed to be interested by Great Wall X pursuant to Part XV of the SFO.
- (3) On 6 May 2020, Ms. Wong Wing Sze Tiffany and Ms. Yeung Mei Lee were appointed as the joint and several receivers and managers (the "Receivers") over these shares held by Shang Ying Financial pledged to Great Wall X. Accordingly, the Receivers were deemed to be interested in these shares of the Company pursuant to Part XV of the SFO.
- (4) The above interest of Mr. Chong Hot Hoi was also disclosed as the interest of Mr. Chu Chun Ho, Dominic in the above section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares".
- (5) These 14,848,000 shares were held by Mr. Liu Shaolin, the spouse of Ms. Li Yun. Accordingly, Ms. Li was deemed to be interested in these shares of the Company pursuant to the SFO.

⁺ The percentage represents the number of the Company's shares interested divided by the number of the Company's issued shares as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, no person, other than the Directors whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" above, had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

Related Party Transactions

For the Year, there were no connected transactions or continuing connected transactions of the Company which require compliance with any of the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Details of material related party transactions undertaken in the usual course of business of the Group are set out in note 39 to the Consolidated Financial Statements. However, these transactions were either exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, or did not fall under the definition of connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

Management Contracts

No contract (other than the employment contracts) concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or in existence during the Year.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained a sufficient prescribed public float under the Listing Rules.

Tax Relief and Exemption for Holders of Listed Securities

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holdings of the Company's securities.

Permitted Indemnity Provision

Pursuant to the Articles, every Director shall be entitled to be indemnified and secured harmless out of the assets of the Company against all loss, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in the execution of their duties in their offices. During the Year, there was appropriate directors' and senior officers' liability insurance coverage for the Directors and senior officers of the Group.

Events after the Reporting Period

Save as disclosed in note 46 to the Consolidated Financial Statements, no other major subsequent events affecting the Group had occurred since the end of the Year and up to the date of this annual report.

Audit Committee

The Company established the Audit Committee with written terms of reference, in accordance with Appendix 14 to the Listing Rules, on 11 June 2013. The primary duties of the Audit Committee are, amongst other things, to review and supervise the financial reporting processes and risk management and internal control systems of the Company.

The Audit Committee (consisting of three independent non-executive Directors) has reviewed with management the principal accounting policies adopted by the Group and discussed the risk management and internal control systems and financial reporting matters, including a review of the Consolidated Financial Statements.

Auditors

HLB Hodgson Impey Cheng Limited has been appointed as the auditors of the Company with effect from 30 September 2021 to fill the casual vacancy following the resignation of Deloitte Touche Tohmatsu and to hold office until the conclusion of the 2022 AGM. Hence, HLB Hodgson Impey Cheng Limited, the auditors of the Company, will retire and, being eligible, offer themselves for re-appointment at the 2022 AGM. A resolution will be submitted to the 2022 AGM to seek Shareholders' approval on the re-appointment of HLB Hodgson Impey Cheng Limited as the Company's auditors until the conclusion of the next annual general meeting.

On behalf of the Board

TATA Health International Holdings Limited

Yang Jun

Chairman

Hong Kong, 31 March 2022

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 SHAREHOLDERS OF TATA HEALTH INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Tata Health International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 64 to 133, 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, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the 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 Related to Going Concern

We draw attention to Note 3 in the consolidated financial statements, which indicates that the Group incurred a net loss of approximately HK\$70,454,000 during the year ended 31 December 2021 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK\$38,004,000. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists 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.

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 Related to Going Concern" section above, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter

Allowance for expected credit losses on loans to an associate

Refer to Notes 21 and 41 to the consolidated financial statements.

Loss allowances for loans to an associate are based on management's estimate of the lifetime or 12-month expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, debtors' repayment history, collaterals and financial position and the assessment of both the current and forecast general economic conditions, all of which involve significant degree of management judgement and estimation.

We focused on this area due to the allowance for expected credit losses assessment involves significant management judgements and estimates, and in view of the significance of the amount (as at 31 December 2021, gross loans to an associate amounted to HK\$42,966,000, representing 24% of total assets, and expected credit losses allowance amounted to HK\$293,000).

How our audit addressed the key audit matter

Our procedures in relation to the allowance for expected credit losses on loans to an associate included but are not limited to:

- We performed background research of the associate, and tested the accuracy of the aging profile of the loans by checking the underlying payment correspondence;
- We reviewed the loan agreements signed by the Group and the associate, to confirm whether the transaction is carried out in accordance with the loan agreement;
- We assessed the provision for expected credit losses on the loans recognised by the Group; and
- We assessed the adequacy of the disclosures regarding the provision for expected credit losses in the consolidated financial statements.

We found that the management judgement and estimates used to assess the recoverability of the loans to an associate and impairment provision to be supportable by available evidence.

Other Matters

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditors who expressed an unmodified opinion on those statements on 31 March 2021.

Other Information

The directors of the Company 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 auditors' report thereon.

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

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the 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.

Those charged with governance are 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 solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

We also provide those charged with governance 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 safeguard applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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 partner on the audit resulting in the independent auditors' report is Shek Lui.

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Shek Lui

Practising Certificate Number: P05895

Hong Kong, 31 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	5	160,925	155,363
Cost of sales		(56,207)	(121,080)
Gross profit		104,718	34,283
Other income	7	2,023	14,013
Other gains and losses	8	79	3,467
Impairment loss on non-financial asset	11	(4,367)	(38,504)
Impairment loss under expected credit loss model, net	9	(5,342)	(37)
Selling and distribution costs		(65,667)	(82,044)
Administrative expenses		(97,257)	(101,071)
Share of results of an associate		(573)	780
Finance costs	10	(2,757)	(3,570)
Loss before taxation	11	(69,143)	(172,683)
Taxation	13	(1,311)	(396)
Loss for the year		(70,454)	(173,079)
Other comprehensive expenses			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation from functional currency to presentation currency		(425)	(3,162)
<i>Item that will not be reclassified to profit or loss:</i>			
Revaluation gain on property, plant and equipment upon transfer to investment properties		—	3,870
Total comprehensive expense for the year		(70,879)	(172,371)
Loss for the attributable to:			
Owners of the Company		(60,761)	(151,869)
Non-controlling interests		(9,693)	(21,210)
		(70,454)	(173,079)
Total comprehensive expense for the year attributable to:			
Owners of the Company		(61,090)	(150,999)
Non-controlling interests		(9,789)	(21,372)
		(70,879)	(172,371)
Loss per share — basic and diluted (HK\$)	15	(0.26)	(0.71)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION



At 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Property, plant and equipment	16a	10,938	21,943
Investment properties	17	2,100	4,000
Interests in associates	20	400	2,483
Loans to an associate	21	42,673	497
Deferred tax assets	22	5,150	6,461
Deposits and prepayment for a life insurance policy	23	1,918	1,912
Rental deposits and prepayment	25	2,127	1,395
		65,306	38,691
Current assets			
Inventories	24	19,578	46,748
Trade and other receivables	25	28,054	22,628
Amount due from a related company	29	7,071	—
Amounts due from associates	29	1,776	4,882
Time deposit over three months	26	20,292	20,273
Bank balances and cash	26	26,743	28,208
		103,514	122,739
Assets classified as held for sale	16b	8,041	—
		111,555	122,739
Current liabilities			
Trade and other payables	27	67,439	42,212
Contract liabilities	28	216	214
Amounts due to related companies	29	42,355	2,152
Taxation payable		564	541
Lease liabilities	30	8,278	13,607
Other borrowing — due within one year	31	15,000	15,000
Bank borrowings — due within one year	31	15,707	27,742
		149,559	101,468
Net current (liabilities)/assets		(38,004)	21,271
Total assets less current liabilities		27,302	59,962
Non-current liabilities			
Lease liabilities	30	1,982	3,560
Loans from related companies	29	11,715	32,856
Amount due to an associate	29	—	5,740
Amount due to immediate holding company	29	—	7,342
		13,697	49,498
Net assets		13,605	10,464

Consolidated Statement of Financial Position

At 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Capital and reserves			
Share capital	32	2,428	2,140
Reserves		20,582	7,940
Equity attributable to owners of the Company		23,010	10,080
Non-controlling interests		(9,405)	384
Total equity		13,605	10,464

The consolidated financial statements on pages 64 to 133 were approved and authorised for issue by the board of directors on 31 March 2022 and are signed on its behalf by:

Yang Jun
Director

Lai Wenjing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY



For the year ended 31 December 2021

	Attributable to owner of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Special reserve	Legal reserve	Other reserve	Share-based compensation reserve of a subsidiary	Property revaluation reserve	Translation reserve	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000 (Note a)	HK\$'000 (Note b)	HK\$'000 (Note c)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020	2,140	147,131	15,800	12	1,323	376	—	558	(6,711)	160,629	11,898	172,527
Loss for the year	—	—	—	—	—	—	—	—	(151,869)	(151,869)	(21,210)	(173,079)
Exchange differences on translation from functional currency to presentation currency	—	—	—	—	—	—	—	(3,000)	—	(3,000)	(162)	(3,162)
Revaluation gain on property, plant and equipment, upon transfer to investment properties	—	—	—	—	—	—	3,870	—	—	3,870	—	3,870
Total comprehensive income/(expense) for the year	—	—	—	—	—	—	3,870	(3,000)	(151,869)	(150,999)	(21,372)	(172,371)
Disposal of subsidiaries	—	—	—	—	—	—	—	—	—	—	1,870	1,870
Deferred capital contribution from related companies	—	—	—	—	349	—	—	—	—	349	—	349
Capital contribution from non-controlling interests	—	—	—	—	—	—	—	—	—	—	7,988	7,988
Recognition of equity-settled share-based payments	—	—	—	—	—	101	—	—	—	101	—	101
At 31 December 2020 and 1 January 2021	2,140	147,131	15,800	12	1,672	477	3,870	(2,442)	(158,580)	10,080	384	10,464
Loss for the year	—	—	—	—	—	—	—	—	(60,761)	(60,761)	(9,693)	(70,454)
Exchange differences on translation from functional currency to presentation currency	—	—	—	—	—	—	—	(329)	—	(329)	(96)	(425)
Total comprehensive expense for the year	—	—	—	—	—	—	—	(329)	(60,761)	(61,090)	(9,789)	(70,879)
Placing of shares	288	74,209	—	—	—	—	—	—	—	74,497	—	74,497
Recognition of equity-settled share-based payments	—	—	—	—	—	(477)	—	—	—	(477)	—	(477)
At 31 December 2021	2,428	221,340	15,800	12	1,672	—	3,870	(2,771)	(219,341)	23,010	(9,405)	13,605

Notes:

- The special reserve of the Group represents the difference between the nominal amount of the share capital and share premium of Kong Tai Sundry Goods Company Limited ("Kong Tai Sundry Goods") and Grand Asian Limited ("Grand Asian"), subsidiaries of the Company, and the nominal amount of share capital of the Company pursuant to the group reorganisation.
- As stipulated by the relevant laws and regulations in the Macao Administrative Region of the People's Republic of China ("Macao"), a subsidiary of the Company is required to set aside 25% of its profit for the year to a legal reserve until the legal reserve has reached 50% of its registered capital.
- The other reserve of the Group represents the deemed capital contribution arising from interest-free loans from related companies.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended 31 December 2021

	2021 HK\$	2020 HK\$
Operating activities		
Loss before taxation	(69,143)	(172,683)
Adjustments for:		
Share of results of an associate	573	(780)
(Reversal of allowance)/allowance for inventories	(6,874)	63,169
Share-based payments	(477)	101
Interest income	(993)	(279)
Imputed interest income from rental deposits	(162)	(251)
Interest expenses	2,757	3,570
Imputed interest income from deposit and prepayment for a life insurance policy	(34)	(33)
Impairment loss on non-financial asset	4,367	38,504
Impairment loss under expected credit loss model, net	5,342	37
Depreciation of property, plant and equipment	13,763	22,576
Amortisation of intangible assets	—	1,838
Change in fair value of investment properties	(200)	—
Premium charges on a life insurance policy	28	27
Covid-19-related rent concession	(116)	(896)
Loss on write-off of inventories	426	—
Gain on disposal of a subsidiary	—	(1,946)
Gain on disposal and write-off of property, plant and equipment	(352)	(533)
Operating cash flows before movements in working capital	(51,095)	(47,579)
Decrease in inventories	33,618	21,424
(Increase)/decrease in trade and other receivables	(11,471)	16,189
Increase in trade and other payables	24,050	10,007
Increase in contract liabilities	2	214
Cash (used in)/generated from operations	(4,896)	255
Profits Tax refund	—	—
Net cash (used in)/generated from operations activities	(4,896)	255

Consolidated Statements of Cash Flows

For the year ended 31 December 2021

	Notes	2021 HK\$	2020 HK\$
Investing activities			
Withdrawal of time deposit over three months		—	80,555
Refund of rental deposits		3,738	4,656
Proceed from disposal and write-off of property, plant and equipment		416	600
Repayment from an associate		2,780	375
Loan to an associate		(41,700)	—
Interest received		273	295
Placement of time deposit over three months		(19)	(100,828)
Purchase of property, plant and equipment		(1,079)	(3,085)
Deposit paid for acquisition of an associate		(4,634)	—
Deposit received from disposal of properties		3,000	—
Payment of rental deposits		(2,589)	(1,442)
Net cash outflow on disposal of a subsidiary	33	—	(90)
Net cash used in investing activities		(39,814)	(18,964)
Financing activities			
New bank and other borrowings raised		—	35,848
Placing of shares		74,497	—
Loans from related companies		—	32,427
Capital contribution from non-controlling shareholders		—	7,988
Advance from an associate		—	5,826
Advance from immediate holding company		—	4,149
Advance from related companies		24,160	1,264
Repayment of bank borrowings		(12,035)	(44,174)
Repayment of lease liabilities		(17,258)	(20,589)
Repayment of loans from related companies		(11,791)	(14,597)
Repayment to an associate		(13,379)	(6,210)
Repayment to a shareholder		(100)	—
Interest paid		(853)	(1,720)
Repayment to immediate holding company		—	(200)
Net cash generated from financing activities		43,241	12
Net decrease in cash and cash equivalents		(1,469)	(18,697)
Cash and cash equivalents at beginning of the year		28,208	46,820
Effect of foreign exchange rate changes		4	85
Cash and cash equivalents at end of the year, representing bank balances and cash		26,743	28,208

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

TATA Health International Holdings Limited (the “Company”) is a public limited company incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its parent is Shang Ying Financial Holding Co., Limited, a company incorporated in Hong Kong, and its ultimate parent is Shang Ying International Holdings Limited, a company incorporated in the British Virgin Islands (“BVI”). Its ultimate controlling party is Mr. Yang Jun, who is also the Chairman of the Company.

The Company acts as an investment holding company while its subsidiaries are principally engaged in the trading of footwear products and healthcare products, and provision of financial services and online medical services. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is the functional currency of the Company.

2. APPLICATION OF 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 periods 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.

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

Impacts on early application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021

The Group has early applied the amendment in the current year. The amendment extends the availability of the practical expedient in paragraph 46A of HKFRS 16 Leases (“HKFRS 16”) by one year so that the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The application has had no impact to the opening retained profits at 1 January 2021 and no impact on Group’s financial positions and performance for current year. During the year, certain lessors agreed to waive/reduce lease payments on several leases in retail shops beyond 30 June 2021. The Group has derecognised the part of lease liabilities that have been extinguished using the discount rates originally applied to these leases respectively, resulted in a decrease in lease liabilities of HK\$116,000, which have been recognised as variable lease payments in profit or loss for the current year.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

Impacts on application of the agenda decision of the Committee — Cost necessary to sell inventories (HKAS 2 Inventories)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group’s accounting policy prior to the Committee’s agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee’s agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories such as selling and distributive costs etc. The new accounting policy has been applied retrospectively.

The application of the Committee’s agenda decision has had no material impact on the Group’s financial positions and performance.

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 are 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 and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single 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 new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the 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, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Companies Ordinance.

The Group incurred a net loss of approximately HK\$70,454,000 (2020: HK\$173,079,000) and a net cash outflow of approximately HK\$1,469,000 (2020: HK\$18,697,000) for the year ended 31 December 2021. As at 31 December 2021, the Group's current liabilities exceeded its current assets by approximately HK\$38,004,000 (2020: net current assets of HK\$21,271,000).

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 twelve months from date of approval for issue of these consolidated financial statements. They are of the opinion that, taking into account the plans and measures as stated below, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from date of approval for issue of these consolidated financial statements. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above results, the consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent upon the success of the Group's future operations, its ability to generate adequate cash flows in order to meet its obligations as and when fall due and its ability to refinance or restructure its borrowings such that the Group can meet its future working capital and financing requirements. Also, the directors of the Company are of the opinion that the Group will be able to finance its future financing requirements and working capital based on the following considerations:

1) Financial support from ultimate controlling party

Mr. Yang Jun, the ultimate controlling party of the Company who have agreed to continuously provide financial support for the continuing operations of the Company so as to enable it to meet its liabilities when they fall due and carry on its business without a significant curtailment of operations in the twelve months from date of approval for issue of these consolidated financial statements.

2) Completion of the disposal of the properties

The Group entered into an agreement to dispose of the properties located at Hong Kong at a consideration of HK\$41,000,000 and the disposal was completed on 10 February 2022. For further details, please refer to Note 16b.

3) Alternative sources of external funding

At 31 December 2021, the Group had unutilised banking facilities of approximately HK\$48,876,000. Subsequent to the end of the reporting period, the Group has successfully rolled over the bank facilities of approximately HK\$55,706,000.

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 further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation of consolidated financial statements (Continued)

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties that are measured at fair value at the end of each reporting period, as explained in the accounting policies as 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 the characteristics of the asset or liability if market participants would take those characteristics 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.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For investment properties which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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.

3.2 Significant accounting policies

Basis 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Basis of consolidation (Continued)

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.

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 in line with the Group's accounting policies.

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including reattribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Business combinations or asset acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

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.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in October 2010).

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below);
- 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
- 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 term 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Business combinations or asset acquisitions (Continued)

Business combinations (Continued)

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 amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after reassessment, the net amount 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 acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included 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. 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 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 to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for investment properties, which continue to be measured in accordance with the accounting policies as set out in respective sections.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers

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 or 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 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.

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

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group’s performance in transferring control of goods or services.

Input method

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.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

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 on or after the date of initial application or arising from business combinations, 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 applies practical expedient not to separate non-lease components from lease components, and instead accounts for the lease components and any associated non-lease components as a single lease component.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of retail shops and an office that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases 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.

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 that do not meet the definition of investment property in "property, plant and equipment", the same line item within which the corresponding underlying assets would be presented if they were owned. Right-of-use assets that meet the definition of investment property are presented within "investment properties".

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" 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.

The lease payments include:

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

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

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

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, in which case the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

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.

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 2022; 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.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant leasehold land classified as right-of-use assets) at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the property, the relevant revaluation reserve will be transferred directly to accumulated losses.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method or reducing balance 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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the investment property is derecognised.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the 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.

Impairment on property, plant and equipment, right-of-use assets and intangible 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 and intangible assets with finite useful lives to determine whether there is any indication that those 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 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 testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (Continued)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market 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 a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) 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 a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Deposit and prepayment for a life insurance policy

Deposit and prepayment for a life insurance policy is stated in the consolidated statement of financial position at cost adjusted for interest income and service charges, less impairment losses, if any.

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

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 or financial liabilities at fair value through profit or loss ("FVTPL")) 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 or financial liabilities at FVTPL 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.

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 hold financial assets in order 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 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.

All other financial assets are subsequently measured at FVTPL, except that at 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 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

A financial asset is 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 amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). 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 from the next reporting period. If 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 the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including loans to an associate, trade and other receivables, rental deposits, amounts due from associates, time deposit over three months and bank balances) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date 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, 12-month ECL ("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 date. Assessments 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 date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables.

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, in which case 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(i) 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 date 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 of financial assets except trade receivables 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.

(ii) Definition of default

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

Irrespective of the above, the Group considers that default has occurred when the instrument except trade receivables 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

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

(iv) 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 year past due, whichever occur 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.

(v) 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 and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(v) Measurement and recognition of ECL (Continued)

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, where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

All financial liabilities, including trade and other payables, amount due to a related company, loans from related companies, bank and other borrowings and leases liabilities are subsequently measured at amortised cost using the effective interest method.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Derecognition/modification of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss or equity at the date of modification.

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 recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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 retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which statement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation) which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests in associates.

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. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Borrowing costs

Borrowing costs which are not capitalised to qualifying assets are recognised in profit or loss in the period in which they are incurred.

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.

Government grants related to income 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".

Employee benefits

Retirement benefit costs and termination benefits

Payments to government-managed retirement benefit schemes in Macau, state-managed retirement benefit schemes in Australia (superannuation fund) and the People's Republic of China (the "PRC") and the Mandatory Provident Fund Schemes in Hong Kong are recognised as an expense when employees have rendered service entitling them to the contributions.

A liability for a termination benefit is recognised at the earlier of when an entity of the Group can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payments

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based compensation reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based compensation reserve.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

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/loss before taxation because 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 are recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base 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 difference 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 the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, 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 the 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 is realised, based on tax rate (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.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, which is always presumed to be recovered entirely through sale.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Taxation (Continued)

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

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.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Related parties transactions

A party is considered to be related to the Group if:

- (a) A person or a close member of that person's family, is related to the Group, if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (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 of which the other entity is a member).
 - (iii) the entity and the Group are joint ventures of the same third party.
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the reporting entity is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) the entity is controlled or jointly controlled by a person identified in (a).
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Related parties transactions (Continued)

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 and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of the 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 or obligations between the Group and a related party, regardless of whether a price is charged.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The followings are the critical judgements, apart from those involving estimation, that the directors of the Company have made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment properties and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. The Group has not recognised any deferred tax on changes in fair value of investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Determination on incremental borrowing rate of lease contracts

In determining incremental borrowing rates of lease contracts, the Group applies judgement to determine the applicable rates, taking into account the nature of the underlying assets and the terms and condition of the leases at both the commencement date and the effective date of the modification to calculate the present value of lease payments. The incremental borrowing rates of the Group applied significantly affect the amounts of lease liabilities and right-of-use assets recognised.

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

Key sources of estimation uncertainty

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

Estimated impairment of property, plant and equipment

Property, plant and equipment is stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment 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. Furthermore, the cash flows projections, growth rate and discount rate are subject to greater uncertainties in the current year due to uncertainty on how the Covid-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions in the Group's operations.

As at 31 December 2021, the carrying amount of property, plant and equipment subject to impairment assessment is HK\$10,938,000 (2020: HK\$21,943,000), after taking into account the impairment losses of HK\$2,857,000 (2020: HK\$5,570,000) in respect of property, plant and equipment that has been recognised. Details of the impairment of property, plant and equipment are disclosed in note 16a.

Estimated allowance for inventories

The identification of aged or obsolete inventories requires the use of judgment and estimates on the conditions and marketability of the inventories. The Group makes allowance for inventories based on an assessment of the net realisable value of inventories after the consideration of the current market conditions, products life cycle, marketing and promotion plans, historical sales records, aging analysis and subsequent sales of the inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. At 31 December 2021, the carrying amount of inventories is HK\$19,578,000 (2020: HK\$46,748,000) (net of accumulated allowance for inventories of HK\$57,987,000 (2020: HK\$64,861,000)).

Income taxes

As at 31 December 2021, a deferred tax asset of HK\$1,983,000 and HK\$3,167,000 (2020: HK\$1,944,000 and HK\$4,517,000) in relation to accelerated tax depreciation and unused tax losses has been recognised in the Group's consolidated statement of financial position, respectively. No deferred tax asset has been recognised on the tax losses of HK\$245,870,000 (2020: HK\$190,396,000). The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty especially in the current year given the significant uncertainty on the potential disruption of Group's retail operations due to the Covid-19 pandemic. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

For the year ended 31 December 2021

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

Key sources of estimation uncertainty (Continued)

Provision of ECL for loans to an associate

The Group assesses whether the probability of default on loans to an associate at the end of the reporting period has increased significantly since initial recognition. When making the assessment, the Group considers reasonable and supportable information including historical and forward-looking information which is available without undue cost or effort. The Group calculates ECL allowance for loans to an associate based on the estimated probability of default of counterparties with similar credit ratings, with adjustment to reflect the current conditions and forecasts of future economic conditions, as appropriate.

The ECL assessment on loans to an associate involves significant management judgements and estimates on credit risk assessment, the uses of models and inputs in the calculation of ECL at the reporting date. Details of ECL assessment are disclosed in note 41.

5. REVENUE

Disaggregation of revenue from contracts with customers

	2021 HK\$'000	2020 HK\$'000
Sales of goods		
Footwear products	152,885	128,683
Healthcare products	1,698	5,476
Financial services	5,582	20,339
Online medical services	760	865
	160,925	155,363
Sales of channel		
Retail	146,660	124,225
Wholesale	6,225	4,458
Internet	2,458	6,341
Corporate	5,582	20,339
	160,925	155,363
Time of revenue recognition		
A point in time	155,751	135,076
Over time	5,174	20,287
	160,925	155,363

The Group sells footwear products to the wholesale market and directly to customers through its retail shops and concession counters in department stores.

5. REVENUE (Continued)

Disaggregation of revenue from contracts with customers (Continued)

For sales of footwear products to the wholesale market, revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the wholesaler's specific location. Following delivery, the wholesaler has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 to 60 days upon delivery.

For sales of footwear products to retail customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail shops and concession counters in department stores. Sales made at retail shops are settled by cash or credit cards at the point the customer purchases the goods. The department stores collect payments from customers and then repay the balance after deducting the concessionaire commission to the Group. The credit term granted to department stores range from 30 to 60 days.

The Group sells healthcare products through internet sales. Revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. Delivery occurs when the goods have been shipped to the customer's specific location.

Revenue from provision of financial services is recognised (i) at a point in time when the services are rendered to customers, being at the point that the customer receives the services and the Group has present right to payment and collection of the consideration is probable; or (ii) over time using input method, i.e. based on 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, when services are provided.

Revenue from provision of online medical services is recognised (i) at a point in time when the services are rendered to customers, being at the point that the customer receives the services and the Group has present right to payment and collection of the consideration is probable; or (ii) over time using output method, i.e. based on the direct measurements of the value of services transferred to the customers to date relative to the remaining goods or services promised under the contract, when services are provided.

All services contracts are for periods of one year or less with fixed consideration. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6. OPERATING SEGMENT

Information reported to the executive directors of the Company, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's reportable segments under HKFRS 8 "Operating Segments" are as follows:

1. Trading of footwear products
2. Trading of healthcare products
3. Financial services
4. Online medical services

No operating segments have been aggregated in arriving at the reportable segments of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

6. OPERATING SEGMENT (Continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

For the year ended 31 December 2021

	Trading of footwear products HK\$'000	Trading of healthcare products HK\$'000	Financial services HK\$'000	Online medical services HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Total HK\$'000
Revenue							
External sales	152,885	1,698	5,582	760	160,925	—	160,925
Inter-segment sales	—	—	—	—	—	—	—
	152,885	1,698	5,582	760	160,925	—	160,925
Segment results	(15,177)	(5,057)	(6,170)	(13,310)	(39,714)	—	(39,714)
Share of results of an associate							(573)
Unallocated income							1,064
Unallocated expenses							(29,920)
Loss before taxation							(69,143)

For the year ended 31 December 2020

	Trading of footwear products HK\$'000	Trading of healthcare products HK\$'000	Financial services HK\$'000	Online medical services HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Total HK\$'000
Revenue							
External sales	128,683	5,476	20,339	865	155,363	—	155,363
Inter-segment sales	—	—	961	—	961	(961)	—
	128,683	5,476	21,300	865	156,324	(961)	155,363
Segment results	(96,394)	(6,210)	(29,835)	(26,859)	(159,298)	—	(159,298)
Share of results of an associate							780
Unallocated income							12
Unallocated expenses							(14,177)
Loss before taxation							(172,683)

6. OPERATING SEGMENT (Continued)

Segment revenue and results (Continued)

Inter-segment sales are charged at prevailing market rates.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the loss from each segment without allocation of central administration costs, change in fair value of investment properties and rental income. This is the measure reported to the CODM of the Company for the purpose of resource allocation and performance assessment.

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	2021 HK\$'000	2020 HK\$'000
<i>Segment assets</i>		
Trading of footwear products	98,134	121,297
Trading of healthcare products	1,392	1,393
Financial services	8,860	19,315
Online medical services	5,359	1,739
Total reportable segment assets	113,745	143,744
Unallocated assets	63,116	17,686
Consolidated assets	176,861	161,430
<i>Segment liabilities</i>		
Trading of footwear products	52,560	63,248
Trading of healthcare products	1,512	6,529
Financial services	3,624	5,959
Online medical services	18,974	18,928
Total reportable segment liabilities	76,670	94,664
Unallocated liabilities	86,586	56,302
Consolidated liabilities	163,256	150,966

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than receivables and bank balances and cash of head office and inactive subsidiaries, property, plant and equipment of head office and inactive subsidiaries, investment properties, loans to an associate and deferred tax assets; and
- all liabilities are allocated to operating segments other than payables of head office and inactive subsidiaries, amount due to immediate holding company, loans from related companies, amounts due to related companies, other borrowing, taxation payable and deferred tax liabilities.

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6. OPERATING SEGMENT (Continued)

Other segment information

For the year ended 31 December 2021

	Trading of footwear products HK\$'000	Trading of healthcare products HK\$'000	Financial services HK\$'000	Online medical services HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in measure of segment results or segment assets:						
Addition of non-current assets (note)	7,680	10	1,855	22	3,151	12,718
Gain on disposal of property, plant and equipment	4	—	348	—	—	352
Impairment of non-current assets (note)	(346)	—	(3,211)	—	(810)	(4,367)
Impairment loss under expected credit loss model, net	(28)	(215)	(137)	(10)	(4,952)	(5,342)
Depreciation	(12,813)	(2)	(154)	(4)	(790)	(13,763)
Reversal of allowance for inventories	6,874	—	—	—	—	6,874
Interest income	272	—	—	—	721	993
Finance costs	(754)	—	(29)	(540)	(1,434)	(2,757)

For the year ended 31 December 2020

	Trading of footwear products HK\$'000	Trading of healthcare products HK\$'000	Financial services HK\$'000	Online medical services HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in measure of segment results or segment assets:						
Addition of non-current assets (note)	7,357	—	—	266	4,000	11,623
Impairment of non-current assets	(4,430)	(19)	(27,001)	(7,054)	—	(38,504)
Reversal of/(impairment loss) under expected credit loss model, net	144	—	(132)	—	(49)	(37)
Depreciation	(21,272)	(223)	(991)	(90)	—	(22,576)
Amortisation of intangible assets	—	(439)	—	(1,399)	—	(1,838)
Allowance for inventories	(63,169)	—	—	—	—	(63,169)
Interest income	274	1	—	4	—	279
Finance costs	(1,660)	—	(60)	—	(1,850)	(3,570)

Note: Non-current assets included property, plant and equipment and investment properties.

For the year ended 31 December 2021

6. OPERATING SEGMENT (Continued)

Geographical information

Information about the Group's revenue from external customers is presented based on the location of the respective group entities' operations:

	2021 HK\$'000	2020 HK\$'000
Hong Kong	148,229	143,097
Australia	1,698	5,476
Macau	10,238	5,839
Mainland China	760	865
Singapore	—	86
	160,925	155,363

Information about the Group's non-current assets is presented based on the location of the assets:

	2021 HK\$'000	2020 HK\$'000
Hong Kong	12,855	25,940
Singapore	400	2,483
Mainland China	21	2
Australia	8	1
Macau	154	—
	13,438	28,426

Note: Non-current assets excluded loans to an associate, deferred tax assets, rental deposits and prepayment and deposits and prepayment for a life insurance policy.

Information about major customers

No individual customer accounted for over 10% of the Group's total revenue during both years.

7. OTHER INCOME

	2021 HK\$'000	2020 HK\$'000
Commission income	122	104
Imputed interest income from deposit and repayment for a life insurance policy	34	33
Interest income	993	279
Imputed interest income from rental deposits	162	251
Rental income (outgoings of HK\$nil (2020: HK\$nil))	144	12
Government grants (note)	525	12,677
Others	43	657
	2,023	14,013

Note: During the current year, the Group recognised government grants of HK\$525,000 (2020: HK\$12,677,000), of which HK\$408,000 and HK\$117,000 relates to small business grant provided by the Australian Taxation Office and Victorian Government (2020: HK\$10,246,000 and HK\$1,640,000 relates to Employment Support Scheme and Retail Sector Subsidy Scheme provided by the Hong Kong government).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

8. OTHER GAINS AND LOSSES

	2021 HK\$'000	2020 HK\$'000
Gain on disposal of subsidiaries (note 33)	—	1,946
Net exchange (loss)/gain	(473)	988
Change in fair value of investment properties	200	—
Gain on disposal and write-off of property, plant and equipment	352	533
	79	3,467

9. IMPAIRMENT LOSS UNDER EXPECTED CREDIT LOSS MODEL, NET

	2021 HK\$'000	2020 HK\$'000
Impairment loss recognised/(reversed) in respect of:		
Loans to an associate	244	49
Other receivable and deposit	4,730	—
Trade receivables	(6)	(144)
Amount due from a related party	48	—
Amounts due from associates	326	132
	5,342	37

Details of impairment assessment are set out in note 41.

10. FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000
Interest on:		
— bank and other borrowings	1,578	1,984
— lease liabilities	475	936
Imputed interest on loans from related companies	704	650
	2,757	3,570

For the year ended 31 December 2021

11. LOSS BEFORE TAXATION

	2021 HK\$'000	2020 HK\$'000
Loss before taxation has been arrived at after charging/(crediting):		
Directors' remuneration (note 12)	9,507	10,218
Other staff costs	72,223	79,041
Share-based payments	(477)	101
Retirement benefit schemes contributions for other staff	2,617	3,577
Total staff costs	83,870	92,937
Covid-19-related rent concession (note 16)	(116)	(896)
Auditors' remuneration	1,980	2,300
(Reversal of allowance)/allowance for inventories	(6,874)	63,169
Cost of inventories recognised as expenses (including allowance for inventories)	56,207	121,080
Depreciation of property, plant and equipment	13,763	22,576
Amortisation of intangible assets	—	1,838
Impairment loss on non-financial asset		
— property, plant and equipment	2,857	5,570
— goodwill	—	3,956
— intangible assets	—	28,978
— interest in an associate	1,510	—
Loss on write-off of inventories	426	—
Premium charges on a life insurance policy	28	27

12. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS**(a) Directors' and chief executives' emoluments**

	Fees HK\$'000	Salaries and allowances HK\$'000	Retirement benefit schemes contributions HK\$'000	Total HK\$'000
For the year ended 31 December 2021				
Executive directors:				
Mr. Yang Jun	600	—	—	600
Mr. Lai Wenjing (note a)	360	—	—	360
Non-executive directors:				
Mr. Lin Zheming	576	416	8	1,000
Mr. Law Fei Shing (note d)	469	—	—	469
Mr. Lin Jun	145	—	—	145
Mr. Chu Chun Ho, Dominic	—	6,183	102	6,285
Mr. Chen Anhua (note b)	145	—	—	145
Independent non-executive directors:				
Mr. Xie Rongxing	145	—	—	145
Mr. Lum Pak Sum (note d)	68	—	—	68
Prof. Yan Haifeng (note c)	145	—	—	145
Ms. Tan Yuying (note c)	145	—	—	145
	2,798	6,599	110	9,507

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12. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' and chief executives' emoluments (Continued)

	Fees HK\$'000	Salaries and allowances HK\$'000	Retirement benefit schemes contributions HK\$'000	Total HK\$'000
For the year ended 31 December 2020				
Executive directors:				
Mr. Yang Jun	600	—	—	600
Mr. Lai Wenjing (note a)	73	900	—	973
Mr. Zhu Fangming (note a)	72	—	—	72
Non-executive directors:				
Mr. Lin Zheming	361	—	—	361
Mr. Law Fei Shing	1,000	—	—	1,000
Mr. Lin Jun	145	—	—	145
Mr. Chu Chun Ho, Dominic	—	6,302	99	6,401
Mr. Chen Anhua (note b)	136	—	—	136
Independent non-executive directors:				
Mr. Xie Rongxing	145	—	—	145
Mr. Chen Huigang (note c)	50	—	—	50
Mr. Lum Pak Sum (note d)	145	—	—	145
Prof. Yan Haifeng (note c)	95	—	—	95
Ms. Tan Yuying (note c)	95	—	—	95
	2,917	7,202	99	10,218

Notes:

- (a) Mr. Lai Wenjing was appointed as executive director and Mr. Zhu Fangming was resigned as executive director on 30 June 2020.
- (b) Mr. Chen Anhua was appointed as non-executive director on 23 January 2020.
- (c) Mr. Chen Huigang was resigned as independent non-executive director on 5 May 2020 and Prof. Yan Haifeng and Ms. Tan Yuying were appointed as independent non-executive directors on 5 May 2020.
- (d) Mr. Law Fei Shing was resigned as non-executive director and Mr. Lum Pak Sum was resigned as independent non-executive director on 28 June 2021.

Mr. Lin Zheming was the chief executive of the Company up to 1 September 2019 while Mr. Zhu Fangming was appointed as the chief executive of the Company on 1 September 2019. Upon Mr. Zhu Fangming's cessation of executive director of the Company on 30 June 2020, Mr. Lai Wenjing becomes the chief executive of the Company. Their emoluments disclosed above include those for services rendered by them as the chief executive.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The emoluments of the non-executive directors (except for Mr. Chu Chun Ho, Dominic) and independent non-executive directors shown above were mainly for their services as directors of the Company. During the year ended 31 December 2021, salaries and allowances and retirement benefit scheme contributions of HK\$6,183,000 and HK\$102,000 (2020: HK\$6,302,000 and HK\$99,000), respectively, were paid to Mr. Chu Chun Ho, Dominic mainly for his services in connection with management of the affairs of certain subsidiaries of the Group.

Neither the chief executives nor any of the directors waived any emoluments in both years.

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12. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees' emoluments

The five highest paid individuals in the year included one (2020: one) director of the Company, whose emoluments paid in the capacity as a director of the Company are included in the disclosure above. Total emoluments of the five highest paid individuals are as follows:

	2021 HK\$'000	2020 HK\$'000
Directors' fee	—	—
Salaries and allowance	22,488	24,189
Retirement benefits scheme contributions	296	306
	22,784	24,495

Their emoluments were within the following bands:

	Number of individuals	
	2021	2020
HK\$1,000,001 to HK\$1,500,000	1	—
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$2,000,001 to HK\$2,500,000	—	1
HK\$3,500,001 to HK\$4,000,000	—	—
HK\$6,000,001 to HK\$6,500,000	2	1
HK\$6,500,001 to HK\$7,000,000	—	1
HK\$7,000,001 to HK\$7,500,000	1	—
HK\$7,500,001 to HK\$8,000,000	—	1
	5	5

13. TAXATION

	2021 HK\$'000	2020 HK\$'000
Current tax		
Hong Kong Profits Tax	—	64
Macau Complementary Tax	—	—
	—	64
Overprovision in prior years	—	(253)
Deferred taxation (note 22)	1,311	585
	1,311	396

The Company, which was incorporated in the Cayman Islands, together with those group entities incorporated in the BVI, have no assessable profits for both years.

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13. TAXATION (Continued)

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

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. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Macau Complementary Tax is calculated at the rate of 12% (2020: 12%) on the estimated assessable profit for both years.

Under the applicable corporate tax law in Australia, income tax is charged at 30% of the estimated assessable profit. No provision for Australian income tax has been made in the consolidated financial statements as the subsidiary operating in Australia has no assessable profits for both years.

Taiwan income tax is calculated at 17% (2020: 17%) on the estimated assessable profit of a branch of Kong Tai Sundry Goods in Taiwan for the year. No provision for Taiwan income tax has been made in the consolidated financial statements as the branch operating in Taiwan has no assessable profits for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (2020: 25%). No provision for PRC Enterprise Income Tax has been made in the consolidated financial statements as the subsidiaries operating in the PRC have no assessable profits for both years.

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

	2021 HK\$'000	2020 HK\$'000
Loss before taxation	(69,143)	(172,683)
Tax credit at Hong Kong Profit Tax rate of 16.5% (2020: 16.5%)	(11,408)	(28,493)
Tax effect of expenses not deductible for tax purposes	10,666	16,812
Tax effect of income not taxable for tax purposes	(7,127)	(2,428)
Tax effect of utilization of tax losses previously not recognised	—	(1,385)
Tax effect of tax losses not recognised	11,090	18,172
Effect of different tax rate of subsidiaries operating in other jurisdictions	(1,984)	(1,848)
Tax effect of share of results of an associate	94	(129)
Overprovision in prior years	—	(253)
Others	(20)	(52)
Tax charge	1,311	396

14. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2021, nor has any dividend been proposed since the end of the reporting period (2020: nil).

15. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the year ended 31 December 2021 is based on the loss for the year attributable to owners of the Company of HK\$60,761,000 (2020: HK\$151,869,000) and the weighted average number of 232,018,000 (2020: 214,000,000) ordinary shares for the purpose of basic and diluted loss per share during the year.

The calculation of diluted loss per share for both years does not assume the vesting of the share award scheme of a subsidiary of the Group since it would result in a decrease in loss per share.

For the year ended 31 December 2021

16a. PROPERTY, PLANT AND EQUIPMENT

	Leased properties HK\$'000	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST						
At 1 January 2020	65,915	17,947	22,153	8,559	3,744	118,318
Exchange adjustments	—	—	—	24	—	24
Additions	4,538	—	2,787	298	—	7,623
Modification of lease term	(4,124)	—	—	—	—	(4,124)
Disposal	—	—	—	—	(1,479)	(1,479)
Write-off	(15,268)	—	(4,235)	(285)	—	(19,788)
Transfer to investment properties	—	(264)	—	—	—	(264)
At 31 December 2020 and 1 January 2021	51,061	17,683	20,705	8,596	2,265	100,310
Exchange adjustments	—	—	—	2	—	2
Additions	11,639	—	279	109	691	12,718
Modification of lease term	(1,099)	—	—	—	—	(1,099)
Transfer to assets classified as held for sale (note 16b)	—	(10,453)	(1,133)	—	—	(11,586)
Disposal	—	—	—	—	(1,778)	(1,778)
Write-off	(25,725)	—	(1,481)	(25)	—	(27,231)
At 31 December 2021	35,876	7,230	18,370	8,682	1,178	71,336
DEPRECIATION AND IMPAIRMENT						
At 1 January 2020	31,900	8,770	19,869	7,908	3,100	71,547
Exchange adjustments	—	—	—	8	—	8
Provided for the year	20,010	350	1,800	302	114	22,576
Impairment loss recognised for the year	4,593	—	—	563	414	5,570
Elimination on disposal	—	—	—	—	(1,438)	(1,438)
Eliminated on write-off	(15,268)	—	(4,235)	(259)	—	(19,762)
Transfer to investment properties	—	(134)	—	—	—	(134)
At 31 December 2020 and 1 January 2021	41,235	8,986	17,434	8,522	2,190	78,367
Exchange adjustments	—	—	—	1	—	1
Provided for the year	12,357	345	880	90	91	13,763
Impairment loss recognised for the year	2,749	—	108	—	—	2,857
Transfer to assets classified as held for sale (note 16b)	—	(5,622)	(23)	—	—	(5,645)
Eliminated on disposal	—	—	—	—	(1,759)	(1,759)
Eliminated on write-off	(25,725)	—	(1,436)	(25)	—	(27,186)
At 31 December 2021	30,616	3,709	16,963	8,588	522	60,398
CARRYING VALUES						
At 31 December 2021	5,260	3,521	1,407	94	656	10,938
At 31 December 2020	9,826	8,697	3,271	74	75	21,943

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For the year ended 31 December 2021

16a. PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method or reducing balance method at the following rates per annum:

Leased properties	Over the term of the lease on straight-line method
Leasehold land and buildings	Over the shorter of the term of lease or 2% on straight-line method
Leasehold improvements	Over the shorter of the term of the lease or 25%–33 $\frac{1}{3}$ % on straight-line method
Furniture, fixtures and equipment	33 $\frac{1}{3}$ %–50% on straight-line method
Motor vehicles	30% on reducing balance method

The Group as lessee

Right-of-use assets (included in the property, plant and equipment)

	Lease properties	
	2021 HK\$'000	2020 HK\$'000
For the year ended 31 December 2021		
Expense relating to short-term leases	21,602	19,846
Variable lease payments not included in the measurement of lease liabilities	5,113	3,172
Total cash outflow for leases	39,335	44,543

For both years, the Group leases warehouses, retail shops, department store counters and offices for its operations. Lease contracts are entered into for fixed term of 1 to 3 years (2020: 1 to 3 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.

Leases of retail shops and department store counters are either with only fixed lease payments or contain variable lease payment that are based on certain percentage of sales and minimum annual lease payment that are fixed over the lease term. Some variable payment terms include cap clauses. The payment terms are common in retail shops and department store counters in Hong Kong and Macau where the Group operates. The amount of fixed and variable lease payments paid/payable to relevant lessors during the year:

	Fixed payments	Variable payments	Total payments
	HK\$'000	HK\$'000	HK\$'000
For the year ended 31 December 2021			
Retail shops and department store counters without variable lease payments	5,907	—	5,907
Retail shops and department store counters with variable lease payments	17,574	5,113	22,687
	23,481	5,113	28,594
For the year ended 31 December 2020			
Retail shops and department store counters without variable lease payments	8,059	—	8,059
Retail shops and department store counters with variable lease payments	32,280	1,525	33,805
	40,339	1,525	41,864

16a. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group as lessee (Continued)

Right-of-use assets (included in the property, plant and equipment) (Continued)

The overall financial effect of using variable payment terms is that higher rental costs are incurred by retail shops with higher sales. Variable rent expenses are expected to continue to represent a similar proportion of retail shops sales in future years.

The Group regularly entered into short-term leases for retail shops and an office. As at 31 December 2021 and 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

In addition, lease liabilities of HK\$10,260,000 are recognised with related right-of-use assets of HK\$5,260,000 as at 31 December 2021 (2020: lease liabilities of HK\$17,167,000 and related right-of-use assets of HK\$9,826,000). 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.

During the year ended 31 December 2021, lessors of various offices and retail shops provided rent concessions to the Group through rent reductions ranging from 30% to 100% (2020: 17% to 100%) over 1 to 12 months (2020: 2 to 12 months).

These rent concessions occurred as a direct consequence of Covid-19 pandemic and met of all of the conditions in HKFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. The effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of HK\$116,000 (2020: HK\$896,000) were recognised as negative variable lease payments.

The remaining rent concessions were not within the scope of Covid-19-related rent concessions and concluded the changes in lease payments constitute lease modifications. The reduction of the Group's lease liabilities of HK\$1,099,000 (2020: HK\$4,124,000) and a corresponding adjustment of the same amount to the right-of-use assets were recognised.

Impairment assessment for footwear products segment and financial services segment

As a result of the changes in the current economic environment related to the Covid-19 pandemic and the segment losses resulted in trading of footwear products segment and financial services segment of the Group for the year ended 31 December 2021 as disclosed in note 6 to the consolidated financial statements, the management of the Group concluded there was indication for impairment and conducted impairment assessment on recoverable amounts of property, plant and equipment. The Group estimates the recoverable amounts of the several cash-generating units in trading of footwear products segment and financial services segment to which the assets belong those assets cannot generate cash inflows individually including allocation of corporate assets when reasonable consistent basis can be established.

The recoverable amount of each cash-generating units has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the Group covering the following 5 years or the remaining lease terms of each cash-generating units. A pre-tax discount rate for cash-generating units in trading of footwear products segment is 9.3% (2020: 10.8%) as at 31 December 2021. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on each cash-generating units' past performance and management expectations for the market development. The growth rates and discount rate have been reassessed as at 31 December 2021 taking into consideration lower degree of estimation uncertainties in the current year due to gradually recovering from Covid-19 pandemic.

The recoverable amount of financial services segment is considered minimal.

Based on the result of the assessment, management of the Group determined that the recoverable amount of each cash-generating unit is lower than the carrying amount. The impairment amount has been allocated to each category of property, plant and equipment and intangible assets with finite useful lives (including allocation of corporate assets) such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero. Based on the value in use calculation, an impairment of HK\$2,047,000 and HK\$nil (2020: HK\$5,570,000 and HK\$6,754,000), respectively, has been recognised against the carrying amounts of property, plant and equipment and intangible assets with finite useful lives.

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16b. ASSETS CLASSIFIED AS HELD FOR SALE

On 27 September 2021, the wholly-owned subsidiary of the Company entered into an expression of interest with a connected party (the "Vendor") to dispose of several properties located in Hong Kong and which were classified as investment properties and property, plant and equipment, and a provisional sales and purchase agreement relating to the sale of one car park and several properties located in HK at a consideration of HK\$41 million was signed subsequently on 31 December 2021. These investment property and property, plant and equipment which were expected to be sold on or before 11 February 2022, have been classified as assets held for sale and were presented separately in the consolidated statement of financial position.

On 11 February 2022, the disposal of the parking lot and several properties was completed.

The connected party agreed to continue to provide the disposed properties as pledge for the Group to obtain banking facilities.

The connected party is indirectly held as to 73.5% by Mr. Chong Hot Hoi (who was a director of the Vendor in the past 12 months from 31 December 2021 and therefore a connected person of the Company at the subsidiary level) and 26.5% by Mr. Chu Chun Ho, Dominic (an non-executive Director).

The following assets have been presented separately in the consolidated statement of financial position, are as follows:

	2021 HK\$'000
Property, plant and equipment	5,941
Investment property	2,100
	8,041

17. INVESTMENT PROPERTIES

During the year ended 31 December 2021, the Group lease out carparks under operating leases with rentals payable monthly. The leases typically run for an initial period of one year, with unilateral rights to extend the lease beyond initial period held by lessees only.

The Group was not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currency of a group entity. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

	HK\$'000
FAIR VALUE	
At 1 January 2020	—
Transfer from property, plant and equipment (note)	4,000
At 31 December 2020 and 1 January 2021	4,000
Increase in fair value recognised in profit or loss	200
Transfer to assets classified as held for sale (note 16b)	(2,100)
At 31 December 2021	2,100

Note: During the year ended 31 December 2020, the use of carparks of the Group had been changed from owner-occupation to capital appreciation and leasing out for rental income. The leasehold land and building with net carrying value of HK\$130,000 at date of transfer were transferred from property, plant and equipment to investment properties at the date of the end of owner-occupation. The difference of HK\$3,870,000 between the net carrying value and the fair value of the properties of HK\$4,000,000 was recognised in other comprehensive income and accumulated in "property revaluation reserve" upon the transfer.

17. INVESTMENT PROPERTIES (Continued)

Investment properties	Valuation technique	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Carparks located in Hong Kong	Direct comparison approach	Market price, taking into account the recent transaction prices for similar properties adjusted for nature, location and conditions of the property	A significant increase in the market price used would result in a significant increase in fair value, and vice versa

Details of the Group's investment properties and information about the fair value hierarchy were as follows:

	2021		2020	
	Carrying amount HK\$'000	Fair value at Level 3 hierarchy HK\$'000	Carrying amount HK\$'000	Fair value at Level 3 hierarchy HK\$'000
At 31 December 2021				
Carparks located in Hong Kong	4,200	4,200	4,000	4,000
			2021 HK\$'000	2020 HK\$'000
Classified as:				
Investment properties			2,100	4,000
Assets classified as held for sale			2,100	—
			4,200	4,000

18. GOODWILL

	HK\$'000
COST	
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	31,027
IMPAIRMENT	
At 1 January 2020	27,071
Impairment loss recognised in the year	3,956
At 31 December 2020, 1 January 2021 and 31 December 2021	31,027
CARRYING VALUES	
At 31 December 2020 and 31 December 2021	—

For the purpose of impairment testing, goodwill and intangible assets with indefinite useful life have been allocated to a group of cash-generating units including subsidiaries engaged in provision of financial services.

In addition to goodwill and intangible assets with indefinite life, property, plant and equipment (including allocation of corporate assets) that generate cash flows together with the related goodwill and intangible assets with indefinite useful life are also included in the respective cash-generating unit for the purpose of impairment assessment.

The basis of the recoverable amounts of the cash-generating units above and their major underlying assumptions are summarised below:

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18. GOODWILL (Continued)

As at 31 December 2020, the recoverable amounts of the cash-generating units have been determined based on value in use calculations which use cash flow projections based on most recent financial budgets approved by management covering a five-year period, and a discount rate of 18.06%. Cash flows beyond the five-year period have been extrapolated using an estimated constant growth rate of 2.4% which do not exceed the average growth rate for the relevant markets. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include discount rates and growth rates, such estimation is based on the unit's past performance and the management's expectations for the market development.

During the year ended 31 December 2020, impairment of goodwill directly related to the cash generating unit amounting to HK\$3,956,000 has been included in profit or loss. Goodwill related to the cash generating unit has been fully impaired and impairment amounting to HK\$22,224,000 and HK\$822,000 has been allocated pro rata to intangible assets and property, plant and equipment (including allocation of cooperate assets) to the extent the carrying amount of the asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero.

19. INTANGIBLE ASSETS

	Software HK\$'000	Licenses HK\$'000	Total HK\$'000
COST			
At 1 January 2020	9,180	22,224	31,404
Exchange adjustments	677	—	677
At 31 December 2020, 1 January 2021 and 31 December 2021	9,857	22,224	32,081
AMORTISATION AND IMPAIRMENT			
At 1 January 2020	1,046	—	1,046
Exchange adjustments	219	—	219
Impairment loss recognised for the year	6,754	22,224	28,978
Charge for the year	1,838	—	1,838
At 31 December 2020, 1 January 2021 and 31 December 2021	9,857	22,224	32,081
CARRYING VALUES			
At 31 December 2020 and 31 December 2021	—	—	—

Software has finite useful life and is amortised on a straight-line basis over 5 years. Particulars of impairment testing on software are disclosed in note 16a.

Licenses represent the Type 1 (Dealing in Securities), Type 4, (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management) licences issued by the Securities and Futures Commission which were acquired through acquisition of subsidiaries during the year ended 31 December 2018. These licences are renewable annually at minimal costs. In the opinion of the directors, the intangible assets have an indefinite useful life because they are expected to contribute net cash inflows indefinitely. The intangible assets will not be amortised until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired. Particulars of impairment testing on licenses are disclosed in note 18.

20. INTERESTS IN ASSOCIATES

	2021 HK\$'000	2020 HK\$'000
Cost of investments, unlisted	1,704	1,704
Share of post-acquisition profit and other comprehensive income	206	779
Less: impairment recognised	1,910 (1,510)	2,483 —
	400	2,483

For the year ended 31 December 2021

20. INTERESTS IN ASSOCIATES (Continued)

Details of the Group's associates at the end of the reporting period are as follows:

Name of associate	Place of incorporation	Principal place of business	Equity interest attributable to the Group		Principal activities
			2021	2020	
Century Health Holdings Co., Limited ("Century Health")	Hong Kong	Hong Kong	10%	10%	Investment holding
Dermaco Pty Ltd.* ("Dermaco")	Australia	Australia	8.5%	8.5%	Manufacturing and trading of beauty products
Pharma Science Australia Pty. Ltd.* ("Pharma Science")	Australia	Australia	10%	10%	Trading of healthcare products
DSG Capital (Singapore) Pte. Limited ("DSG Capital (SG)")	Singapore	Singapore	40%	40% (Note 33)	Provision of financial services

* These companies are subsidiaries of Century Health.

Summarised financial information of a material associate

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

DSG Capital (SG)

	2021 HK\$'000	2020 HK\$'000
Current assets	4,198	7,446
Non-current assets	—	—
Current liabilities	3,197	5,013
Non-current liabilities	—	—
	2021 HK\$'000	2020 HK\$'000
Revenue	2,923	5,070
(Loss)/profit for the year/period	(1,432)	1,950
Other comprehensive income for the year/period	—	—
Total comprehensive (expense)/income for the year/period	(1,432)	1,950
Dividends received from the associate during year/period	—	—

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20. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of a material associate (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2021 HK\$'000	2020 HK\$'000
Net assets of DSG Capital (SG)	1,001	2,433
Proportion of the Group's ownership interest in DSG Capital (SG)	40%	40%
The Group's share of net assets of DSG Capital (SG)	400	973
Goodwill	—	1,510
Carrying amount of the Group's interest in DSG Capital (SG)	400	2,483

21. LOANS TO AN ASSOCIATE

For the year ended 31 December 2020 and 2021, the amount of approximately HK\$546,000 is unsecured, interest bearing at 2.5% per annum and has no fixed terms of repayment. In the opinion of the directors of the Company, the Group will not demand for repayment of the loan within twelve months after the end of the reporting period. Accordingly, the loan is classified as a non-current asset.

For the year ended 31 December 2021, the amount of approximately HK\$41,700,000 is secured by the personal guarantee of ultimate controlling parties of the associate, 90% ordinary shares of associate by its parent and the assets of the associate's parent, interest bearing at 2.5% per annum with fixed terms of repayment 3.5 years from the loan funding date. Accordingly, the loan is classified as a non-current asset.

Details of impairment assessment are set out in note 41.

22. DEFERRED TAX ASSETS

For the purposes of presentation in the consolidated statement of financial position, certain deferred tax assets have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2021 HK\$'000	2020 HK\$'000
Deferred tax assets	5,150	6,461

The followings are the major deferred tax assets recognised and movements thereon during the year:

	Fair value adjustment arising from acquisition of subsidiaries HK\$'000	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 January 2020	(3,667)	1,714	8,999	7,046
Credit/(charge) to profit or loss (note 13)	3,667	230	(4,482)	(585)
At 31 December 2020 and 1 January 2021	—	1,944	4,517	6,461
Credit/(charge) to profit or loss (note 13)	—	39	(1,350)	(1,311)
At 31 December 2021	—	1,983	3,167	5,150

At the end of the reporting period, the Group has unutilised tax losses of HK\$265,059,000 (2020: HK\$217,770,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$19,189,000 (2020: HK\$27,374,000) of such losses. No deferred tax asset has been recognised in respect of the remaining losses of HK\$245,870,000 (2020: HK\$190,396,000). Included in unrecognised tax losses are losses of HK\$45,859,000 (2020: HK\$29,226,000) and HK\$37,238,000 (2020: HK\$37,183,000) that will expire within five years and ten years, respectively. Other losses may be carried forward indefinitely.

23. DEPOSIT AND PREPAYMENT FOR A LIFE INSURANCE POLICY

In 2016, the Group entered into a life insurance policy (the "Policy") to insure a director of certain subsidiaries of the Group. Under the Policy, the beneficiary and the policy holder is the Group and the total insured sum is US\$1,000,000 (equivalent to HK\$7,750,000). At inception of the Policy, the Group paid an upfront payment of US\$243,000 (equivalent to HK\$1,883,000). The Group can withdraw the Policy at any time with surrender charges if such withdrawal occur before the 19th anniversary from date of inception and can receive cash refund based on the net nominal account value of the Policy at the date of withdrawal. The Group will also receive an interest at minimum rate of 2.00% per annum guaranteed by the insurer.

The upfront payment is financed by banking facility granted by a bank with interest charged at 1.65% over HIBOR per annum.

As at 31 December 2020 and 2021, the directors of the Company expect that the Policy will be terminated at the 19th anniversary (i.e. year 2035) from date of inception and there will be no specific surrender charges in accordance with the Policy. The directors of the Company consider that the expected life of the Policy will remain unchanged from the initial recognition and the financial impact of the option to terminate the Policy is not significant.

The Policy exposes the insurer to significant insurance risk. The gross premium paid at inception of the Policy consists of a deposit placed element and a prepayment for life insurance element. These two elements are recognised on the consolidated statement of financial position at the aggregate of the amount of gross premium paid plus interest earned, and after deducting the annual cost of insurance, other applicable charges as well as the amortisation of the expected surrender charge at the end of the life of the Policy.

The effective interest rate of the deposits is 2.00% per annum, which is determined on initial recognition by discounting the estimated future cash receipts over the expected life of the Policy, which is 18 years.

24. INVENTORIES

	2021 HK\$'000	2020 HK\$'000
Finished goods	19,578	46,748

25. TRADE AND OTHER RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Trade receivables	7,959	7,092
Less: Allowance for expected credit losses	(59)	(65)
	7,900	7,027
Rental deposits	10,927	11,914
Other deposits	5,740	522
Prepayments	5,912	718
Other receivables	4,142	3,574
Advance payments to suppliers	290	268
	34,911	24,023
Less: Allowance for expected credit losses	(4,730)	—
	30,181	24,023
Less: Amounts shown under non-current assets	(2,127)	(1,395)
Amount shown under current assets	28,054	22,628

As at 1 January 2020, trade receivables from contracts with customers amounted to HK\$22,376,000.

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25. TRADE AND OTHER RECEIVABLES (Continued)

Retail sales of footwear products are made at retail shops and concession counters in department stores. The department stores collect payments from the ultimate customers and then repay the balance after deducting the concessionaire commission to the Group. The credit period granted to department stores range from 30 to 60 days. Sales made at retail shops are settled by cash or credit cards. For wholesale of footwear products, trading of healthcare products and provision of financial services, the Group allows a credit period ranging from 30 to 90 days to its trade customers. For online medical services, the Group allows a credit period ranging from 15 to 90 days to its customers. The following is an aging analysis of trade receivables net of allowance for expected credit losses presented based on the invoice date at the end of each reporting period:

	2021 HK\$'000	2020 HK\$'000
Within 30 days	5,507	5,242
31 to 60 days	989	472
61 to 90 days	512	514
Over 90 days	892	799
	7,900	7,027

For sales by wholesale of footwear products, trading of healthcare products, provision of financial services and online medical services, before accepting any new customer, the Group will check the historical default records of these customers through external source.

The management of the Group closely monitors the credit quality of trade receivables and considers the debtors that are neither past due nor impaired to be of a good credit quality.

As at 31 December 2021, included in the Group's trade receivables balances were debtors with aggregate carrying amount of HK\$1,048,000 (2020: HK\$1,313,000) which were past due as at the reporting date. Out of the past due balance, HK\$424,000 (2020: HK\$799,000) has been past due 90 days or more and is not considered as in default based on good payment records for those debtors and continuous business with the Group. The Group did not hold any collateral over these balances.

Details of impairment assessment are set out in note 41.

26. TIME DEPOSIT OVER THREE MONTHS, BANK BALANCES AND CASH

Time deposits and bank balances carry interest at prevailing market rates of 0% to 0.20% (2020: 0% to 0.20%) per annum.

Details of impairment assessment are set out in note 41.

27. TRADE AND OTHER PAYABLES

	2021 HK\$'000	2020 HK\$'000
Trade payables	3,192	1,868
Accrued staff costs	39,950	22,840
Accrued expenses	16,810	12,548
Deposit received (note)	3,000	—
Other payables	4,487	4,956
	67,439	42,212

As at 31 December 2021, the deposit received of approximately HK\$3,000,000 is related to the disposal agreement which details set out in note 16b.

The average credit period of trade payables is 30 days.

For the year ended 31 December 2021

27. TRADE AND OTHER PAYABLES (Continued)

The following is an aging analysis of trade payables based on the invoice date at the end of each reporting period:

	2021 HK\$'000	2020 HK\$'000
Within 30 days	1,296	1,354
31 to 60 days	219	16
61 to 90 days	—	—
Over 90 days	1,677	498
	3,192	1,868

28. CONTRACT LIABILITIES

	2021 HK\$'000	2020 HK\$'000
Provision for online medical services	216	214

When the Group receives receipts in advance from customers to render online medical services, these will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposits.

29. AMOUNTS DUE FROM/(TO) ASSOCIATES/RELATED COMPANIES/ IMMEDIATE HOLDING COMPANY/LOANS FROM RELATED PARTIES

As at 31 December 2021, amounts due from associates are non-trade in nature, unsecured, interest free and receivable on demand.

As at 31 December 2020, amount due to an associate and immediate holding company are non-trade in nature, unsecured, interest bearing ranged from 4.8% to 5.0% per annum and repayable in 2023.

As at 31 December 2021 and 2020, amounts due from/(to) related companies are non-trade in nature, unsecured, interest free and repayable on demand. As at 31 December 2021, an amount of HK\$37,000,000 is due to a related company which is partially owned by Mr. Chu Chun Ho, Dominic, the non-executive director of the Group.

Loans from related companies of HK\$12,037,000 (2020:HK\$14,743,000) are interest free, unsecured and repayable in 2023.

Except the related company mentioned above, Mr. Yang Jun, a director of the Company, is the controlling shareholder of those related companies and the Group.

30. LEASE LIABILITIES

	2021 HK\$'000	2020 HK\$'000
Lease liabilities payable:		
Within one year	8,278	13,607
Within a period of more than one year but not more than two years	1,982	3,560
	10,260	17,167
Less: Amount due for settlement with 12 months shown under current liabilities	(8,278)	(13,607)
Amount due for settlement after 12 months shown under non-current liabilities	1,982	3,560

The weighted average incremental borrowing rates applied to lease liabilities is at range from 2.4% to 4.3% (2020: from 2.4% to 4.3%).

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31. BANK AND OTHER BORROWINGS

	2021 HK\$'000	2020 HK\$'000
Bank loans	15,707	18,315
Trust receipt loans	—	9,427
	15,707	27,742
Other borrowing	15,000	15,000
	30,707	42,742
Secured	15,707	27,742
Unsecured	15,000	15,000
	30,707	42,742
Carrying amount repayable*		
Within one year	25,000	29,427
Carrying amount of bank loans that contain a repayment on demand clause (shown under current liabilities) but repayable:		
Within one year	5,707	7,609
Within a period of more than one year but not exceeding two years	—	5,706
	30,707	42,742
Less: Amounts shown under current liabilities	(30,707)	(42,742)
Amounts shown under non-current liabilities	—	—

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

As at 31 December 2021, the above bank borrowings bear interests at HIBOR plus 1.4% (2020: 1.4%) per annum.

As at 31 December 2021, the above other borrowing bears interest at 8% (2020: 8%) per annum.

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings, is as follows:

	2021 HK\$'000	2020 HK\$'000
Effective interest rates:		
Variable-rate bank borrowings	1.5%–2%	1.5%–3.7%

Details of the pledged assets to secure the bank borrowings are set out in note 38.

For the year ended 31 December 2021

32. SHARE CAPITAL

The movement in share capital of the Company is as follows:

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2020, 31 December 2020 and 31 December 2021	500,000,000	5,000
Issued and fully paid:		
At 1 January 2020 and 31 December 2020	214,000,000	2,140
Placing of shares (note)	28,845,000	288
31 December 2021	242,845,000	2,428

Note:

On 18 May 2021, the Company placed 28,845,000 shares to certain third-party investors at a subscription price of HK\$2.6 per share. Difference between nominal value of share issued of approximately HK\$74,209,000 standing to credited of the share premium.

There were no changes in the Company's authorised, issued and fully paid share capital during year ended 31 December 2020.

33. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2020

On 9 July 2020, the Group disposed of 51% equity interests in a subsidiary, DSG Investment (Hong Kong) Limited, at nil consideration.

	HK\$'000
Analysis of liability over which control was lost:	
Amount due to immediate holding company	(41)
Liability disposed of	(41)
Gain on disposal of a subsidiary:	
Liability disposed of	41
Non-controlling interests	(20)
Gain on disposal	21

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33. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 December 2020 (Continued)

On 22 July 2020, a non-wholly owned subsidiary of the Group, DSG Capital (SG), allotted and issued 450,000 shares to two independent third parties at a total consideration of S\$450,000 (equivalent to HK\$2,555,000). The equity interest held by a non-wholly owned subsidiary of the Group in DSG Capital (SG) decreased from 100% to 40%. DSG Capital (SG) ceased to be a subsidiary of the Group and became an associate of the Group as the Group was regarded as having significant influence over DSG Capital (SG), and is accounted for in the consolidated financial statements using equity-accounting method since the date of completion.

	HK\$'000
Analysis of assets and liabilities over which control was lost:	
Other receivables	3,326
Bank balances and cash	90
Other payables	(5,488)
Net liabilities disposed of	(2,072)
Gain on disposal of a subsidiary:	
Fair value of the equity interest retained in DSG Capital (SG)	1,703
Net liabilities disposed of	2,072
Non-controlling interests	(1,850)
Gain on disposal	1,925
Analysis of cash outflow in respect of disposal of a subsidiary:	
Bank balances and cash disposed of	(90)

34. RETIREMENT BENEFITS SCHEMES

The Group participates in the Mandatory Provident Fund Scheme (the "HK MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed in Hong Kong. The HK MPF Scheme is defined contribution retirement schemes administered by independent trustees. Under the HK MPF Scheme, the employer and its employees are each required to make contributions to the schemes at 5% of the employees' relevant income, subject to a maximum amount of HK\$1,500 per month for each employee to the HK MPF Scheme. Contributions to the schemes vest immediately.

The employees employed by a subsidiary in Macau are members of the government-managed social benefits schemes operated by the Macau government. The subsidiary is required to pay a monthly fixed contribution to the social benefits schemes to fund the benefits. The only obligation of the Group with respect to the social benefits schemes operated by the Macau government is to make the required contributions under the schemes. The assets of the schemes are held separately from those of the Group in funds under the control of an independent trustee.

The employees employed by the subsidiaries established in the PRC are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

The employees employed by a subsidiary in Australia are members of a state-managed retirement benefit scheme in Australia (superannuation fund). The subsidiary is required to contribute a certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

34. RETIREMENT BENEFITS SCHEMES (Continued)

The retirement scheme cost recognised in profit and loss represents contributions paid or payable to the schemes by the Group at rates specified in the rules of the scheme. At the end of each reporting period, the Group had no significant obligation apart from the contributions as stated above and there is no forfeited contribution arose upon employees leaving the retirement benefit schemes and which were available to reduce contributions payable.

The total expense recognised in the consolidated statement of profit or loss and other comprehensive income of HK\$2,727,000 (2020: HK\$3,676,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

35. SHARE OPTION SCHEME

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to a resolution passed on 11 June 2013. The purpose of the Share Option Scheme is to enable the Group to grant options to the eligible participants to (i) motivate them to optimise their performance and efficiency for the benefit of the Group; and (ii) attract and retain or otherwise maintain ongoing business relationship with eligible participants whose contributions are, will or expected to be beneficial to the Group.

The board of directors may, at its absolute discretion, grant an option to eligible participant(s) to subscribe for the shares of the Company at an exercise price and subject to the other terms of the Share Option Scheme. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not in aggregate exceed 20,000,000 shares, being 9.35% of the total number of shares in issue at the time dealings in the shares of the Company first commence on the Stock Exchange.

The Share Option Scheme will remain in force for a period of ten years from its adoption date. Subject to certain restrictions contained in the Share Option Scheme, an option may be exercised in accordance with the terms of the Share Option Scheme and the terms of grant thereof at any time during the applicable option period, which is not more than ten years from the date of grant of option. There is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Share Option Scheme. However, at the time of granting any option, the board of directors may, on a case by case basis, make such grant subject to such conditions, restrictions or limitations including (without limitation) those in relation to the minimum period of the options to be held and/or the performance targets to be achieved as the board of directors may determine in its absolute discretion.

No options were granted or exercised during both years and no share options were outstanding as at 31 December 2021 and 31 December 2020.

36. SHARE AWARD SCHEME OF A SUBSIDIARY

During the year ended 31 December 2018, Shang Ying Retail Plus Holdings Limited ("Shang Ying Retail Plus"), a subsidiary of the Company, adopted a share award scheme (the "Share Award Scheme") to recognise the contributions by certain management and employees of Sixth Avenue Plus Pty Limited ("Sixth Avenue Plus"), a subsidiary of Shang Ying Retail, and to give incentives to them in order to retain them for the continuing operation and development of Sixth Avenue Plus. Subject to any early termination as may be determined by directors of Shang Ying Retail, the Share Award Scheme is valid and effective for 3 years from the date of adoption.

According to the Share Award Scheme, a total of 45% equity interests in the shares of Sixth Avenue Plus are to be awarded and transferred to those management and employees in three batches, being 15% each upon the fulfilment of the performance targets set for Sixth Avenue Plus for the financial period ending 30 June 2019, 2020 and 2021, respectively. The award price of those shares for first batch is nil and Australian dollar 600,000 each for second and third batch under certain conditions.

The fair value of the shares granted pursuant to the Share Award Scheme amounting to HK\$507,000 was determined based on income approach. During the year ended 31 December 2021, as Sixth Avenue Plus failed to meet the performance target of certain of its outstanding options, the impact of the revision for HK\$477,000 is adjusted in profit or loss.

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37. OPERATING LEASE COMMITMENTS

As lessor

Investment properties are leased for a term within one year. The Group had contracted with tenants for the following future minimum lease payments:

	2021 HK\$'000	2020 HK\$'000
Within one year	55	154

38. PLEDGE OF ASSETS

At the end of the reporting period, the Group's bank borrowings were secured by the Group's assets as follows:

	2021 HK\$'000	2020 HK\$'000
Assets classified as held for sale	8,041	—
Leasehold land and buildings	3,521	8,697
Investment properties	2,100	4,000
Deposit and prepayment for a life insurance policy	1,918	1,912
	15,580	14,609

39. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had entered into the following related party transactions:

Name of related companies	Nature of transactions	2021 HK\$'000	2020 HK\$'000
Pharma Science	Purchase of goods	266	321
DSG Capital (SG)	Referral fee expenses	—	5,004
Shang Ying Holdings Group Limited (note)	Short-term lease expense	1,638	1,842

Note: Mr. Yang Jun, a director of the Company, is the controlling shareholder of this company.

Compensation of key management personnel

The remuneration of key management of the Group during the year was as follows:

	2021 HK\$'000	2020 HK\$'000
Short-term employee benefits	9,397	10,119
Post-employment benefits	110	99
	9,507	10,218

Key management personnel are deemed to be the members of the board of directors of the Company which has responsibility for planning, directing and controlling the activities of the Group.

40. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximizing 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 net debt, which includes lease liabilities, amounts due to an associate, immediate holding company and a related company, loans from related companies and bank and other borrowings, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group reviews the capital structure regularly. As part of this review, the management considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through new share issues as well as the issue of new debt or the redemption of existing debt.

41. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2021 HK\$'000	2020 HK\$'000
Financial assets		
Financial assets at amortised cost	122,534	76,375
Financial liabilities		
Amortised cost	102,716	97,656

Financial risk management objectives and policies

The Group's major financial instruments include loans to an associate, trade and other receivables, rental and other deposits, amounts due from associates, amount due from a related company, time deposit over three months, bank balances and cash, trade and other payables, amount due to an associate, amount due to immediate holding company, amounts due to related companies, lease liabilities, loans from related companies and bank and other borrowings. 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

Currency risk

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities, representing trade and other receivables, bank balances and cash and trade and other payables, other than the respective group entities' functional currencies at the end of the reporting period are as follows:

	Assets		Liabilities	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
HK\$	598	399	—	—
United States dollars ("USD")	4,457	4,457	—	—
Renminbi ("RMB")	7	5	—	—

The Group manages its foreign currency risk by closely monitoring the movements of foreign currency exchange rates. The Group did not enter into any foreign currency forward contracts to hedge against foreign currency risk.

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41. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to fluctuation against a foreign currency of HK\$, RMB and USD. Under the pegged exchange rate system, the financial impact on exchange differences between USD and HK\$ is expected to be immaterial and therefore no sensitivity analysis has been prepared.

The following table details the Group's sensitivity to a 5% (2020: 5%) increase and decrease in foreign currency. 5% (2020: 5%) is the sensitivity rate used in the current year when reporting foreign currency risk internally to key management personnel and represent management's assessment of the reasonably possible change in foreign exchange rates. A positive number below indicates a decrease in loss for the year where the functional currency of each group entity strengthen 5% (2020: 5%) against the relevant foreign currency. For a 5% (2020: 5%) weakening of functional currency of each group entity against the relevant foreign currency, there would be an equal and opposite impact on the loss for the year and the balances below would be negative.

	2021 HK\$'000	2020 HK\$'000
HK\$	(30)	(20)
RMB	(1)	(1)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure at the end of the reporting period does not reflect the exposure during the year.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to bank balances (see note 26) and bank borrowings (see note 31). The Group's exposure to cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR. The Group is also exposed to fair value interest rate risk in relation to fixed-rate time deposit and prepayments for a life insurance policy, amounts due to an associate and immediate holding company, lease liabilities and other borrowing. The Group currently does not have a policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for bank borrowings at the end of the reporting period. The analysis is prepared assuming that the amount of liabilities outstanding at the end of each reporting period were outstanding for the whole year. 50 basis point increase or decrease represent the management's assessment of the reasonably possible change in interest rates. No sensitivity analysis is presented for bank balances as the directors of the Company considered the Group's exposure to cash flow interest rate risk is not material.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year would increase/decrease by HK\$29,000 (2020: HK\$116,000).

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure do not reflect the exposures during the year.

41. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

In order to minimise the credit risk, the management of the Group 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 Group performs impairment assessment under ECL model on trade balances individually. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risks on time deposit and bank balances are limited because the counterparties are banks with high crediting ratings assigned by international credit-rating agencies. The management of the Group considers the probability of default is negligible and accordingly, no loss allowance was recognised.

The Group has no significant concentration of credit risk on trade receivables, with exposure spread over a number of counterparties.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description
Low risk	The counterparty has a low risk of default and does not have any past-due amounts
Watch list	Debtor frequently repays but usually settles after due dates
Doubtful	There have been significant increase in credit risk since initial recognition through information developed internally or external resources
Loss	There is evidence indicating the asset is credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery

The table below details the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2021	External credit rating	Internal credit rating	12m ECL or lifetime ECL	Gross carrying amount	
				2021 HK\$'000	2020 HK\$'000
Loans to an associate	N/A	Low risk	12m ECL	42,966	546
Trade receivables	N/A	Low risk	Lifetime ECL (not credit impaired)	4,744	4,146
		Watch list	Lifetime ECL (not credit impaired)	2,273	2,533
Credit card trade receivables	Aa3	N/A	12m ECL	942	413
Rental deposits	N/A	Low risk	12m ECL	10,927	11,914
Other receivables	N/A	Low risk	12m ECL	4,142	3,574
Other deposits	N/A	Loss	Lifetime ECL (credit impaired)	4,634	—
		Low risk	12m ECL	1,106	522
Amounts due from associates	N/A	Low risk	12m ECL	2,234	5,014
Amount due from a related company	N/A	Low risk	12m ECL	7,119	—
Bank balances	Baa2–Aa3	N/A	12m ECL	47,035	47,915

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41. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables, loans to an associate, amount due from a related company, other receivables, deposits and amounts due from associates under the simplified approach.

	Lifetime ECL		12m ECL	Total
	(credit-impaired)	(not credit-impaired)		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2020	—	209	—	209
Reversal of impairment loss recognised	—	(209)	—	(209)
New financial assets originated	—	65	181	246
As at 31 December 2020 and 1 January 2021	—	65	181	246
Reversal of impairment loss recognised	—	(65)	—	(65)
New financial assets originated	4,634	59	714	5,407
As at 31 December 2021	4,634	59	895	5,588

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Trade receivables are assessed individually for impairment assessment based on the Group's internal credit rating, historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. In this regard, the directors of the Company considered that the credit risk for trade receivables is significantly reduced at the end of the reporting period.

For credit card trade receivables, the credit risks are limited because the counterparties are financial institutions and there was no history of defaults. ECL is expected to be insignificant.

For other receivables and amount due from a related company, management of the Group makes periodic individual assessment under 12m ECL on the recoverability of other receivables based on historical settlement records and forward-looking information. The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of other receivables and amount due from a related company.

For other deposits, management of the Group makes periodic individual assessments on the recoverability of other deposits based on the counterparties credit quality. There is approximately HK\$4,634,000 (equivalent to EUR500,000) cash advance which paid to the target company of the Group, Promethera Therapeutics S.A. which considered as loss stage. On 29 June 2021, the Group entered into a share purchase agreement to acquire 37.61% of the target company. On 20 October 2021, the transaction is suspended and the Group is still taking legal procedures to recover the refund of deposit. The management considered the chance of fully refund of deposit is low and full allowance is provided.

For loans to an associate and amounts due from associates, the Group regularly monitors the business performance of the associates. The Group's credit risks in these balances are mitigated through the value of the assets held by these entities and the power to participate the relevant activities of these entities. The management believes that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the years ended 31 December 2021 and 2020, the management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of loans to an associate and amounts due from associates.

41. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

For rental deposits, the management of the Group makes periodic individual assessments on the recoverability of deposits based on landlords' credit quality. The management of the Group believes there is no material credit risk inherent in the Group's outstanding balances of deposits. The directors of the Company considered that ECL for rental deposits is insignificant.

For time deposit and bank balances, no allowance for impairment was made since the directors of the Company consider the probability of default is negligible as such amounts are receivable from or placed in banks in Hong Kong, Mainland China, Taiwan and Australia having good reputation.

Liquidity risk

In the management of the liquidity risk, the Group closely monitors the pace of the Group's expansion and inventory level of each retail outlet and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management also monitors the utilisation of bank borrowings and ensures compliance with loan covenants. At the end of the reporting period, the Group has also taken appropriate measures as set out in note 3.1 to mitigate future liquidity risk.

The Group incentivises its management of merchandising department and sales department to stringently control and closely monitor the inventory level, so that the Group improves the efficiency in its cash flow and resources management while maintaining just the right level of inventory.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity date for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of each reporting period.

Liquidity and interest risk tables

	Weighted average interest rate %	On demand or less than 1 year HK\$'000	1–2 years HK\$'000	2–5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amounts HK\$'000
At 31 December 2021						
Trade and other payables	NA	7,679	—	—	7,679	7,679
Amount due to related companies	NA	42,355	—	—	42,355	42,355
Loans from related companies	1.58	—	—	12,037	12,037	11,715
Bank borrowings — variable rate	1.52	15,945	—	—	15,945	15,707
Other borrowings	8.00	16,200	—	—	16,200	15,000
Lease liabilities	3.37	8,482	2,016	—	10,498	10,260
		90,661	2,016	12,037	104,714	102,716

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41. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk (Continued)

Liquidity and interest risk tables (Continued)

	Weighted average interest rate %	On demand or less than 1 year HK\$'000	1–2 years HK\$'000	2–5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amounts HK\$'000
At 31 December 2020						
Trade and other payables	N/A	6,824	—	—	6,824	6,824
Amount due to an associate	4.80	—	—	6,015	6,015	5,740
Amount due to immediate holding company	5.00	—	—	8,499	8,499	7,342
Amount due to a related company	N/A	2,152	—	—	2,152	2,152
Loans from related companies	4.79	—	—	37,808	37,808	32,856
Bank borrowings — variable rate	2.27	27,742	—	—	27,742	27,742
Other borrowings	8.00	17,400	—	—	17,400	15,000
Lease liabilities	3.75	13,910	3,596	—	17,506	17,167
		68,028	3,596	52,322	123,946	114,823

Bank loan with a repayment on demand clause was included in the “on demand or less than 1 year” time band in the above maturity analysis. As at 31 December 2021, the principal amount of this bank loan amounted to HK\$5,707,000 (2020: HK\$13,315,000). Taking into account the Group’s financial position, the directors of the Company did not believe that it is probable that the bank will exercise its discretionary rights to demand immediate repayment. The directors of the Company believe that such bank loan will be repaid in accordance with the scheduled repayment date set out in the loan agreement and the principal and interest cash outflows according to the scheduled repayment date are set out as follows:

	Weighted average interest rate %	On demand or less than 1 year HK\$'000	1–2 years HK\$'000	2–5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amounts HK\$'000
At 31 December 2021						
Bank borrowings — variable rate	1.53	5,794	—	—	5,794	5,707
At 31 December 2020						
Bank borrowings — variable rate	2.38	7,843	5,763	—	13,606	13,315

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Fair value measurement of financial instruments

Fair value of the Group’s financial assets and financial liabilities that are not measured at fair value on a recurring basis

The fair values of financial assets and financial liabilities have been determined in accordance with generally accepted pricing model based on discounted cashflow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

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42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest payable HK\$'000	Amount due to an associate HK\$'000	Amount due to immediate holding company HK\$'000	Amount due to a related company HK\$'000	Lease liabilities HK\$'000	Loans from related companies HK\$'000	Bank and other borrowings HK\$'000	Total HK\$'000
At 1 January 2020	449	7,274	3,393	762	38,263	13,462	51,068	114,671
Financing cash flows	(784)	(384)	3,949	1,264	(21,525)	17,830	(8,326)	(7,976)
Non-cash changes:								
Finance cost recognised (note 10)	1,984	—	—	—	936	650	—	3,570
Foreign exchange translation	—	—	—	126	—	1,263	—	1,389
Disposal of a subsidiary (note 33)	—	—	—	—	—	—	—	—
Covid-19-related rent concession	—	—	—	—	(896)	—	—	(896)
Leases modified	—	—	—	—	(4,124)	—	—	(4,124)
New leases entered	—	—	—	—	4,513	—	—	4,513
Deemed capital contribution from related companies	—	—	—	—	—	(349)	—	(349)
Elimination of inter-company balance	—	(1,150)	—	—	—	—	—	(1,150)
At 31 December 2020 and 1 January 2021	1,649	5,740	7,342	2,152	17,167	32,856	42,742	109,648
Financing cash flows	(378)	(13,379)	(100)	24,160	(17,733)	(11,791)	(12,035)	(31,256)
Non-cash changes:								
Finance cost recognised (note 10)	1,578	—	—	—	475	704	—	2,757
Foreign exchange translation	—	—	—	25	—	405	—	430
Covid-19-related rent concession	—	—	—	—	(116)	—	—	(116)
Leases modified	—	—	—	—	(1,099)	—	—	(1,099)
New leases entered	—	—	—	—	11,566	—	—	11,566
Reallocation of related parties balance	—	7,639	(7,242)	16,018	—	(10,459)	—	5,956
At 31 December 2021	2,849	—	—	42,355	10,260	11,715	30,707	97,886

43. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2021, the Group entered into new lease agreements for the use of properties for 1 to 2 years (2020: 1 to 2 years). On the lease commencement, the Group recognised HK\$11,639,000 (2020: HK\$4,538,000) of right-of-use assets and HK\$11,566,000 (2020: HK\$4,513,000) of lease liabilities.

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 HK\$'000	2020 HK\$'000
Non-current assets		
Interest in subsidiaries	98,903	109,255
Property, plant and equipment	1,553	2
Rental deposits	524	—
	100,980	109,257

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44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

	2021 HK\$'000	2020 HK\$'000
Current assets		
Other receivables	1,645	145
Bank balances and cash	1,712	6,209
	3,357	6,354
Current liabilities		
Other payables	20,019	10,798
Amounts due to a related company	37,249	—
Amounts due to subsidiaries	1,776	1,064
Lease liabilities	1,724	—
Other borrowing	15,000	15,000
	75,768	26,862
Net current liabilities	(72,411)	(20,508)
Total assets less current liabilities	28,569	88,749
Non-current liabilities		
Loan from a related company	—	13,100
Amount due to immediate holding company	—	7,337
Lease liabilities	886	—
	886	20,437
Net assets	27,683	68,312
Capital and reserves		
Share capital	2,428	2,140
Reserves	25,255	66,172
Total equity	27,683	68,312

Movement in the Company's reserves:

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2020	147,131	(56,468)	90,663
Loss and total comprehensive expense for the year	—	(24,491)	(24,491)
At 31 December 2020 and 1 January 2021	147,131	(80,959)	66,172
Placing of shares	74,209	—	74,209
Loss and total comprehensive expense for the year	—	(115,126)	(115,126)
At 31 December 2021	221,340	(196,085)	25,255

45. PARTICULARS OF SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ establishment/ operation	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group		Principal activities
			2021	2020	
Cobblers Limited	Hong Kong	HK\$10,000	100%	100%	Trading of footwear Products
DCG Asset Management (Cayman) Company Limited	Cayman Islands/ Hong Kong	US\$50,000	51%	51%	Provision of financial services
DSG Asset Management (HK) Company Limited	Hong Kong	HK\$2,000,000	51%	51%	Provision of financial services
DSG Finance Holdings (Hong Kong) Limited ("DSG Finance")	Hong Kong	HK\$16,250,000	51%	51%	Investment holding
DSG Financial Advisory (HK) Co., Limited	Hong Kong	HK\$2,000,000	51%	51%	Provision of financial services
DSG Securities (Hong Kong) Limited	Hong Kong	HK\$8,000,000	51%	51%	Provision of financial services
Shangying Medical [†]	PRC	RMB30,000,000	52%	52%	Provision of online Medical services
Grand Asian	Hong Kong	HK\$13,000,000	100%	100%	Trading of footwear Products
Kong Tai Sundry Goods	Hong Kong	HK\$93,197,100	100%	100%	Trading of footwear Products
Shoe Mart Company Limited	Hong Kong	HK\$10,000	100%	100%	Trading of footwear Products
Shoes Culture Company Limited	Macau	MOP25,000	100%	100%	Trading of footwear Products
Sixth Avenue Plus	Australia	AUD10,000	100%	100%	Trading of healthcare Products
S. Culture Holdings (BVI) Limited [*]	BVI	US\$10,000	100%	100%	Investment holding

[†] It is a limited liability company. The registered capital of the subsidiary is RMB30,000,000. As at 31 December 2021 and 2020, capital injection to the subsidiary has not been completed. The capital will be injected within 30 years after the incorporation of the subsidiary according to the memorandum of association of the subsidiary.

^{*} Directly held by the Company.

The above table lists subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at 31 December 2021 and 2020 or at any time during both years.

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45. PARTICULARS OF SUBSIDIARIES (Continued)

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2021	2020	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
DSG Finance	Hong Kong	49%	49%	(3,304)	(10,979)	3,342	6,646
Individually immaterial subsidiary with non-controlling interests				(6,389)	(10,231)	(12,747)	(6,262)
				(9,693)	(21,210)	(9,405)	384

Summarised financial information in respect of the Group's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

DSG Finance and its subsidiaries

	2021 HK\$'000	2020 HK\$'000
Current assets	9,753	17,447
Non-current assets	697	2,485
Current liabilities	(2,812)	(6,370)
Non-current liabilities	(819)	—
Equity attributable to owners of the Company	3,477	6,916
Non-controlling interests	3,342	6,646
Revenue	5,582	21,300
Expenses	(12,325)	(43,708)
Loss and total comprehensive expense of the year	(6,743)	(22,408)

For the year ended 31 December 2021

45. PARTICULARS OF SUBSIDIARIES (Continued)**DSG Finance and its subsidiaries (Continued)**

	2021 HK\$'000	2020 HK\$'000
Loss and total comprehensive expense for the year attributable to:		
— owners of the Company	(3,439)	(11,429)
— non-controlling interests	(3,304)	(10,979)
	(6,743)	(22,408)
Dividends paid to non-controlling interests	—	—
Net cash (outflow)/inflow from operating activities	(3,051)	2,593
Net cash inflow from investing activities	297	217
Net cash outflow from financing activities	(280)	(289)
Net cash (outflow)/inflow	(3,034)	2,521

46. EVENTS AFTER THE REPORTING PERIOD**Disposal of properties**

On 11 February 2022, the disposal of the parking lot and several properties with consideration of HK\$41,000,000 was completed, and the amounts due to related parties of HK\$37,000,000 was settled accordingly.

47. Litigation regarding the investment in Promethera Therapeutics SA

Shang Ying International Trade Holdings Limited ("Shang Ying Trade", a subsidiary of the Company) (as investor and lender), the Company (as guarantor for the payment obligations of Shang Ying Trade under the Investment and Shareholders Agreement as defined below), Promethera Biosciences SA (as shareholder) and Promethera Therapeutics SA (as company) entered into an investment and shareholders agreement (the "Investment and Shareholders Agreement") dated 29 June 2021 and an amendment agreement (the "Amendment Agreement") dated 30 August 2021 with other co-investors and co-lenders, pursuant to which the investors and lenders agreed to make an investment for a total amount of EUR19,994,711.80 in Promethera Therapeutics SA and Promethera Therapeutics SA agreed to issue new shares to the investors and take out loans from the lenders. Under the Investment and Shareholders Agreement, Shang Ying Trade conditionally agreed to (i) subscribe for 186,516 new shares to be issued by Promethera Therapeutics SA for EUR6,999,945.48; and (ii) lend a loan in the principal amount of EUR3,000,000 in return for a warrant entitling Shang Ying Trade to convert the loan into shares of Promethera Therapeutics SA. Under the Amendment Agreement, Shang Ying Trade will provide an additional cash advance of EUR1,000,000, which is refundable upon fulfilment of a specific condition precedent. Upon completion of the Investment and Shareholders Agreement, Shang Ying Trade will hold approximately 37.61% of the enlarged issued share capital of Promethera Therapeutics SA. Shang Ying Trade (as purchaser), Promethera Biosciences SA (as seller) and Promethera Therapeutics SA (as seller) also entered into the share purchase deed dated 29 June 2021 ("Share Purchase Agreement"), pursuant to which Shang Ying Trade conditionally agreed to acquire 40% of the total issued share capital of Aceso-Promethera Asia Company Limited for a consideration of EUR1 subject to (among other things) the Investment and Shareholders Agreement becoming unconditional as to completion.

As the conditions precedent to the Investment and Shareholders Agreement and the Share Purchase Agreement have not been fulfilled and/or waived (as the case maybe) by the specified long stop date, the Investment and Shareholders Agreement and the Share Purchase Agreement have lapsed. Shang Ying Trade has paid a sum of EUR500,000 to date, being cash advanced under the Investment and Shareholders Agreement. Shang Ying Trade has not paid the EUR1,000,000 additional cash advance under the Amendment Agreement. The Company has also appointed AGIO LEGAL, a local law firm in Belgium, as legal counsel to provide advice to the Group and deal with relevant matters involved after the subsequent termination of the said agreements. Following the expiry of the Long Stop Date and the failure to satisfaction of the Shang Ying Trade condition precedent, the obligations of Shang Ying Trade to pay the additional cash advance had been lapsed.

The Group is still taking legal procedures to recover the refund of the cash advance.



FINANCIAL SUMMARY

Results

	2021 HK\$'000	For the year ended 31 December			
		2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue	160,925	155,363	341,773	358,006	483,722
(Loss)/profit before taxation	(69,143)	(172,683)	(67,446)	6,583	(42,931)
Taxation	(1,311)	(396)	544	(498)	(511)
(Loss)/profit after taxation	(70,454)	(173,079)	(66,902)	6,085	(43,442)

Assets and Liabilities

	2021 HK\$'000	As at 31 December			
		2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Total assets	176,861	161,430	319,452	347,764	335,601
Total liabilities	(163,256)	(150,966)	(146,925)	(110,848)	(169,374)
Total equity	13,605	10,464	175,527	236,916	166,227