WINSHINE
瀛晟科學

Winshine Science Company Limited
瀛 晟 科 學 有 限 公 司*

(Incorporated in Bermuda with limited liability)
Stock Code: 209

ANNUAL REPORT 2021

* For identification purpose only

CONTENTS

ABBREVIATIONS

In this annual report, the following abbreviations have the following meanings unless otherwise specified:

"Board"	the Board of Directors of the Company
"Company"	Winshine Science Company Limited
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China, for the purpose of this report, excluding Hong Kong, Macau and Taiwan
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK$" and "HK cents"	Hong Kong dollars and cents
"RMB"	Renminbi
"US$"	United States dollars
"%"	per cent.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhao Deyong *(Chairman)*
Dr. Liao Wenjian *(Chief Executive Officer)*
(appointed on 24 September 2021)
Mr. Liu Michael Xiao Ming
(Chief Executive Officer)
(resigned on 24 September 2021)
Mr. Wong Kui Fai *(appointed on 24 September 2021 and resigned on 18 March 2022)*
Mr. Luo Lianjun
(resigned on 24 September 2021)

Non-executive Director

Mr. Lin Shaopeng

Independent Non-executive Directors

Mr. Kwok Kim Hung Eddie
Mr. Ng Wai Hung
Mr. Zhao Yong
(appointed on 10 September 2021)
Ms. Shi Xiaolei *(resigned on 10 September 2021)*

AUDIT COMMITTEE

Mr. Kwok Kim Hung Eddie *(Chairman)*
Mr. Ng Wai Hung
Mr. Zhao Yong

REMUNERATION COMMITTEE

Mr. Ng Wai Hung *(Chairman)*
Mr. Kwok Kim Hung Eddie
Mr. Zhao Yong

NOMINATION COMMITTEE

Mr. Zhao Yong *(Chairman)*
Mr. Kwok Kim Hung Eddie
Mr. Ng Wai Hung

COMPANY SECRETARY

Mr. Wong Chi Kong
(appointed on 31 January 2022)
Mr. Liu Ze Kui Alex
(resigned on 31 January 2022)

TRADING OF SHARES

The Stock Exchange of Hong Kong Limited
(Stock Code: 209)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 2202–2203, 22/F.
Harbour Centre
25 Harbour Road
Wanchai, Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of Communications Co. Ltd. Hong Kong Branch
Guangdong Development Bank Zhongshan Branch

AUDITOR

Moore Stephens CPA Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th floor North, Cedar House,
41 Cedar Avenue, Hamilton HM 12,
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

http://www.winshine.com
http://www.tricor.com.hk/webservice/000209

CHAIRMAN'S STATEMENT

Dear fellow shareholders:

The Board herein presents the annual report for 2021 and the audited annual financial statements for the Group for the financial year ended 31 December 2021.

In the pass year, the 2019 novel coronavirus disease (the "COVID-19") continued to affect the world, there were global economy shut down and lead to temporary suspension of production. Our Group continued the existing business in the past year, in particular resumed our Toys Division in full operation, resulting an increase of revenue by approximately 98.9% to HK$724.6 million.

PROSPECTS

Due to the COVID-19, the Toys Division experienced tremendous pressure on product margins and turnover in FY2020 and has already managed to restart its operation after a closed down period due to COVID-19. The Toys Division is expected to continue to perform satisfactorily.

Starting in 2021, the Board is looking for different business opportunities to diversify our principal business activities and moving toward more profitable businesses. Cost cutting measures within the Group were put in place to reduce operating costs. The Board has also decided to give the Company a better financial position to meet the future challenges.

On 6 June 2021, the Group entered into the operation management agreement (the "Agreement") with Cangshan County Huakai Vegetables Sales Co., Ltd.* (蘭陵縣華凱農產品有限公司), a company incorporated in the PRC with limited liability and an independent third party to the Company (the "PRC Partner"), pursuant to which, among others, the PRC Partner shall grant the Group the management and operation rights of the brand "Cangshan Vegetables (蒼山蔬菜)", and the management and operation rights of the equipment and facilities of the Lanling Agricultural Products Wholesale Market from the PRC Partner, for a term of five (5) years at an annual fee of RMB2 million.

The Board believes that the Agreement is in line with the investment strategy of the Company and that it is beneficial for the Group to diversify the investment portfolio so as to enhance the potential return of investment of the Group in the long run.

During the second half of FY2021, the Group has entered into lease agreement several tenants in relation to the facilities of the Lanling Agricultural Products Wholesale Market with an occupancy rate of approximately 21%. The Group shall monitor the occupancy at the same time optimizing the revenue from the Agricultural Division.

Looking forward, we are cautiously optimistic as our Toys Division continues to perform in the marketplace and the Board shall continue to explore new business opportunity on a much lower management cost.

Zhao Deyong
Chairman

BUSINESS REVIEW

The main divisions of the Group based on the principal activities of the Group include the manufacturing for sale of toys (the "Toys Division") and securities investments (the "Securities Investments Division").

For FY2021, the Group recorded revenue of approximately HK$724.6 million, representing an increase of approximately 98.9% as compared to the revenue of approximately HK$364.3 million for the year ended 31 December 2020 ("FY2020").

The increase was mainly due to the improved performance of our Toys Division of approximately HK$360.3 million. Gross profit for the year amounted to approximately HK$37.3 million, representing an increase of approximately 101.2% as compared with that of approximately HK$18.5 million in FY2020 as a result of improvements in the performance of the Toys Division.

For FY2021, the net loss of the Group amounted to approximately HK$136.0 million as compared with approximately HK$95.8 million in FY2020. The increase in net loss of the Group was mainly due to the decrease in fair value of investment properties, increase in administrative expenses and increase in impairment loss on property, plant and equipment, and partly offset by increase in the gross profit of the Group as mentioned above.

The following will discuss the detailed performance of each division of the Group.

Toys Division

For FY2021, revenue of the Toys Division increased by approximately 98.9% to HK$724.6 million. The gross profit increased to approximately HK$37.3 million as compare to HK$18.5 million in FY2020. The increase in both revenue and gross profit of the Toys Division were mainly due to the Toys Division resumed full operation in FY2021, as compared to the temporary suspension during the first quarter of FY2020. The Toys Division recorded a reported segment loss before taxation of approximately HK$69.1 million in FY2021, as compared to the reportable segment loss of approximately HK$61.6 million in FY2020. Such reported segment loss before taxation of the Toys Division were mainly due to net foreign exchange loss, impairment loss on property, plant and equipment and written down of inventories attributable to the Toys Division.

Securities Investments Division

During FY2021, the Hong Kong stock market continued to experience fluctuation. The Heng Sang Index points rose to over 30,000 points but also drop below 25,000 points. The Group adopted a conservative strategy in managing its investment portfolio during the period. The securities investments division recorded a profit of HK$93,000 in disposal all the securities hold by the Group in FY2021.

The Group has no longer hold any securities since 30 June 2021 and up to 31 December 2021, and the Group did not receive any dividend income in FY2021.

Breakdown of the Group's significant investments held as at 31 December 2020

Stock Code	Name	Principal businesses	Market value as at 31/12/2020 HK$'000	Number of shares held as at 31/12/2020	Percentage held to the total issued share capital of the stock	Loss on change of fair value during the year ended 31/12/2020 HK$'000
928	Life Healthcare Group Ltd. (Previously known as Tack Fiori International Group Ltd.)	Development and marketing of education software products and the provision of technology support services in China; sales of apparels in China; and trading and investment of securities in Hong Kong.	–	–	–	(729)
8316	Pak Wing Group (Holdings) Ltd.	Provision of foundation works in Hong Kong.	–	–	–	(84)
8356	CNC Holdings Ltd.	Provision of waterworks engineering services for public sector in Hong Kong, television broadcasting business in the Asia-Pacific region (excluding PRC) and large outdoor display screen advertisement business in the PRC.	–	–	–	(2,288)
2328	PICC P&C	Provision of insurance services in China	1,761	300	0.00%	(170)
	Others		–	–	–	342
Total			**1,761**			**(2,929)**

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

Due to the classification of the Group's borrowing as current liability discussed immediately below, at the end of FY 2021, the Group had net current liabilities of approximately HK$232.4 million (2020: HK$200.2 million) comprising cash and cash equivalents (excluding pledged bank deposits) of approximately HK$66.6 million (2020: HK$56.1 million).

The capital deficiencies attributable to owners of the Company amounted to approximately HK$98.9 million as at 31 December 2021, as compared to the equity attributable to owners of the Company of approximately HK$37.9 million as at 31 December 2020, mainly as a result of the operating loss incurred by the Group during the year. The Group financed its operations through a combination of debt financing and shareholder's equity. The Group's gearing ratio was determined as its net debt divided by total equity plus net debt where net debt included borrowings, trade and bills payables and other payables and accruals less pledged bank deposits and cash and cash equivalents. The gearing ratio of the Group as at 31 December 2021 was approximately 123% (2020: 90%).

Despite the loss incurred by the Group and the net liabilities status at the end of FY2021, the Group has obtained loan extensions and disposed a subsidiary of the Company at a consideration of HK$15,000,000, details of which are set out in the paragraph headed "Subsequent Event" below. The Group has sufficient cash to support the Group's ongoing business operations.

The management team is more closely aligned with our shareholders as can be seen from the actions taken so far to redirect the Company toward a better internal control, resolution of the legacy issues and a substantial reduction of the management cost.

BOARD STATEMENT

The Group is delighted to submit the Environmental, Social and Governance ("ESG") report (the "Report"), the purpose of which is to disclose our performance and progress in ESG aspects in 2021. The Report is prepared in response to stakeholders' expectations and concerns about the sustainable development of the Group.

The Board is responsible for the sustainable development of the Group and directs the Group to perform its corporate social responsibilities. The Board determinedly believes that our attention to resources management and occupational safety and health will especially help the Group achieve its established vision and mission. The Board have faith in that attaching importance to ESG management can improve our corporate image, reduce ESG risks and enhance the Group's capability to comply with relevant laws and regulations. These efforts can further improve the competitiveness of the Group and promote the sustainable development of the Group's business.

The Board believes that an effective governance structure of ESG matters is essential to ESG performance and reporting and thus has established a working group to assist and advise the Board in managing ESG matters such as identifying ESG risks and opportunities, managing ESG issues as well as collecting data regularly for the review of the ESG performance. The working group reports to the Board on an annual basis.

The risk management of ESG-related issues is important to the Board. With an aim to promote the comprehensive risk management within the Group, we have made a basic assessment of relevant ESG risks through the Board's extensive understanding of the business and the communication with different stakeholders, and incorporated the relevant risks into the risk management and internal control system.

The Board believes that the focus on resources management and occupational health and safety is valuable to the Group's achievement of its goal of upholding an excellent corporate image. Relevant departments regularly report the metrics to the working group, who in turns consolidates them and reports to the Board. The Group can thus regularly assess our performance indicators in resources consumption and occupational safety based on predetermined targets. These targets and evaluations are effective metrics that reflect the efficiency and control of our operation.

The COVID-19 pandemic remained a major disruption to the world in 2021. The Board directed a clear message to all levels of employees to continue to adopt a series of COVID-19 preventive measures and social distancing policy. These measures served to ensure the health and safety of our employees and the resilience of the Group's production.

A diligent and prudent operation practice is the answer to the uncertainty of the pandemic. The Group will continue to seek ways to develop our business in a more efficient and environmentally friendly manner and remains steadfast in our mission to build an inclusive and sustainable society.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

The Group longs to pursue sustainable development to integrate environmental and social initiatives into business and improve its competitiveness within the industry. In order to demonstrate the Group's continuous development in ESG, the Board is pleased to publish its sixth ESG Report.

REPORTING SCOPE

The Report covers our commitments, practices, and performance in various ESG aspects for the year ended 31 December 2021 (the "Reporting Period"). The reporting scope of the Report focuses on the primary business, manufacturing and trading of toys. Only Zhongshan division is covered since the Zhongshan factory is financially significant and operationally important to the Group, constituting the centre for administration and policymaking. As such Zhongshan division is covered in both environmental section and social section in the Report. The office-based operation in Hong Kong only has a small workforce working in the finance and administration department, its environmental implication is immaterial and as such is covered only in the social section in the Report.

REPORTING PRINCIPLE

The Report complies with the "Environmental, Social and Governance Reporting Guidelines" ("Guidelines") in Appendix 27 of the Listing Rules. The four reporting principles listed in the Guidelines: materiality, quantitative, balance and consistency, are used as the basis for the preparation of the Report.

Materiality: The Group communicates with different stakeholders on a regular basis and have conducted a stakeholder engagement and materiality assessment to better understand and identify the most material ESG-related issues to the Group based on various stakeholders' perspectives. Meanwhile, the Group concerns ESG development outside and within the industry, fulfilling local standards as well as incorporating it into the strategic development plan of the Group.

Quantitative: Appendix 27 of the Listing Rules guides the Group to prepare measurable KPIs to review performance. Quantitative information presented in the Report is accompanied by narrative, explanation, and comparison analysis wherever applicable. The frequency of publication is once a year per Reporting Period.

Balance: The Group upholds this reporting principle to compile the Report, unbiasedly disclose the environmental and social performance in the Reporting Period with the support of pictures, charts and presentation formats whenever appropriate, to present objective and transparent information and data for readers to make sound decisions and judgments.

Consistency: The Group adopts consistent methodologies and retrieves environmental and social performance from the Group's internal record system. The Report makes reference to Appendix 2: Reporting Guidance on Environmental KPIs and Appendix 3: Reporting guidance on Social KPIs to collect, calculate and present, to make meaningful comparisons over the years.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

The Group recognises the importance of understanding stakeholders' needs and expectations. Stakeholders' opinions can help the Group identify and prioritise material aspects, whereby many communication channels have been set up to regularly engage different stakeholders.

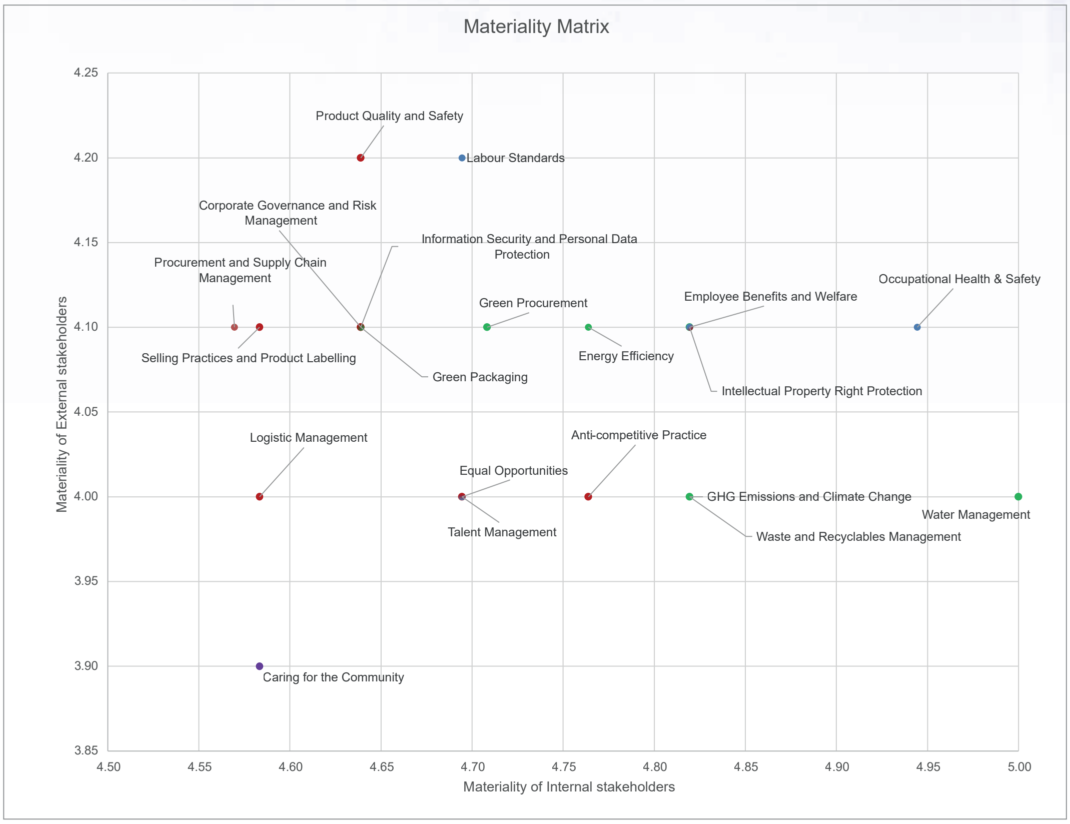
	Communication Channels	Major Stakeholders
1	Meetings	Investors, Customers, Regulators, Suppliers, Directors, Management, and Employees
2	Reports	Investors, Customers, and Regulators
3	Announcements (circulars, memos, emails)	Investors, Employees, and Suppliers
4	Company's website	Investors, Customers, Organisation, Regulators, Suppliers, Employees, and the Public
5	Phone calls	Customers and Suppliers
6	Surveys	Customers and Employees
7	Site visits	Customers, Regulators, and Suppliers
8	Seminars	Industrial Organisation
9	Company Events (annual dinners, volunteer service)	Directors, Management, and Employees

"Materiality" is one of the key Reporting Principles for preparing a quality ESG report. In the ESG Guide issued by the Stock Exchange, materiality is defined as the threshold at which ESG issues are determined by the board to be sufficiently important to investors and other stakeholders that they should be disclosed.

The Group conducted an online stakeholder engagement survey in August 2021. External stakeholders such as customers, suppliers, as well as internal stakeholders such as employees including were invited to participate in the survey and to grade the reporting aspects stipulated in the ESG Guide depending on the level of importance they consider these aspects are to the Group or to the stakeholder groups they are representing.

The importance of each reporting aspect was then determined by compiling the degrees of importance given from all the participants. The importance grade from each stakeholder category was the average among all respondents within that stakeholder category. The overall importance grade across multiple stakeholder categories was then the average of each categorical importance grade.

The materiality matrix below was prepared to clearly illustrate the result by placing each aspect about its importance grade (from 1 to 5) to the internal stakeholders of the Group and to all other external stakeholders.



Occupational Health and Safety and Water Management were the most material aspects determined in the stakeholder engagement and materiality assessment. All ESG aspects were above the materiality threshold of 3.0 and were thus assessed to be material enough to be disclosed in the Report.

The table below summarizes the most important ESG issues expressed by different stakeholders.

Stakeholder Categories	Most Material Issues
Employee	Labour Standards Corporate Governance and Risk Management
Customer	Water Management Occupational Health and Safety
Supplier	Water Management Procurement and Supply Chain Management

In response to the expectations of relevant stakeholders, the corresponding sections of the Report have disclosed the policies and measures the Group has implemented.

ENVIRONMENT

Sustainability is the pathway to success. Striving to achieve that goal, the Group has set up an Environmental Management Committee overseeing the Group's environmental performance, formulating environmental initiatives, and minimizing environmental risks. First and foremost, the Group has complied with all environmental laws and regulations and prohibited to the utmost of all relevant illegal and violating activities. No environmental non-compliance incident was resulting in fines or prosecutions in the Reporting Period.

Additionally, the Group attaches great importance to mitigating environmental threats and impacts caused directly or indirectly by the business through vigilant assessment and monitoring. The Group adheres to the ISO 14001 environmental management system standard and accordingly set up an environmental management system. Last but not least, the Group unceasingly advance its environmental performance and work closely with relevant authorities in the wake of tightening national environmental legislation and management towards the manufacturing industry.

EMISSIONS

Greenhouse Gases ("GHG") Emission

GHG emissions have called the Group's attention and led it to keep a close eye on the GHG emission. The Group has collected its GHG emission data since 2017. The Group has established an emission reduction pathway with a long-term perspective as a directional target. The primary source of GHG emission of the Group is from purchased electricity and secondarily from the fuel consumption by company vehicles. Please refer to the section "Use of Resources" for information on energy-saving measures that also help mitigate GHG emission. There was an increase in the total GHG emissions because of the sustained production resumption in the Reporting Period compared with the previous period in which production was affected by the COVID-19 pandemic to a larger extent.

GHG Emissions	Units	Total emissions in 2021	Total emissions in 2020
Total GHG emissions *Note 1* (scope 1 and 2)	CO_2e tonnes	7,992	6,345
Scope 1 *Note 2*	CO_2e tonnes	97	86
Scope 2 *Note 3*	CO_2e tonnes	7,894	6,259
Intensity (Scope 1 & 2) per production volume	CO_2e tonnes/ 1,000 pieces	0.39	0.53

Note 1 The GHG emissions data present in terms of carbon dioxide equivalent refers to the latest released emission factors by the National Development and Reform Commission.

2 Scope 1 refers to direct emissions from vehicles that the Group owns.

3 Scope 2 refers to indirect emissions resulting from the generation of purchased electricity consumed within the Group.

Exhaust Gas Emission

Furthermore, volatile organic compounds ("VOCs") release is another concern that captures the Group's and the stakeholders' attention. Manufacturing toys inevitably uses paints and emits VOCs in specific contexts. VOCs pose harm to human, and children and infants are especially susceptible. In view of this, the Group has deployed water-based paints and environmentally friendly paints with low VOCs content. Furthermore, the Group introduced Phase II VOCs emission improvement. The project installed a VOCs removal system with activated carbon absorber to ensure VOCs released to the atmosphere, which a registered testing agency verifies, is well within the legal requirements. The system is also connected to the Ministry of Environmental Protection of the PRC for them to monitor emissions level. Corrective actions will be timely made should any abnormality occurs. Above all, the Group has also maintained ventilation systems to effectively remove or dilute indoor air pollutants to further enhance the air quality in the premises.

Transportation is another emission area where the Group also provides guidance to control air pollution. The Group encourages employees to use car-pooling and public transits. The air pollutants emissions increased slightly in the Reporting Period because the Group had more frequent logistics transportations across the operational plants in the PRC.

Air Pollutants	Unit	Total emission in 2021	Total emission in 2020	Changes when compared to 2020
Nitrogen Oxides ("NO_x")	g	212,600	199,299	+6%
Sulphur Oxides ("SO_x")	g	614	541	+13%
Particulate Matter ("PM")	g	20,824	19,524	+6%

Waste Management

The Group understands its business consumes some quantity of natural materials. The Group has established a waste reduction pathway with a long-term perspective as a directional target. As such, the Group carefully plans raw materials inputs and end products output to minimize waste generation, while ensuring reliable and stable quality.

The Group endeavours to reduce waste by implementing different waste measures. One of the measures to regulate waste disposal is the adoption of 3R (Reduce, Reuse and Recycle) waste management principle in operation. For instance, the Group recycles and reuses plastics, wastepaper, and cardboards, replaces plastics with biodegradable alternatives, sets duplex-printing as default, carries out an Enterprise Resources Planning system in the office.

In addition, the Group collects and properly handles all hazardous waste in the National Hazardous Waste List. They are stored in a designated container with covers in a designated area to avoid leakage and misuse. All hazardous waste such as organic solvent, compact fluorescent lamp, batteries and exhausted cartridges and toners are collected by the licensed contractors. In the Reporting Period, both the total amount of hazardous waste and non-hazardous waste increased. The increase was a result of the operation of a few newly installed equipment which generated additional spent activated carbon and cotton filter. Waste in Hong Kong office was handled by the property management and as a result, no relevant data was available.

Wastes	Total disposal in 2021	Total disposal in 2020
Non-hazardous waste, such as wastepaper, domestic waste	52 tonnes	28.70 tonnes
Intensity of Hazardous waste per production volume	0.03 tonnes/ 10,000 pieces	0.02 tonnes/ 10,000 pieces
Hazardous waste, such as wasted oil, wasted solvent bottles.	57 tonnes	28.36 tonnes
Intensity of Hazardous waste per production volume	0.03 tonnes/ 10,000 pieces	0.02 tonnes/ 10,000 pieces

USE OF RESOURCES

Energy Consumption

Energy is the critical component of the Group's operation, and the Group have to acquire energy that originates from fossil fuels, which is exhaustible and non-renewable energy. The Group has thus established an energy consumption reduction pathway with a long-term perspective as a directional target. Because of that, the Group makes its utmost to reduce energy consumption by different energy measures.

- Established a resources management procedure to regulate energy use;
- Turned off lighting, equipment and personal computer during non-office hours;
- Switched off idling engines and air-conditioners when not in use;
- Maintained air indoor room temperature at 24 to 26 Degree Celsius;
- Disseminated energy-saving message via emails;
- Replaced conventional lightings with LED;

- Purchased environmentally friendly equipment such as electric Rotomolded PVC machines;
- Procured equipment for video conferencing to reduce the need for business trips; and
- Adopted reusable energy such as solar water heaters in the dormitory.

Type of Energy	Total consumption in 2021	Total consumption in 2020	Intensity in 2021 (per production volume)	Intensity in 2020 (per production volume)
Electricity	9,435,158 kWh	7,480,942 kWh	0.47 kWh/piece	0.62 kWh/piece
Unleaded petrol	26,200 Litres	19,800 Litres	0.13 Litres/ 100 pieces	0.17 Litres/ 100 pieces
Diesel	14,200 Litres	15,500 Litres	0.07 Litres/ 100 pieces	0.13 Litres/ 100 pieces

The total electricity consumption increased in the Reporting Period because of the sustained production resumption from COVID-19 disruption.

Water Consumption

The Group does not entail a massive amount of potable water as it is not a water-intensive industry. Water stress is a relatively less significant threat affecting the business. The Group had no difficulty in sourcing water that is fit for purpose. Nonetheless, the Group has established a water consumption reduction pathway with a long-term perspective as a directional target. In the Reporting Period, the water consumption remained relatively stable.

Water Consumption	Total consumption in 2021	Total consumption in 2020	Intensity in 2021 (per production volume)	Intensity in 2020 (per production volume)
Water	237,511 Litres	245,293 Litres	0.01 Litres/piece	0.02 Litres/piece

The Group works diligently in implementing initiatives to save water, including but not limited to placing reminders near the water facilities to remind employees to conserve water. The Group also operates a water treatment plant and obtains a wastewater discharge license to treat and discharge wastewater legally. The Group revamped the wastewater treatment plant in 2018 to further manage the increasingly stringent discharge caps set out by the government. The Group also continues to seek opportunities to use less water wherever feasible. For example, condensers have been installed in each workstation to collect steam from the injection moulding department. The water-saving project by combining two VOCs removal systems has been in operation in the Reporting Period.

Packaging Materials

The Group also acknowledges that packaging can consume lots of resources, and thus proactively communicates with clients and suppliers to discuss any potentials to minimise packaging in the product design.

Category of Packaging Materials	Total consumption in 2021 (in tonnes)	Total consumption in 2020 (in tonnes)	Intensity in 2021 (per production volume in tonnes/piece)	Intensity in 2020 (per production volume in tonnes/piece)
Plastics	2,950	2,460	0.01 tonnes/ 100 pieces	0.02 tonnes/ 100 pieces
Paper boxes	3.20	2.70	Insignificant (<0.0001 tonnes/ 100 pieces)	Insignificant (<0.0001 tonnes/ 100 pieces)

THE ENVIRONMENT AND NATURAL RESOURCES

Environmental Awards

With the support of many environmental-friendly measures, the Group proactively took part in the Cleaner Production Partnership Programme, co-organised by the Environmental Protection Department and the Economic and Information Commission of Guangdong Province. The Group takes great pride in being recognised as "Hong Kong – Guangdong Cleaner Production Excellent Partners (Manufacturing)". This recognition affirmed our conscientious efforts on adopting cleaner production technologies and practices with notable achievements.

Awareness

Sustainability is now crucial to our daily life, our society and even our future generation. The Group could protect the earth by utilizing natural resources and slowing down resources' depletion and ecosystem degradation. These all require efforts across departments and organisations. Training sessions arranged for employees are indispensable. An environmental consultant is also employed to engage in monitoring and suggesting areas for environmental improvement. The vegetarian and sustainable seafood menu is also given to employees to choose from at the canteen There was no incident with significant impacts on the environment and natural resources in the Reporting Period.

Climate Change

The Group has established contingent plans to deal with extreme weather. In the event of adverse weather conditions such as typhoon, rainstorm and heatwave, the Group would rearrange manpower and take precautionary measures to ensure staff safety, as well as making sure the staff can be better protected when they commute. The Group would also refer to the guidance of local authority and implement corresponding measures to avoid any physical damage to property.

Greening is a part of the crucial components in building an environmentally friendly working environment. It brings many benefits such as serving as a buffer and sink for heavy rain, mitigating urban heat island effect and eventually uplifting the quality of living. Greening reserves around 30% coverage of the Zhongshan factory, planting varies kind of vegetation and trees. The Group also places small-sized plants to boost greening further and improve air quality in the factory.

SOCIAL

Employment

The Group recognizes that employees are the cornerstone of business development. It motivates the Group to build and maintain a harmonious, fair, and safe working environment. More importantly, the Group ceaselessly strives to enhancing our social responsibility. The Group has established and kept an updated employment policy based on the National Labour Law. The Group has also been certified by ICTI CARE Foundation, to demonstrate its commitment to promoting safe and fair working conditions. During the Reporting Period, there was no case of non-compliance regarding compensation and dismissal, recruitment and promotion, equal opportunities, diversity, and discrimination.

The Group adopts fair and equal employment and recruitment procedure and prohibits any forms of discrimination. Hence, candidates' experiences, abilities and the Group's business needs are criteria for shortlisting candidates, regardless of race, gender, age, marital status, pregnancy, family status, sexual orientation, religion, and nationality. The remuneration package is regularly reviewed. Successful candidates with proven track records can enjoy promotion and salary increment.

In order to providing all newcomers with a fundamental understanding of the Group, the Group mandates all newcomers to attend an orientation training, covering (a) Group's history; (b) employment terms and conditions, welfares and benefits; and (c) adherence to the relevant policies, systems, and procedures. All the policies are available in the Staff Handbook for reference at any time. The Group is a member of ICTI Ethical Toy Program ("IETP"). Therefore, the Group must also comply with the relevant requirements set out in IETP's Code of Business Practices.

Benefits and Welfares

The Group contributes to "Five social insurance and one housing fund", namely endowment insurance, Medical insurance, unemployment insurance, employment injury insurance, maternity insurance, and housing provident fund, for the employees as required. Additionally, all employees are entitled to various statutory holidays and paid leave, including paternity leave and maternity leave. Moreover, in recognition of employees' hard work, the Group will reward employees and benchmark employees' salaries against industry norms to maintain a competitive remuneration package to the talented. All employees shall participate in the annual appraisal to review their performance.

Team Profile

As of 31 December 2021, the Group employed 2,071 employees in Zhongshan and Hong Kong, of which all are full-time employees.

(As of 31 December 2021) Total Workforce		**Number of Employees**	**Turnover Rate**
By Gender	Male	863	33%
	Female	1,208	30%
By Employment Type	Full time	2,071	Not applicable
By Geographical Region	Zhongshan	2,035	32%
	Hong Kong	36	8%
By Age	15-24 years old	219	90%
	25-34 years old	357	71%
	35-44 years old	465	27%
	45-54 years old	957	7%
	55-64 years old	73	4%
By Employee Category	Senior management	11	Not applicable
	Middle management	24	Not applicable
	Junior management	2	Not applicable
	Supervisor	25	Not applicable
	General staff	2,009	Not applicable

Employee turnover rate increased to 31% in the Reporting Period. The Group interviews every individual to understand their reasons to resign and regularly review the remuneration packages and the operation practices accordingly.

OCCUPATIONAL HEALTH AND SAFETY (“OHS”)

The Group remains very focused to health and safety. It is the Group’s obligation to provide a safe working environment. The Group has established a health and safety committee, comprising the senior human resource manager, administrative manager, safety manager, representatives from the security and fire service department, and a labour union. The committee’s duty is to superintend the health and safety performance of the Group and identify potential risks in which controls are either absent, ineffective, or incompliant. The committee also formulates policies to mitigate the risks if applicable. Correspondingly, the Group regularly commissioned third-party to audit OHS performance. In the Reporting Period, there was no non-compliance case with regulations concerning occupational health and safety.

Furthermore, risk assessment is conducted annually for all working areas to identify high-risk position and potential threats inside the working area. The Group offers corresponding Personal protective equipment. Regular medical checks are provided to employees to ensure they are free from any occupational illness. The Group also schedules stress management courses for employees to have good mental health. The Group adopts shift work as well to reduce employees’ work stress and chemical exposures. In addition, equipment’s contractors carry out regular checks of the machines to test the functionality to ensure employees are free from the threat of equipment’s instability and malfunction.

Aside from “Five social insurance and one housing fund”, the Group provides additional medical insurance for extra protection. Better still, the Group has attained the certification of OHSAS 18001 to systemise the occupational health and safety management in the workplace. No work-related fatality happened in the past three years including the Reporting Period, but a total of 218 workdays were lost due to work-related injuries in the Reporting Period. Yet the Group offered prompt assistance to the injured or the affected. The Group’s health and safety committee launched investigations to examine the root cause of accidents and implemented corrective and preventive actions to avoid reoccurrence.

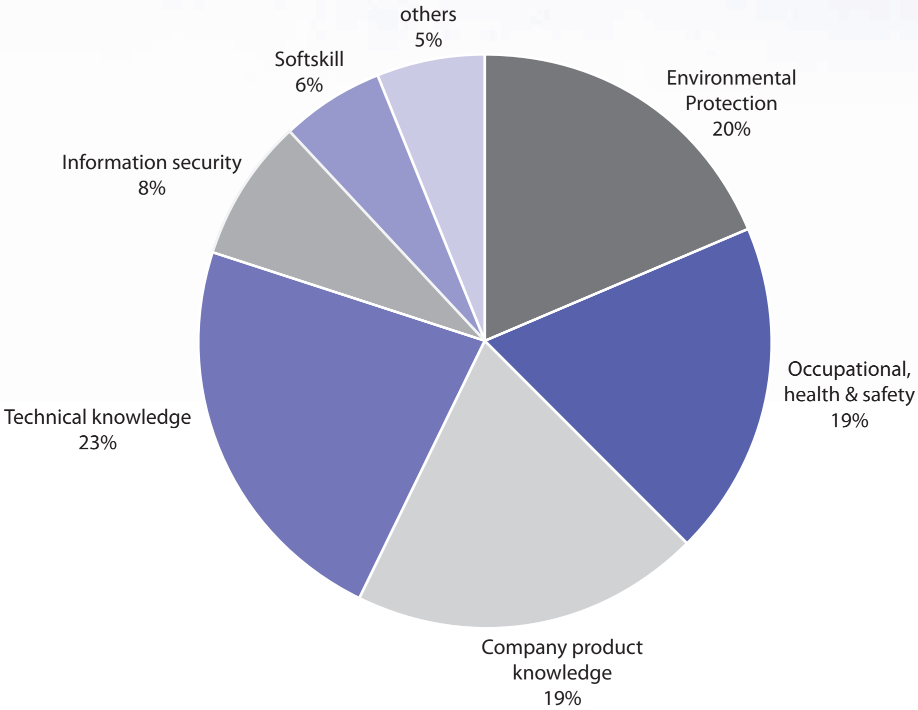
In response to COVID-19 pandemic, the Group has established a designated working group to formulate and implement COVID-19 safety measures. All visitors and employees must undergo temperature check and declaration of travel history before entering the workplace. Social-distancing and masks-on policies are in force, and no unnecessary visit and gathering activity is allowed. The Group also flexibly implements work-from-home policy depending on the circumstance. On the premises, the Group provides hand sanitisers, arranges routine cleaning and disinfection services to minimise cross-contamination risks.

TRAINING AND DEVELOPMENT

Toy industry evolves with time, and the Group understands that we have to keep up to the changes to thrive in the market and sustain in the industry. Consequently, each business unit together with the human resources department stipulates a yearly training plan, covering technical and management topics to all employees. The Group also sponsors employees to attend external training to acquire the latest knowledge in the market. In the Reporting Period, all employees took part in different training and average training hours of employees were 25 hours.

Percentage of employees trained	**2021**	**2020**
Proportion of employees by gender in total employees who took part in training		
Male	41.55%	38.89%
Female	58.45%	61.11%
Proportion of employees by employee category in total employees who took part in training		
Senior management	0.29%	0.33%
Middle and Junior Management	0.97%	1.06%
Supervisor	1.21%	1.39%
General staff	97.52%	97.22%
Percentage of total employees who took part in training	99%	100%

Average training hours completed	**Training hours 2021**	**2020**
Gender		
Male	25	29
Female	25	25
Employee category		
Senior management	4	8
Middle and Junior Management	12	16
Supervisor	48	48
General staff	25	27
All employees	25	27



The Group deems the new generation a pillar of society and has established an internship programme. Sophisticated and experienced seniors train up fresh graduates so that they can be well-prepared to bring innovation and creativity to the Group.

Labour Practices

The Group strongly believes children shall enjoy a pleasant childhood. No child is allowed to work in the Group. The Group performs identity checks in the recruitment process to ensure the regulatory working age is compliant. The Group also totally believes in the importance of work-life balance as it links to productivity and well-being. The Group neither encourages nor forces employees to work overtime. Furthermore, all illegal means such as retention of identity cards or passports, intimidation, coercion, and undue pressure are strictly prohibited.

Employees are entitled to statutory leave and various kinds of paid leave, which help them take sufficient rest. The Group is always meticulous about the production schedule to avoid overtime work. The Group reviews workflow carefully in the event of a significant amount of overtime work needed. The Group will seek assistance from relevant institutions if necessary.

Furthermore, the Group also highly appreciates employees to participate in leisure and social activities such as the Chinese New Year event to share warmth and happiness among colleagues. Labour union has been formed, and all employees preserve the right to speak. Other than the benefits and welfares above, the Group arranges monthly meetings with the labour union representatives to understand employees' points of view.

In the Reporting Period, the Group was in compliance with relevant laws and regulations relating to preventing child and forced labour, and as such no rectification was required.

Operating Practices

Supply Chain Management

The business depends heavily on suppliers' cooperation. Building trust and reliability is a golden rule to build up a long-term relationship with them . As of 31 December 2021, the registered suppliers of the Group in ten (10) categories consisted of 210 suppliers from the PRC, 47 suppliers from Hong Kong, and 2 suppliers from other countries.

Before signing a contract, the Group conducts an assessment and sample testing to assess suppliers' quality standards, and achievements in environmental protection and corporate social responsibility. The price is not the only selection consideration, equipment level, productivity and reputation are also taken into account. The Group also attentively concerns a safe working environment and an ethical business culture in the selection process. Moreover, samples testing must pass through quality check requirement for contract approval.

Other than that, the Group carries out an annual assessment to review suppliers' services quality, on-time delivery ability, fulfilment of the tender requirements and alignment with the Group's policies. In the Reporting Period, the Group assessed leading suppliers and they all passed. The suppliers who are unable to meet the requirements will be removed from the supplier list if applicable.

The Group keeps close contact with the suppliers to ensure the shipping date, logistics status and supplies can match our production and delivery schedule. The Group closely monitors the updates on local, regional, and even international cross-border regulations from time to time to reallocate resources at the earliest.

C-TPAT Security Policy

The Group complies with the Customs-Trade Partnership Against Terrorism ("C-TPAT"). In order to enjoy the entitled benefits in return, the Group, suppliers, and contractors are working closely to implement, as required by C-TPAT, physical security measures, access control, security assurance in procedures, and offering education and training. A supply chain guarantee of C-TPAT Security Policy is ready for suppliers and contractors. Due to the importance of such policies and laws, the employees responsible for import and export shall attend training related to the relevant ordinance and regulations at least twice a year.

Green Procurement

To uphold the responsibility to disseminate sustainability to suppliers, the Group always strives to exploring alternatives to use less packaging materials and fewer plastics as much as feasible. The Group also states specifically on tender documents to encourage suppliers to adopt products with eco-labels or environmentally friendly products. In the selection process, priority is given to those awarded with an ISO 14001 Environmental Management System certificate and an ISO 9001 Quality Management System certificate. Local suppliers are also preferred to limit the environmental impact from transportation.

Product Responsibility

The Group has been awarded with a certificate of the IETP, indicating that the Group adheres to the ICTI Code of Business Practices, aligning the Group's practices with international norms in the global toy industry supply chain.

Quality Assurance

The impacts to children from harmful and unsafe toys can be persistent and untreatable. As a result, the Group has established a product monitoring and inspection procedure to standardise the quality check. In practice, the Group attains certification of ISO 9001 Quality Management System. This ISO standard also guides the Group to implement a quality management system to systematically control product quality. Although the Group is a toy trader, it also carries out inspections and random checks to review the quality of toys. It assures toys strictly follow local and international safety and advisory requirements such as CE marking, Consumer Product Safety Commission, STM F963-Standard Consumer Safety Specification for Toy Safety. The Group is verified by a third-party to ensure their supply chain security aligns with international supply-chain security standards.

In addition, the Group has designed a clear and precise label to identify toys and separate defective products. The instruction manual is attached with the product to guide consumers to properly use products. Safety alert labels are placed at the package's surface or containers to alert consumers to keep toys properly, avoiding children from mistakenly swallowing or inhaling the tiny parts that may results in suffocation. No reported incident in product responsibility happened in the Reporting Period.

Given the significance of the toys' quality assurance, the Group pays additional attention to raw materials. All materials used in the products are entirely compliant with the Restriction of Hazardous Substances. Providing testing reports and certificates to prove the products' quality and harmlessness is a must-do item for our suppliers. The Group randomly tests product samples, and a third-party testing laboratory carries out inspections before mass production. The Group operates a laboratory, which is certified by the China National Accreditation Service, to examine the products randomly. All validating report are well-documented. In case of any fail reports of the toys, the Group will immediately cease the delivery process and recall them. Meanwhile, the Group remains active in communicating with customers regarding the products' quality, specifications, and testing results.

The Group exported more than 12 million products yearly. The quality management department records each complaint and notifies relevant departments for investigation and coming up with improvements and suggestions for the problem if any. Thanks to the awareness of an extraordinarily high product quality standard, the Group is pleased to announce that there was no product recall or return regarding health and safety issues or material complaint during the Reporting Period.

Based on a customer satisfaction survey to significant customers, covering seven aspects: productivity, samples delivery, quality management and product quality, the results revealed that customers were satisfied with the Groups' productivity, and they also advised an improvement on samples on-time delivery. Clients' feedback is the Group's motivations to perform better, so the Group promptly recruited more inspectors to conduct quality checks to speed up the processing time and keep product quality stable.

Data Privacy

The Group respects the privacy and intellectual property rights. The Group collects data in a lawful way and solely for recruitment or the stated purposes. The storage and transmission of personal data must be encrypted and with up-to-date antivirus protection to prevent data leakage that harms clients, suppliers, individuals, or other parties that have trusted the Group with their information. Likewise, the data shall only be retained for a designated period and for specified purposes. A guideline and procedure have been established to guide every one of the Group to properly handle personal data. The data can be updated and corrected by the data holders at any times in writing upon request. The Group must provide information on how they use clients' information in the past 12 months upon request. Only a handful of well-trained employees have the access right to the sensitive data.

Under no circumstance will the Group disclose personal data and confidential information to third parties or to the public without clients' consent.

Protection of trademarks

The Group only sell and trades products that are properly licensed. The Group also abides by the copyright and patent laws of the U.S. as well as other countries. The Group endeavours to communicate with its business partners about intellectual property rights protection and also acknowledges that laws and regulations can protect the Group's right.

Anti-Corruption

Integrity gives great importance to brand image and performance. Rigidly laws and compliances bound the Group on anti-corruption. The Group must obey national and regional laws and regulations in business operation. The code of conduct is well-defined and outlines the area of corruption risk and procedures to handle advantages. The Group's attitude against corruption is stated clearly to all employees. Any form of bribery, extortion, fraud, and money laundering is forbidden. An internal control system has been established to review the operation flow and assure operation consistency. Employees can remain anonymous to report any suspected cases to the Group. The Group will not condone any unlawful acts or corruption.

Refresher training was regularly scheduled, especially for those post-holders with a high corruption risk. The directors and employees had, on average, one (1) training hour on anti-corruption topic in the Reporting Period. Anti-corruption training material will also be delivered to all employees and directors. There was no alleged case of bribery, extortion, fraud, and money laundering in the Reporting Period.

Community Involvement

Business development closely connects with the community, and it is the social responsibility of the Group to utilise our power to assist the needy in society. In the Reporting Period, the Group focused on labour need and sponsored RMB10,000 in cash and food groceries to those in financial need. The Group also participated in voluntary community service to offer 320 hours of in-kind support. Employees and their families are welcome to participate in voluntary activities. The Group will continue to work diligently with the community with charities, employees, and their families.

BIOGRAPHICAL DETAILS OF DIRECTORS

The biographical details of Directors as at 13 May 2022, the date of this annual report, are set out below:

EXECUTIVE DIRECTORS

Mr. Zhao Deyong ("Mr. Zhao"), *Chairman*

Aged 59, joined the Company as an Executive Director and was appointed as the Chairman of the Company on 16 May 2019. He is also a director of several subsidiaries of the Company. Mr. Zhao graduated from the Correspondence Institute of the Central Party School of C.P.C. (中共中央黨校函授學院) in December 1998, majoring in economic. Since June 2018, Mr. Zhao has been the chairman of Fujian Zhonghe Co., Ltd. Prior to his current position, Mr. Zhao served as a deputy director of the Industry and Information Commission of Chifeng City (赤峰市工業和信息化局) in the PRC from October 2008 to September 2014.

Dr. Liao Wenjian ("Dr. Liao")

Aged 47, joined the Company as an Executive Director and was appointed as the Chief Executive Officer of the Company on 24 September 2021. He is also a director of several subsidiaries of the Company.

He obtained his Doctor of Philosophy, with major in public management, at Huazhong University of Science and Technology in June 2011. Dr. Liao has been the founder of Bluesource Capital and the chairman of Zhejiang Bluesource Investment Management Co., Ltd.* (浙江藍源投資管理有限公司) since October 2021, focuses on venture capital, centralized investment, mergers and acquisitions, and strategic management consulting. Dr. Liao also has experience in chain management and developing integration platform on the internet in different industries including catering, auto-parts, furniture, and agriculture products. Prior to his current position, he was the vice general manager of Ningbo Huajian Investment Management Co., Ltd.* (寧波華建投資管理有限公司).

In August 2015, Dr. Liao was awarded "Excellent Chinese Equity and Venture Capital Investor" in the only official equity and venture capital industry selection filed by the National Development and Reform Commission. He was awarded "Top Ten Leaders of Venture Capital Industry" at the First Global Founder Conference in October 2015. In December 2017, he was awarded the honorary title of "Top Ten Annual Leaders of Chinese Enterprise Management" at the 14th Annual Conference of Creative Planning in the PRC.

* *For identification purpose only*

NON-EXECUTIVE DIRECTOR

Mr. Lin Shaopeng ("Mr. Lin")

Aged 63, joined the Company as a consultant in December 2014 and a Non-executive Director on 18 December 2017. He has been providing advisory services to the Group's toys operation since December 2014. He is also a director of several subsidiaries of the Company. Mr. Lin has extensive experience in factory and logistics management in the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kwok Kim Hung Eddie ("Mr. Kwok"), *Chairman of the Audit Committee and member of the Nomination Committee and the Remuneration Committee*

Aged 50, joined the Company as an Independent Non-executive Director on 7 March 2019. Mr. Kwok holds a Master of Professional Accounting degree from The Hong Kong Polytechnic University, a Master of Corporate Governance degree from The Open University of Hong Kong and a Honours Diploma in Accounting from Hong Kong Shue Yan University (formerly known as Hong Kong Shue Yan College). Mr. Kwok is a member of The Hong Kong Institute of Certified Public Accountants, and a member of each of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute.

Mr. Kwok has over 26 years of experience in the field of accounting and financial management. Mr. Kwok has been an independent non-executive director of E&P Global Holdings Limited (formerly known as Siberian Mining Group Company Limited), a company listed on the Stock Exchange (stock code: 1142), since February 2014, and an independent non-executive director of Zhejiang Rui Yuan Intelligent Control Technology Company Limited, a company listed on GEM of the Stock Exchange (stock code: 8249), since June 2012. Prior to his current positions, Mr. Kwok served as a financial controller, the company secretary and one of the authorised representatives of Forebase International Holdings Limited, a company listed on the Stock Exchange (stock code: 2310).

Mr. Ng Wai Hung ("Mr. Ng"), *Chairman of the Remuneration Committee and member of the Audit Committee and the Nomination Committee*

Aged 58, joined the Company as an Independent Non-Executive Director on 21 May 2019. Mr. Ng admitted as a solicitor of the High Court of Hong Kong in March 1992. Mr. Ng is a practising solicitor and a partner in Iu, Lai & Li, a Hong Kong firm of solicitors and notaries. Mr. Ng practises in the areas of securities, corporate finance and commercial law in Hong Kong.

Mr. Ng has been a non-executive director of Coolpad Group Limited, a company listed on the Stock Exchange (stock code: 2369), since January 2018. Mr. Ng has also been serving as an independent non-executive director of three companies listed on the Stock Exchange, namely Lajin Entertainment Network Group Limited (formerly known as China Star Cultural Media Group Limited, stock code: 8172) since March 2015, Xinyi Electric Storage Holdings Limited (formerly known as Xinyi Automobile Glass Hong Kong Enterprises Limited, stock code: 8328) since July 2016 and 1957 & Co. (Hospitality) Limited (stock code: 8495) since November 2017.

In the last three years, Mr. Ng served as an independent non-executive director of Fortune Sun (China) Holdings Limited (stock code: 352), GOME Retail Holdings Limited (formerly known as GOME Electrical Appliances Holding Limited, stock code: 493), Reliance Global Holdings Limited (formerly known as Sustainable Forest Holdings Limited, stock code: 723), Trigiant Group Limited (stock code: 1300), Kingbo Strike Limited (stock code: 1421), Tech Pro Technology Development Limited (stock code: 3823) and YTO Express (International) Holdings Limited (formerly known as On Time Logistics Holdings Limited, stock code: 6123) (all being companies listed on the Stock Exchange) and resigned in September 2017, May 2017, December 2017, August 2017, June 2017, March 2017 and December 2017, respectively.

Mr. Zhao Yong ("Mr. Zhao"), *Chairman of the Nomination Committee and member of the Audit Committee and the Remuneration Committee*

Aged 38, joined the Company as an Independent Non-executive Director on 10 September 2021. Mr. Zhao obtained a bachelor's degree in law from Zhejiang University in July 2006 and a master agree in law (American Legal Studies) from Thomas Jefferson School of Law in December 2009. Mr. Zhao is qualified to practice law in the PRC and has been working at DeHeng Law Offices (Hangzhou) as an attorney at law since April 2018.

The Directors hereby present their report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are set out in note 42 to the consolidated financial statements.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Company and an indication of likely future development in the Company's business, can be found in the Chairman's Statement and the Management Discussion and Analysis set out on pages 4 to 7 of this annual report. This discussion forms part of this Report of the Directors.

RESULTS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss on page 47.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2021 (2020: nil).

FIVE YEARS FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 152.

SHARE CAPITAL

Details of movement in the share capital of the Company during the year and details of share capital of the Company are set out in note 31 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's reserve available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda and the Bye-laws of the Company, amounted to HK$nil (2020: HK$nil).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the Companies Act 1981 of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for approximately HK$709 million of the total sales for the year and sales to the largest customer accounted for approximately 91.5%. Purchases from the Group's five largest suppliers accounted for approximately HK$80.9 million of the total purchases for the year and purchases from the largest supplier accounted for approximately 10.4%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers during the year.

DIRECTORS

Executive Directors:

Mr. Zhao Deyong
Dr. Liao Wenjian *(appointed on 24 September 2021)*
Mr. Wong Kui Fai *(appointed on 24 September 2021 and resigned on 18 March 2022)*
Mr. Liu Michael Xiao Ming *(resigned on 24 September 2021)*
Mr. Luo Lianjun *(resigned on 24 September 2021)*

Non-executive Director:

Mr. Lin Shaopeng

Independent Non-executive Directors:

Mr. Kwok Kim Hung Eddie
Mr. Ng Wai Hung
Mr. Zhao Yong *(appointed on 10 September 2021)*
Ms. Shi Xiaolei *(resigned on 10 September 2021)*

DIRECTORS' SERVICE CONTRACTS

None of the directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

UPDATES ON DIRECTORS' INFORMATION

There is no updated information of directors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Details of the directors' and the chief executive's remuneration are set out in note 11 to the consolidated financial statements.

INDEMNITY OF DIRECTORS

The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and other officers of the Company during the year.

DIRECTORS' AND CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "MATERIAL RELATED PARTY TRANSACTIONS" disclosure in note 41 to the consolidated financial statements, no contract of significance to which the Company or any of its subsidiaries was a party and in which a director or the controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2021, the interests of each of the directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules were as follows:

Long positions in the shares and underlying shares of the Company

Save as disclosed in the "EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS" disclosure in note 32 to the consolidated financial statements, as at 31 December 2021, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

Details of the share option scheme of the Company are set out in note 32 to the consolidated financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" and "EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS" disclosure in note 32 to the consolidated financial statements, at no time during the year ended 31 December 2021 was the Company or any of its subsidiaries a party to any arrangements 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, and none of the Directors or their spouse or minor children had any rights to subscribe for the securities of the Company, or had exercised any such rights during the year.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

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

Long positions in the shares of the Company

Name of shareholder	Capacity and nature of interest	Personal interest	Corporate interest	Number of shares held	Approximate percentage of the Company's issued share capital *(Note 3)*
China Strategic Holdings Limited ("CSH")	Interest of controlled corporation	–	651,995,472	651,995,472 *(Note 1)*	17.80%
Mr. Ji Xiang ("Mr. Ji")	Interest of controlled corporation	–	496,976,000	496,976,000 *(Note 2)*	13.57%
Mr. Shen Jia ("Mr. Shen")	Beneficial owner	400,000,000	–	400,000,000	10.92%

Notes:

1. CSH had an indirect interest in the Company through its 100% indirect ownership in U Credit (HK) Limited, which had security interest in 651,995,472 shares of the Company. U Credit (HK) Limited had enforced the security interest in 651,995,472 shares on 4 July 2019.

2. 496,976,000 shares were held by Excel Jade Limited, which was owned as to 100% by Mr. Ji. Accordingly, Mr. Ji was deemed to be interested in 496,976,000 shares of the Company under the SFO.

3. The percentage of shareholding is calculated on the basis of 3,661,864,729 shares of the Company in issue as at 31 December 2021.

Save as disclosed above, the Company had not been notified of other relevant interests or short positions in the shares and underlying shares of the Company as at 31 December 2021 as required pursuant to section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group recognises the importance of compliance with laws and regulations and any non-compliance may bring significant impact on the Group's operations. The Group's products are exported globally and the major markets include the USA, the European union, Japan and the PRC. The Group complied with those importing requirements, including product safety and material selections, imposed by these importing countries. Compliance with the PRC regulations are also essential to the Group manufacturing operations in the PRC. The Group is continuously monitoring the evolving regulations and ensure its compliance.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. During the year ended 31 December 2021, there were no material and significant dispute between the Group and its employees, customers and suppliers.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group encourages environmental protection and is committed to fulfil its environmental, social and corporate responsibilities. Various investments in optimizing energy use and paper use were made and will be made. Measures were made to prevent or minimize pollutions and provide a safe and healthy working environment. The Group continues to review the latest technology and the best practices in the industry for adoption to address the environmental, social and corporate responsibilities.

AUDITORS

The consolidated financial statements for the year ended 31 December 2021 have been audited by Moore Stephens CPA Limited who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Zhao Deyong
Chairman

Hong Kong, 13 May 2022

The Board is committed to maintaining high standards of corporate governance practices at all times. The Board believes that good corporate governance helps the Company to safeguard the interests of its shareholders and to enhance the performance of the Group.

CORPORATE GOVERNANCE

During the financial year ended 31 December 2021, the Company had complied with all the applicable code provisions of the Corporate Governance Code set out in Appendix 14 of the Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Specific enquiries have been made with the Directors and they have confirmed their compliance with the Own Code and the Model Code during the year ended 31 December 2021.

BOARD OF DIRECTORS

The overall management and control of the Group's business are vested in the Board. The Board is responsible for establishing policies, strategies and plans, providing leadership in creating value and overseeing the Group's financial performance on behalf of shareholders of the Company.

The Board reserves for its decision on all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

The day-to-day management, administration and operations of the Group are delegated to the executive director and senior management of the Company. Prior to entering into any significant transactions, the executive director and senior management of the Company have to obtain Board approval.

BOARD OF DIRECTORS (Continued)

As at the date of this annual report, the Board comprises six Directors, including two Executive Directors, namely Mr. Zhao Deyong (Chairman) and Dr. Liao Wenjian; one Non-executive Director, namely Mr. Lin Shaopeng; and three Independent Non-executive Directors, namely Mr. Kwok Kim Hung Eddie, Mr. Ng Wai Hung and Mr. Zhao Yong. The Company has received from each of the Independent Non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all Independent Non-executive Directors are independent in accordance with the independence guidelines set out in the Listing Rules. Biographical details of the Directors are set out under the section headed "BIOGRAPHICAL DETAILS OF DIRECTORS" on pages 26 to 28 of this annual report.

The Company will provide a comprehensive, formal and tailored induction to each newly appointed director on his/her first appointment in order to enable him/her to have appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

All directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. The Company has provided timely technical updates, including the briefing on the amendments on the Listing Rules and the news release published by the Stock Exchange to the directors. Continuing briefing and professional development for directors are arranged where necessary.

During the year ended 31 December 2021, three regular full Board meetings and one general meeting were held and the attendance of each director is set out as follows:

	Number of attendance	
Name of directors	**Board Meetings**	**General Meetings**
Executive Directors		
Mr. Zhao Deyong	3/3	1/1
Dr. Liao Wenjian *(appointed on 24 September 2021)*	N/A	N/A
Mr. Wong Kui Fai *(appointed on 24 September 2021 and resigned on 18 March 2022)*	N/A	N/A
Mr. Liu Michael Xiao Ming *(resigned on 24 September 2021)*	3/3	1/1
Mr. Luo Lianjun *(resigned on 24 September 2021)*	3/3	1/1
Non-executive Director		
Mr. Lin Shaopeng	3/3	1/1
Independent Non-executive Directors		
Mr. Kwok Kim Hung Eddie	3/3	1/1
Mr. Ng Wai Hung	3/3	1/1
Mr. Zhao Yong *(appointed on 10 September 2021)*	N/A	N/A
Ms. Shi Xiaolei *(resigned on 10 September 2021)*	3/3	1/1

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

There are two key aspects of the management of the Company – the management of the Board and the day-to-day management of the Group's business. The Company supports that there should be a clear division of these responsibilities at the Board level to ensure a balance of power and authority, so that power is not concentrated in any one individual. Currently, Mr. Zhao Deyong, the Chairman of the Board and the Executive Director of the Company, takes up the responsibility of the management of the Board. Dr. Liao Wenjian, the Executive Director and Chief Executive Officer of the Company is responsible for the day-to-day management of the Group's business after the resignation of Mr. Liu Michael Xiao Ming.

NON-EXECUTIVE DIRECTORS

Each of the Non-executive Director and Independent Non-executive Director is appointed for a term of twelve-month period which automatically renews for successive twelve-month periods unless terminated by either party in writing prior to the expiry of the term. The Non-executive Directors and all the Independent Non-executive Directors are also subject to retirement by rotation and re-election at least once every three years at the annual general meetings of the Company in accordance with the Company's Bye-laws.

REMUNERATION COMMITTEE

The Remuneration Committee has specific written terms of reference as set out in the CG Code. As at the date of this annual report, the Remuneration Committee comprises three Independent Non-executive Directors, namely Mr. Kwok Kim Hung Eddie, Mr. Ng Wai Hung and Mr. Zhao Yong. Mr. Ng Wai Hung is the Chairman of the Remuneration Committee.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy and structure and the remuneration packages of directors and senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his associates will participate in deciding his own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions. The full terms of reference of the Remuneration Committee are available on the Company's website and the Stock Exchange's website.

The Remuneration Committee met one time during the year ended 31 December 2021 to review the remuneration packages for directors. The attendance of each member is set out as follows:

Name of member	**Number of attendance**
Mr. Kwok Kim Hung Eddie	1/1
Mr. Ng Wai Hung	1/1
Mr. Zhao Yong *(appointed on 10 September 2021)*	N/A
Ms. Shi Xiaolei *(resigned on 10 September 2021)*	1/1

NOMINATION COMMITTEE

The Nomination Committee has specific written terms of reference as set out in the CG Code. As at the date of this annual report, the Nomination Committee comprises three Independent Non-executive Directors, namely Mr. Kwok Kim Hung Eddie, Mr. Ng Wai Hung and Mr. Zhao Yong. Mr. Zhao Yong is the Chairman of the Nomination Committee.

The Nomination Committee is mainly responsible for making recommendations to the Board on the appointment of directors, evaluation of board composition, assessment of the independence of independent non-executive directors and the management of the Board succession. The full terms of reference of the Nomination Committee are available on Company's website and the Stock Exchange's website.

The Nomination Committee met one time during the year ended 31 December 2021 to review the appointment of the directors, the structure, size and composition of the Board. The attendance of each member is set out as follows:

Name of member	Number of attendance
Mr. Kwok Kim Hung Eddie	1/1
Mr. Ng Wai Hung	1/1
Mr. Zhao Yong *(appointed on 10 September 2021)*	N/A
Ms. Shi Xiaolei *(resigned on 10 September 2021)*	1/1

The Board had adopted a board diversity policy (the "Policy") in September 2013 and amended by resolutions of the Board passed on 21 October 2019 which sets out the approach to achieve diversity on the Board. All Board appointments shall be based on meritocracy, and candidates will be considered against selection criteria, having regard for the benefits of diversity on the Board. Selection of candidates will be based on range of diversity perspectives, which would include but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee will monitor the implementation of the Policy and will from time to time review the Policy, as appropriate, to ensure the effectiveness of the Policy.

AUDIT COMMITTEE

The Audit Committee has specific written terms of reference as set out in the CG Code. As at the date of this annual report, the Audit Committee comprises three Independent Non-executive Directors, namely Mr. Kwok Kim Hung Eddie, Mr. Ng Wai Hung and Mr. Zhao Yong. Mr. Kwok Kim Hung Eddie is the Chairman of the Audit Committee.

The main duties of the Audit Committee are reviewing the financial information and reports of the Group and considering any significant or unusual items raised by the financial officers of the Group or external auditor before submission to the Board; reviewing the relationship with and the terms of appointment of the external auditor and making the relevant recommendation to the Board; and reviewing the Group's financial reporting system, internal control system and risk management system. The Audit Committee is also delegated the corporate governance function of the Board to monitor, procure and manage corporate governance compliance within the Group. The full terms of reference of the Audit Committee are available on Company's website and the Stock Exchange's website.

The Audit Committee met two times during the year ended 31 December 2021 and the attendance of each member is set out as follows:

Name of member	Number of attendance
Mr. Kwok Kim Hung Eddie	2/2
Mr. Ng Wai Hung	2/2
Mr. Zhao Yong *(appointed on 10 September 2021)*	N/A
Ms. Shi Xiaolei *(resigned on 10 September 2021)*	2/2

The following is a summary of work performed by the Audit Committee during the year ended 31 December 2021:

1. Reviewed and approved the remuneration and terms of engagement of the Company's auditor; and reviewed and made recommendations to the Board on the appointment of the Company's auditor;

2. reviewed and discussed the Group's management accounts; and

3. adoption of internal control review report in order to assess the internal control system of the Group.

AUDITOR AND AUDITOR'S REMUNERATION

The consolidated financial statements of the Company for the year ended 31 December 2021 have been audited by Moore Stephens CPA Limited ("Moore Stephens"). The statement of the external auditor of the Company about its reporting responsibilities on the Company's consolidated financial statements for the year ended 31 December 2021 is set out in the section headed "Independent Auditor's Report" on pages 44 to 46 of this annual report.

During the year ended 31 December 2021, the following fees were paid or payable to Moore Stephens, the auditor of the Company:

	HK$'000
Fee for audit services	1,800
Fee for non-audit services	150
Total	1,950

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of financial statements of the Company for each financial period with a true and fair presentation of the financial position of the Group. The Company's financial statements are prepared in accordance with all statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and the related interpretations, adjustments and estimates made are prudent and reasonable and the financial statements have been prepared on a going concern basis. The Directors are aware of conditions indicating the existence of material uncertainty related to going concern, and are of the view that the Group will continue as a going concern for the reasons stated as set out in the paragraph "The Group's ability to continue as a going concern basis" under "Basis of Preparation of the Consolidated Financial Statements and Significant Accounting Policies" on pages 56 to 58 of this report. The statement made by the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the section headed "Independent Auditor's Report" of this annual report.

CORPORATE GOVERNANCE FUNCTIONS

In order to establish the duties and responsibilities of the Board in performing its corporate governance functions, the Board has delegated certain corporate governance functions to the Audit Committee, which include (i) developing and reviewing policies and practices on corporate governance; (ii) reviewing and monitoring the training and continuous professional development of directors and senior management; (iii) reviewing and monitoring the policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and directors; and (v) reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

INTERNAL CONTROL

The Board recognises its responsibilities for maintaining an adequate system of internal control to safeguard the Group's assets and shareholders' interests. An internal control system, including a defined management structure with limits of authority, is designed to help achieving business objectives, safeguarding assets against unauthorised use, and maintaining proper accounting records for the provision of reliable financial information for internal use and for publication. The internal control system is set up to provide reasonable, but not absolute, assurance against material misstatement of financial statements or loss of assets and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

The Group has a positive attitude to internal controls improvements. For the purpose of strengthening its existing internal control system, the Company has appointed an independent professional firm to perform a review of the Group's selected internal control cycles during the year ended 31 December 2021. The internal control review report has been reviewed by the Audit Committee. The Group is considering the recommendations on the deficiencies identified by the independent professional firm and the recommendations will be followed up on a regular basis and discussed with the Audit Committee.

COMPANY SECRETARY

Mr. Liu Ze Kui, Alex ("Mr. Liu") was appointed as the Company Secretary of the Company on 1 December 2019 and was resigned on 31 January 2022. Mr. Liu is a full time employee of the Company who has day-to-day knowledge of the Company. Mr. Liu has taken no less than 15 hours of the relevant professional training during the year ended 31 December 2021. Mr. Wong Chi Kong was appointed as the Company Secretary of the Company on 31 January 2022.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene a special general meeting

According to bye-law 58 of the Company's Bye-laws, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda (the "Companies Act").

Procedures for shareholders to put forward proposals at general meetings

Pursuant to the Companies Act, any number of shareholders representing not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or not less than one hundred shareholders, can request the Company in writing to:

(a) give to shareholders of the Company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting;

(b) circulate to shareholders of the Company entitled to have notice of any general meeting send to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition must be deposited to the Company not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in case of any other requisition.

SHAREHOLDERS' RIGHTS (Continued)

Procedures for shareholders to propose a person for election as a director of the Company

According to bye-law 88 of the Company's Bye-laws, no person other than a director retiring at the general meeting of the Company shall, unless recommended by the Board for election, be eligible for election to the office of director at any general meeting of the Company unless a notice in writing of the intention to propose such person for election as a director, signed by a shareholder of the Company (other than the person to be proposed for election as a director) duly qualified to attend and vote at the general meeting of the Company for which such notice is given, and a notice in writing signed by such person of his/her willingness to be elected shall have been lodged at the Company's head office in Hong Kong or at the Company's branch share registrar in Hong Kong, Tricor Tengis Limited provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven days and the period for lodgement of such notice(s) shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns in writing to the Company Secretary of the Company at the Company's head office in Hong Kong at Rooms 2202–2203, 22/F., Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual and interim reports, constitutional documents, notices, announcements and circulars and the Company's website at www.winshine.com and www.tricor.com.hk/webservice/000209. Information on the Company's website will be updated from time to time.

MOORE

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大華馬施雲
會計師事務所有限公司

TO THE SHAREHOLDERS OF WINSHINE SCIENCE COMPANY LIMITED
(incorporated in Bermuda with limited liability)

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Winshine Science Company Limited ("the Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 47 to 151, 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.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

Material uncertainties relating to going concern

As explained in note 3.1 to the consolidated financial statements, as at 31 December 2021, the Group had net current liabilities and net liabilities of approximately HK$232,439,000 and HK$98,942,000, respectively, and incurred a net loss of approximately HK$136,015,000 and recorded an operating cash outflow of approximately HK$15,164,000 during the year ended 31 December 2021, and the Group's bank balances and cash and pledged bank deposits amounted to approximately HK$66,634,000 and HK$1,190,000 respectively, in contrast to its borrowings and bill payables of approximately HK$263,567,000 and HK$3,967,000 respectively, which are repayable within the next twelve months. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

The above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures as set out in note 3.1 to the consolidated financial statements, which are subject to uncertainties. As of the date of our report, we were unable to obtain sufficient appropriate evidence from management for their underlying assumptions on going concern as set out in note 3.1 to the consolidated financial statements, including (i) the successful negotiations with the lenders for the further renewal of or extension for repayment of those outstanding borrowings, which will be matured after twelve months from the end of the reporting period; (ii) the successful cost-saving measures to improve operating cash flows of the Group; (iii) the successful realisation of certain investment properties held by the Group and (iv) the successful obtaining of additional new sources of financing as and when needed. Hence we were unable to assess the appropriateness or reasonableness of the use of the going concern assumption in the preparation of the consolidated financial statements.

Should the Group fail to achieve the intended effects resulting from the plans and measures as mentioned in note 3.1 to the consolidated financial statements, it might not be able to operate as a going concern, and adjustments would have to be made to write down the carrying amounts of the Group's assets, including but not limited to property, plant and equipment with carrying amount of HK$106,673,000, right-of-use assets with carrying amount of HK$14,190,000 and investment properties with carrying amount of HK$44,276,000, to their net realisable amounts, and to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

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 HKCPIA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and to issue an auditor's report. This report is made solely to you, as a body in accordance with section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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.

Moore Stephens CPA Limited
Certified Public Accountants
Registered Pubic Interest Entity Auditors

Lau Ngai Kee, Ricky
Practising Certificate Number: P04005

Hong Kong, 13 May 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	5	**724,627**	364,311
Cost of sales		**(687,370)**	(345,796)
Gross profit		**37,257**	18,515
Other income, gains and losses	6	**(10,475)**	(6,999)
Provision of expected credit loss for loan receivables	7	**(1,886)**	(8,952)
Provision of expected credit loss for loan interest receivables	7	**(217)**	(2,565)
Provision of expected credit loss for trade receivables	7	**(9,453)**	(2,603)
Impairment loss on property, plant and equipment		**(30,704)**	–
Impairment loss on right-of-use assets		**(3,140)**	–
Gain on disposal of subsidiaries	37	**–**	7,991
Selling and distribution costs		**(5,710)**	(4,109)
Administrative expenses		**(66,966)**	(58,326)
Research and development expenses		**–**	(336)
Changes in fair value of financial assets at fair value through profit or loss		**100**	(2,929)
Other operating expenses		**(22,600)**	(28,358)
Finance costs	8	**(16,079)**	(13,449)
Loss before tax		**(129,873)**	(102,120)
Income tax (expense) credit	9	**(6,142)**	6,341
Loss for the year	10	**(136,015)**	(95,779)
Loss for the year attributable to the owners of the Company		**(136,015)**	(95,779)
Loss per share	14		
Basic and diluted		**(HK3.71 cents)**	(HK2.62 cents)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 HK$'000	2020 HK$'000
Loss for the year		**(136,015)**	(95,779)
Other comprehensive (expense) income			
Items that will not be reclassified to profit or loss:			
(Loss) gain on revaluation of properties		**(4,427)**	2,843
Deferred tax (charge) credit arising from revaluation of properties	*30*	**(723)**	449
		(5,150)	3,292
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**4,322**	10,188
Release of exchange reserve upon disposal of a subsidiary		**–**	(79)
		4,322	10,109
Other comprehensive (expense) income for the year		**(828)**	13,401
Total comprehensive expense for the year		**(136,843)**	(82,378)
Total comprehensive expense for the year attributable to the owners of the Company		**(136,843)**	(82,378)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	15	**106,673**	141,549
Right-of-use assets	16	**14,190**	6,537
Investment properties	17	**44,276**	106,702
Rent deposit	22	**309**	–
Deferred tax assets	30	**–**	7,517
		165,448	262,305
Current assets			
Financial assets at fair value through profit or loss	19	**–**	1,761
Inventories	20	**113,864**	93,360
Trade receivables	21	**134,162**	55,776
Loan receivables	18	**–**	1,787
Prepayments, deposits and other receivables	22	**15,603**	10,094
Pledged bank deposits	23	**1,190**	3,463
Bank balances and cash	23	**66,634**	56,142
		331,453	222,383
Assets classified as held for sale	24	**53,447**	–
		384,900	222,383
Current liabilities			
Trade payables	25	**254,353**	140,590
Other payables and accruals	26	**83,385**	42,129
Contract liabilities	27	**2,954**	1,700
Borrowings	28	**263,567**	232,906
Lease liabilities	29	**4,769**	2,363
Tax payables		**2,931**	2,933
		611,959	422,621
Liabilities associated with assets classified as held for sale	24	**5,380**	–
		617,339	422,621
Net current liabilities		**(232,439)**	(200,238)
Total assets less current liabilities		**(66,991)**	62,067

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current liabilities			
Lease liabilities	29	**8,285**	533
Deferred tax liabilities	30	**23,666**	23,633
		31,951	24,166
Net (liabilities) assets		**(98,942)**	37,901
Capital and reserves			
Share capital	31	**366,186**	366,186
Deficit		**(465,128)**	(328,285)
(Capital deficiencies)/total equity		**(98,942)**	37,901

The consolidated financial statements on pages 47 to 151 were approved and authorised for issue by the board of directors on 13 May 2022 and are signed on its behalf by:

ZHAO Deyong	**Liao Wenjian**
Executive Director	*Executive Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Attributable to owners of the Company							
	Issued share capital HK$'000	Share premium HK$'000	Asset revaluation reserve HK$'000	Statutory reserve fund HK$'000 (Note)	Share options reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	(Capital deficiencies)/ total equity HK$'000
At 1 January 2020	366,186	942,400	55,835	11,744	37,716	18,831	(1,312,433)	120,279
Loss for the year	–	–	–	–	–	–	(95,779)	(95,779)
Other comprehensive income for the year	–	–	3,292	–	–	10,109	–	13,401
Total comprehensive income (expense) for the year	–	–	3,292	–	–	10,109	(95,779)	(82,378)
Revaluation reserve realised	–	–	(2,147)	–	–	–	2,147	–
Share options lapsed (note 32)	–	–	–	–	(37,716)	–	37,716	–
At 31 December 2020	**366,186**	**942,400**	**56,980**	**11,744**	**–**	**28,940**	**(1,368,349)**	**37,901**
Loss for the year	–	–	–	–	–	–	(136,015)	(136,015)
Other comprehensive income for the year	–	–	(5,150)	–	–	4,322	–	(828)
Total comprehensive income (expense) for the year	–	–	(5,150)	–	–	4,322	(136,015)	(136,843)
Revaluation reserve realised	–	–	(2,279)	–	–	–	(2,279)	–
At 31 December 2021	366,186	942,400	49,551	11,744	–	33,262	(1,502,085)	(98,942)

Note: The Group's subsidiaries in the People's Republic of China (the "PRC") are required to allocate at least 10% of net profit according to their PRC audited financial statements to a statutory reserve fund until the balance of such reserve has reached 50% of the subsidiaries' registered capital. Any further appropriation is optional. The statutory reserve fund shall only be used for making up losses or for capitalisation into share capital, provided that the remaining balance is not less than 20% of the registered capital of the entity after such capitalisation.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 HK$'000	2020 HK$'000
Operating activities		
Loss before tax	**(129,873)**	(102,120)
Adjustments for:		
Finance costs	**16,079**	13,449
Interest income	**(117)**	(2,422)
Amortisation of prepaid land premiums	**–**	(97)
Depreciation of property, plant and equipment	**12,678**	11,149
Depreciation of right-of-use assets	**5,206**	3,731
Unrealised loss on fair value of financial assets at fair value through profit or loss	**–**	170
Realised (gain) loss on fair value of financial assets at fair value through profit or loss	**(100)**	2,759
Loss on fair value changes of investment properties	**15,986**	10,344
(Gain) loss on disposal of property, plant and equipment	**(65)**	68
Impairment loss on property, plant and equipment	**30,704**	–
Impairment loss on right-of-use asset	**3,140**	–
Provision of expected credit loss for loan receivables	**1,886**	8,952
Provision of expected credit loss for loan interest receivables	**217**	2,565
Provision of expected credit loss for trade receivables	**9,453**	2,603
Gain on disposal of investments in subsidiaries	**–**	(7,991)
Write down of inventories, net	**26,091**	1,929
Effect of unrealised foreign exchange rate changes	**3,639**	4,143
Operating cash flows before movements in working capital	**(5,076)**	(50,768)
Increase in inventories	**(43,798)**	(20,621)
(Increase) decrease in trade receivables	**(87,831)**	26,430
(Increase) decrease in prepayments, deposits and other receivables	**(6,801)**	5,779
Increase (decrease) in trade payables	**108,381**	(4,200)
Increase (decrease) in other payables and accruals	**18,707**	(7,373)
Increase in contract liabilities	**1,254**	1,158
Cash used in operations	**(15,164)**	(49,595)
Income tax refund	**–**	341
Net cash used in operating activities	**(15,164)**	(49,254)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 HK$'000	2020 HK$'000
Investing activities			
Purchases of financial assets at fair value through profit or loss		–	(5,197)
Proceeds from disposal of financial assets at fair value through profit or loss		**1,861**	7,398
Purchases of property, plant and equipment		**(9,541)**	(5,765)
Proceeds on disposal of property, plant and equipment		**135**	298
Net cash inflow from disposal of subsidiaries	37	–	7,912
Deposit received for disposal of subsidiaries		**28,492**	–
Advances of loan receivables		–	(1,124)
Interest received		**117**	1,363
Dividends received from financial assets at fair value through profit or loss		–	97
Withdrawal of pledged bank deposits		**3,463**	58,588
Placement of pledged bank deposits		**(1,190)**	(3,277)
Net cash from investing activities		**23,337**	60,293
Financing activities			
Proceeds from borrowings		**541,729**	428,963
Repayment of borrowings		**(515,759)**	(460,433)
Interest paid		**(17,700)**	(11,828)
Repayment of lease liabilities		**(5,965)**	(3,630)
Net cash from (used in) financing activities		**2,305**	(46,928)
Net increase (decrease) in cash and cash equivalents		**10,478**	(35,889)
Cash and cash equivalents at beginning of the year		**56,142**	89,280
Effect of foreign exchange rate changes		**1,186**	2,751
Cash and cash equivalents at end of the year, represented by bank balances and cash		**67,806**	56,142
Analysis of the balance of cash and cash equivalents			
Bank balance and cash		**66,634**	56,142
Bank balance and cash included in assets classified as held for sale		**1,172**	–
		67,806	56,142

1. CORPORATE INFORMATION

Winshine Science Company Limited (the "Company", together with its subsidiaries collectively referred to as the "Group") is a limited liability company incorporated in Bermuda. 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 Company's shares are listed on The Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 42.

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

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

New and amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

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

New and amendments to HKFRSs in issue but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 April 2021.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after 1 January 2023.
4 Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of all other 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. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Group's ability to continue as a going concern basis

The Group continues to adopt the going concern basis in preparing its consolidated financial statements. For the year ended 31 December 2021, the Group incurred a loss of approximately HK$136,015,000 and recorded an operating cash outflow of approximately HK$15,164,000 and as at 31 December 2021, the Group had net current liabilities and net liabilities of approximately HK$232,439,000 and HK$98,942,000 respectively. The Group's bank balances and cash and pledged bank deposits amounted to approximately HK$66,634,000 and HK$1,190,000 respectively, in contrast to its borrowings and bill payables of approximately HK$263,567,000 and HK$3,967,000 respectively, which are repayable within the next twelve months as disclosed in notes 28 and 26 respectively.

These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of its business.

In order to improve the Group's financial position, the directors of the Company have been implementing various measures as follows:

i. extending the repayment terms and the expiry dates of the Group's existing borrowings and banking facilities respectively by entering the extension agreements with the respective lenders after the end of the reporting period but before the consolidated financial statements authorised for issue and the details are as follows:

   a. the repayment term of the corporate bonds of HK$45,000,000 due on 31 March 2022 has been extended to 31 March 2023;

   b. the repayment term of the term loans of HK$17,000,000 and HK$15,000,000 due on 13 May 2022 and 27 April 2022, respectively, has been extended to 13 May 2023 and 27 April 2023 respectively;

   c. the expiry date of the bank facilities of RMB150,000,000 (equivalent to approximately HK$183,464,000), of which RMB140,247,000 (equivalent to approximately HK$171,534,000) was utilised as of 31 December 2021, secured by the Group's leasehold buildings and leasehold lands under right-of-use assets due on 25 March 2022 has been extended to 9 March 2023 with the limit of bank facilities revised as RMB141,000,000 (equivalent to approximately HK$172,456,000).

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

3.1 Basis of preparation of consolidated financial statements (Continued)

The Group's ability to continue as a going concern basis (Continued)

ii. an active cost-saving measures to control operating cost and administrative costs through various ways has been implemented to improve operating cash flows at a level sufficient to finance the working capital requirements of the Group;

iii. reviewing its investments and actively considering to realise investment properties in order to enhance the cash flow position of the Group whenever it is necessary, and pursuant to the sale and purchase agreement entered into with an independent third party on 21 March 2022, 60% of the total issued share capital of, and 60% of the shareholder's loan owed by a subsidiary of the Company, which was principally engaged in investment holding, has been disposed of at a consideration of HK$15,000,000, of which the first payment of HK$10,000,000 has been received by the Group on 22 March 2022; and

iv. considering other financing arrangements, if necessary, with a view to increasing the Group's equity and liquidity.

On the basis of the above considerations and taking into account the above measures, the directors of the Company are of the opinion that, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from the date of issuance of these consolidated financial statements and accordingly, these consolidated financial statements have been prepared on a going concern basis.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

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

3.1 Basis of preparation of consolidated financial statements (Continued)

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 HKFRS16 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.

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.

The principal accounting policies are set out below.

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

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.

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.

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.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any identified impairment loss.

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

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

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

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

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

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

3.2 Significant accounting policies (Continued)

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.

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, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. 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 applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

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)

Short-term leases and leases of low-value assets

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

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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, unless those costs are incurred to produce inventories.

  The Group presents right-of-use assets that do not meet the definition of investment property or inventory as a separate line item on the consolidated statement of financial position. 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)

Right-of-use assets (Continued)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

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

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 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;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

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 cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

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.

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

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

- the modification is necessary as a direct consequence of interest rate benchmark reform; and

- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

Taxation

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)

Leases (Continued)

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.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Allocation of consideration to components of a contract

The Group applies HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

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 lessor (Continued)

Refundable rental deposits

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

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid land premiums" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

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

3.2 Significant accounting policies (Continued)

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.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange fluctuation reserve.

Borrowing costs

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

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

3.2 Significant accounting policies (Continued)

Government grants

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

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

Government grants 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, gains and losses".

Retirement benefit costs

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries in accordance with the rules of the MPF Scheme and are recognised as an expense when employees have rendered services entitling them to the contribution payable.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain amounts for the employees in the PRC, pursuant to the local municipal government regulations. The contributions are recognised as an expense when employees have rendered services entitling them to the contribution.

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

3.2 Significant accounting policies (Continued)

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

Share options granted to employees

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 options 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 options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

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

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

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

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

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

3.2 Significant accounting policies (Continued)

Taxation (Continued)

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.

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 by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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.

Property, plant and equipment

Property, plant and equipment including buildings, leasehold land held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost or fair value less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

3.2 Significant accounting policies (Continued)

Property, plant and equipment measured using revaluation model

Any revaluation increase arising from revaluation of property, plant and equipment is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognise in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of property, plant and equipment is recognised in profit or loss to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated losses.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on 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 include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties measured using the fair value model

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. 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.

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

3.2 Significant accounting policies (Continued)

Investment properties (Continued)

Investment properties measured using the fair value model (Continued)

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 profit or loss in the period in which the property is derecognised.

Intangible assets

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

3.2 Significant accounting policies (Continued)

Intangible assets (Continued)

Internally-generated intangible assets – research and development expenditure (Continued)

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of tangible 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 ("CGU") 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 tangible assets (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 (or a cash-generating unit) 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. 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. 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. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

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.

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

3.2 Significant accounting policies (Continued)

Non-current assets held for sale

Non-current assets (and disposal groups) 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 (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) 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.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

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

3.2 Significant accounting policies (Continued)

Provisions

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

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

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) 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 fair value through profit or loss are recognised immediately in profit or loss.

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

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

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

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

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

All other financial assets are subsequently measured at financial assets at fair value through profit or loss ("FVTPL"), except that at the date of initial application of HKFRS 9/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.

A financial asset is classified as held for trading if:

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

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)

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or fair value through other comprehensive income ("FVTOCI") as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) 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.

(ii) Financial assets at FVTPL

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

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

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, loan receivables, other receivables, amount due from a related party, pledged bank deposits and bank balances). 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. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition:

3. 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 (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; or
- 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.

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 (Continued)

(i) Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

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 a financial asset 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 (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 reorganization.

(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 years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. 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 (Continued)

(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 adjusted by 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.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group. Loans receivables are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

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)

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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset 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.

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)

Equity instruments

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

Perpetual instruments which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

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

Derecognition 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.

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)

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and

- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (ie the basis immediately preceding the change).

4. CRITICAL ACCOUNTING JUDGMENTS 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 associated 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 judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Going concern considerations

The assessment of the going concern assumption involves making a judgment by the directors of the Company, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors of the Company consider that the Group has the ability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast doubts about the going concern assumption are set out in note 3.

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 property portfolios 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 Group's 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 recognised deferred tax on changes in fair value of investment property taking into account the land appreciation tax ("LAT") in the PRC which the Group will be subject to on the fair value changes of the investment property on disposal.

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

Key sources of estimation uncertainty

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

Deferred tax asset

As at 31 December 2021, no deferred tax asset (31 December 2020: HK$7,517,000) in relation to unused tax losses for an operating subsidiary has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the other tax losses of the subsidiaries in Hong Kong and the PRC of HK$211,998,000 (2020: HK$203,046,000) and RMB37,958,000 (equivalent to approximately HK$43,902,000) (2020: RMB45,135,000 (equivalent to approximately HK$51,612,000)) respectively due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

Fair value measurement and valuation processes of the investment properties

The investment properties are carried in the consolidated statement of financial position at their fair values at the end of each reporting period as disclosed in note 17. The fair values have been based on a valuation on the properties conducted by an independent firm of professional valuer using property valuation techniques which involve certain assumptions of market conditions.

In estimating the fair value of the Group's investment properties, the Group uses market-observable data to the extent they are available. Where Level 1 inputs are not available, the Group engages third party qualified professional valuer to perform the valuation of the Group's investment properties. At the end of each reporting period, the management of the Group works closely with the qualified external valuer to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The management of the Group first considers and adopts Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the Group adopts valuation techniques that include Level 3 inputs. Where there is a material change in the fair values of the investment properties, the causes of the fluctuations are reported to the board of directors of the Company. Changes to assumptions and inputs would result in changes in the fair values of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in profit or loss.

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

Key sources of estimation uncertainty (Continued)

Fair value measurement and valuation processes of the investment properties (Continued)

Information about the valuation techniques and inputs used in determining the fair values of the Group's investment properties are disclosed in note 17.

Fair value measurement and valuation processes of the leasehold buildings

The leasehold buildings are stated at revalued amount less accumulated depreciation in the consolidated statement of financial position at the end of each reporting period as disclosed in note 15. The revalued amount has been based on a valuation on the buildings conducted by an independent firm of professional valuer using property valuation techniques which involve certain assumptions of market conditions.

In estimating the revalued amount of the Group's leasehold buildings, the Group uses market-observable data to the extent they are available. Where Level 1 inputs are not available, the Group engages third party qualified professional valuer to perform the valuation of the Group's leasehold buildings. At the end of each reporting period, the management of the Group works closely with the qualified external valuer to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The management of the Group first considers and adopts Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the Group adopts valuation techniques that include Level 3 inputs. Where there is a material change in the revalued amount of the leasehold buildings, the causes of the fluctuations are reported to the board of directors of the Company. Changes to assumptions and inputs would result in changes in the revalued amount of the Group's leasehold buildings and corresponding adjustments to the amount of gain or loss reported in other comprehensive income.

Information about the valuation techniques and inputs used in determining the revalued amount of the Group's leasehold buildings are disclosed in note 15.

Impairment of property, plant and equipment and right-of-use assets

The recoverable amount of an asset is the greater of its fair value less cost 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, which requires significant judgement relating to level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods. The carrying amounts of the property, plant and equipment and right-of-use assets as at the end of the reporting period are HK$106,673,000 and HK$14,190,000 (2020: HK$141,549,000 and HK$6,537,000) respectively.

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

Key sources of estimation uncertainty (Continued)

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

The management of the Group has assessed and concluded that the Group has classified 3 CGUs for impairment assessment purpose, which is based on the nature of business and smallest identifiable group of assets of the Group, that generates cash inflows that are largely independent of the cashflows from other assets or groups of assets, namely (i) Securities Investments (as defined in note 5), (ii) Toys (as defined in note 5) and (iii) Medical and health (as defined in note 5).

During the year ended 31 December 2021, the Group has performed impairment assessment on the CGU in Toys with impairment indicator as this segment is the only source of revenue stream for the Group and has been incurring loss for 2 consecutive years.

For the purpose of impairment assessment, the management of the Group estimated the recoverable amounts for property, plant and equipment and right-of-use assets allocated to the CGU in Toys with carrying amounts of HK$139,704,000 and HK$6,581,000, respectively as at 31 December 2021.

The recoverable amounts (other than the leasehold buildings, which is under revaluation model) have been determined based on value in use calculation. That calculations use cash flow projections based on financial budgets approved by the management covering a five-year period, and pre-tax discount rate of 17.4%, determined by using Capital Asset Pricing Model. The value in use calculations were determined by an independent valuer. The cash flows for the next five years are extrapolated using growth rate of 1.0% per annum, while cash flows beyond the five-year period is 1.5% using growth rate. These growth rates are based on the forecasts of the relevant industry and do not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations included budgeted sales and gross margins and their related cash inflows and outflows patterns, estimated based on the units' historical performance and management's expectation of the market development.

Based on the impairment assessment and the value in use calculation, impairment losses of HK$36,939,000 and HK$3,140,000 have been recognised against the carrying amounts of property, plant and equipment and right-of-use assets, respectively. Other than the leasehold buildings under property, plant and equipment, which is using revaluation model with estimated fair value less costs of disposal (using depreciated replacement cost valuation technique, as disclosed in note 15(d)), the impairment losses have been allocated to each category of property, plant and equipment and right-of-use assets, such that the carrying amount of each category of these assets is not reduced below the highest of its respective value in use or zero.

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

Key sources of estimation uncertainty (Continued)

Impairment assessment of inventories

The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than cost. The management of the Group reviewed the inventory ageing report at the end of the reporting period to identify inventories that are no longer saleable in the market and estimated the net realisable value for those items based primarily on the latest invoice prices and current market conditions.

During the year ended 31 December 2021, write down of inventories of HK$26,091,000 (2020: HK$1,929,000) was charged to profit or loss. As at 31 December 2021, the carrying amount of the Group's inventories is HK$113,864,000 (2020: HK$ 93,360,000).

Provision of ECL for trade receivables

For trade receivables, the Group applies the simplified approach to provide for ECL as prescribed by HKFRS 9, which requires the use of the lifetime ECL for all trade receivables, except for those debtors with significant outstanding balances or credit impaired. The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Management reassesses the provision at each balance sheet date.

The information about the ECL and the Group's trade receivables are disclosed in notes 21 and 39(b).

As at 31 December 2021, the gross carrying amount of trade receivables is HK$146,790,000 (2020: HK$58,951,000), and the provision of ECL is HK$12,628,000 (2020: provision of ECL is HK$3,175,000).

Provision of ECL for loan receivables

Impairment of loan receivables is assessed on 12m ECL basis when there had been no significant increase in credit risk since initial recognition. However, when there has been a significant increase in credit risk since origination, the allowances will be based on the lifetime ECL. Assessment are done based on the Group's historical credit loss experience, general conditions, internal credit ratings and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions. The provision of ECL is sensitive to changes in estimates.

The information about the ECL and the Group's loan receivables are disclosed in notes 18 and 39(b), respectively.

As at 31 December 2021, the gross carrying amount of loan receivables is HK$17,223,000 (2020: HK$17,124,000), and the provision of ECL is HK$ 17,223,000 (2020: HK$ 15,337,000).

5. REVENUE AND OPERATING SEGMENTS

Revenue represents revenue arising on sale of toy products for the year. All revenue is recognised at a point in time upon delivery of the goods to customers.

The Group manufactured toy products in accordance with the performance obligations as set out in each sales contracts with its customers. The performance obligations in sales contracts have an original expected duration of one year or less. The Group has applied the practical expedient in HKFRS 15 and hence information about the Group's remaining performance obligations that are unsatisfied (or partially satisfied) as of the end of the reporting period is not disclosed. The Group recognised the incremental costs of obtaining a contract as an expense when incurred since the amortisation period of the asset that the Group otherwise would have recognised was one year or less.

	2021 ***HK$'000***	2020 *HK$'000*
Revenue from sales of finished goods of toy products	**724,627**	364,311

The Group is organised and its businesses are managed by divisions, which are a mixture of both business lines and geographical locations. Information reported internally to the executive directors of the Company, being the chief operating decision maker, for the purposes of resources allocation and performance assessment of segment performance focuses on types of goods or services delivered or provided. The Group has presented the following three reportable segments. No operating segments have been aggregated in arriving at the following reportable segments of the Group.

Specifically, the Group's reportable segment under HKFRS 8 are as follows:

1. Securities investments: this segment derives its profits or losses from dividends received from, and other gains or losses from, equity securities investments.

2. Toys: this segment derives its revenue from manufacturing for sale of toys.

3. Medical and health: this segment is under development stage in which research and development expenses for the medical and health technology development have been incurred.

The chief operating decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

All assets are allocated to reportable segments other than refundable deposits, certain property, plant and equipment, certain prepayments and certain bank balances and cash, which are grouped as unallocated corporate assets.

5. REVENUE AND OPERATING SEGMENTS (Continued)

All liabilities are allocated to reportable segments other than certain accruals, which are grouped as unallocated corporate liabilities.

Segment (loss) profit before tax excludes unallocated interest income and unallocated corporate expenses which are not directly attributable to the business activities of any operating segment.

(a) Segment revenue, results, assets and liabilities

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

For the year ended 31 December 2021 and 2020

	Securities investments		Toys		Medical and health		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue								
Revenue from external customers	**–**	–	**724,627**	364,311	**–**	–	**724,627**	364,311
Reportable segment profit (loss) before tax	**93**	(2,876)	**(69,118)**	(61,646)	**–**	(336)	**(69,025)**	(64,858)
Unallocated corporate income							**4,018**	15,118
Unallocated corporate expenses							**(64,866)**	(52,380)
Loss before tax							**(129,873)**	(102,120)

5. REVENUE AND OPERATING SEGMENTS (Continued)

(a) Segment revenue, results, assets and liabilities (Continued)

	Securities investments		Toys		Medical and health		Unallocated		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information (included in the measure of segment profit or loss or segment assets)										
Depreciation of property, plant and equipment	**–**	–	**(11,321)**	(9,977)	**–**	–	**(1,357)**	(1,172)	**(12,678)**	(11,149)
Depreciation of right-of-use assets	**–**	–	**(1,818)**	(1,258)	**–**	–	**(3,388)**	(2,473)	**(5,206)**	(3,731)
Provision of ECL for trade receivables	**–**	–	**(9,453)**	(2,603)	**–**	–	**–**	–	**(9,453)**	(2,603)
Provision of ECL for loan receivables	**–**	–	**–**	–	**–**	–	**(1,886)**	(8,952)	**(1,886)**	(8,952)
Provision of ECL for loan interest receivables	**–**	–	**–**	–	**–**	–	**(217)**	(2,565)	**(217)**	(2,565)
Write down of inventories, net	**–**	–	**(26,091)**	(1,929)	**–**	–	**–**	–	**(26,091)**	(1,929)
Gain (loss) on disposal of property, plant and equipment	**–**	–	**65**	(68)	**–**	–	**–**	–	**65**	(68)
Change in fair value of investment properties	**–**	–	**–**	–	**–**	–	**(21,421)**	(10,344)	**(21,421)**	(10,344)
Changes in fair value of financial assets at FVTPL	**100**	(2,929)	**–**	–	**–**	–	**–**	–	**100**	(2,929)
Bank interest income	**–**	–	**64**	1,304	**–**	–	**6**	59	**70**	1,363
Interest expense	**–**	–	**(12,918)**	(10,230)	**–**	–	**(3,161)**	(3,219)	**(16,079)**	(13,449)
Research and development expenses	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(336)
Purchases of property, plant and equipment	**–**	–	**9,541**	2,262	**–**	–	**–**	3,503	**9,541**	5,765
Addition of right-of-use assets	**–**	–	**3,254**	1,038	**–**	–	**12,563**	–	**15,817**	1,038

5. REVENUE AND OPERATING SEGMENTS (Continued)

(b) Segment assets and liabilities

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

As at 31 December 2021

	Securities investments *HK$'000*	Toys *HK$'000*	Medical and health *HK$'000*	Total *HK$'000*
Reportable segment assets	**–**	**424,324**	**–**	**424,324**
Unallocated corporate assets				**126,024**
Total assets				**550,348**
Reportable segment liabilities	**–**	**(529,296)**	**–**	**(529,296)**
Unallocated corporate liabilities				**(119,994)**
Total liabilities				**(649,290)**

As at 31 December 2020

	Securities investments *HK$'000*	Toys *HK$'000*	Medical and health *HK$'000*	Total *HK$'000*
Reportable segment assets	1,770	369,448	–	371,218
Unallocated corporate assets				113,470
Total assets				484,688
Reportable segment liabilities	–	(386,909)	–	(386,909)
Unallocated corporate liabilities				(59,878)
Total liabilities				(446,787)

5. REVENUE AND OPERATING SEGMENTS (Continued)

(c) Geographical information

The following is an analysis of geographical location of (i) the Group's revenue and (ii) the Group's non-current assets including property, plant and equipment, right-of-use assets and investment properties. The geographical location of customers refers to the customers' place of domicile. The geographical locations of property, plant and equipment, right-of-use assets, investment properties are based on the physical location of the asset under consideration.

	Revenue from external customers		Non-current assets	
	2021	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**15,354**	19,084	**3,172**	2,926
The PRC	**5,762**	–	**161,967**	251,861
United States	**664,414**	322,188	**–**	–
Europe	**26,202**	19,365	**–**	–
Korea	**12,895**	3,674	**–**	–
	724,627	364,311	**165,139**	254,787

(d) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2021	2020
	HK$'000	*HK$'000*
Revenue from manufacturing for sale of toys segment		
Customer A	**662,700**	311,907

6. OTHER INCOME, GAINS AND LOSSES

	2021 HK$'000	2020 HK$'000
Bank interest income	**70**	1,363
Loan interest income	**–**	962
Changes in fair value of investment properties	**(15,986)**	(10,344)
Net foreign exchange loss	**(2,948)**	(4,766)
Mould income	**3,041**	867
Rental income	**1,595**	1,913
Gain (loss) on disposal of property, plant and equipment, net	**65**	(68)
Government grants *(note i)*	**–**	2,702
Investment project recovery *(note ii)*	**1,454**	–
Sundry income	**2,234**	372
	(10,475)	(6,999)

Notes:

(i) During the year ended 31 December 2020, the Group recognised government grants of HK$1,746,000 in respect of COVID-19 related subsidies, which relates to Employment Support Scheme provided by the Hong Kong government.

(ii) During the year ended 31 December 2021, the Group recovered approximately united states dollar ("US$") 1,173,000 (equivalent to approximately HK$9,149,000) of management income fee in connection with acting as a co-manager of an investment project ("Investment Project") in the previous years, which is net off with commission expenses paid to a consultant engaged by the Group in relation to the Investment Project amounted to approximately US$986,000 (equivalent to approximately HK$7,695,000). Detail of which is set out in note 34 to the consolidated financial statements.

7. PROVISION FOR EXPECTED CREDIT LOSSES

	2021 HK$'000	2020 HK$'000
Provision of ECL for loan receivables *(notes 18 and 39(b))*	**1,886**	8,952
Provision of ECL for loan interest receivables *(notes 22 and 39(b))*	**217**	2,565
Provision of ECL for trade receivables *(notes 21 and 39(b))*	**9,453**	2,603

8. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on bank loans	**6,584**	7,102
Interest on corporate bonds	**3,038**	3,054
Interest on revolving loans	**2,622**	2,178
Interest on short-term loans	**3,294**	843
Interest on lease liabilities	**541**	272
	16,079	13,449

9. INCOME TAX EXPENSE (CREDIT)

	2021	2020
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
Current year	**–**	–
Overprovision in prior years	**–**	(95)
PRC Enterprise Income Tax		
Current year	**–**	–
Underprovision in prior years	**–**	607
	–	512
Deferred tax expense (credit) *(note 30)*	**6,142**	(6,853)
Income tax expense (credit)	**6,142**	(6,341)

Under the two-tiered profits tax rates regime, 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%.

The directors of the Company considered the amounts involved arising from the 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.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

The provision for LAT is calculated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates on the appreciation value, with certain allowable deductions.

9. INCOME TAX EXPENSE (CREDIT) (Continued)

The Group is liable to withholding taxes on dividends distributed by the subsidiaries established in the PRC in respect of earnings generated from 1 January 2008. Pursuant to the PRC Enterprise Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate of 5% is applied to the Group as there is a double tax treaty between the PRC and Hong Kong and the relevant Hong Kong companies should be qualified for the preferential tax rate based on the prescribed conditions.

Taxation arising in other jurisdictions is calculated at the rates of tax prevailing in the relevant jurisdictions.

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

	2021 ***HK$'000***	2020 *HK$'000*
Loss before tax	**(129,873)**	(102,120)
Notional tax on loss before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	**(28,626)**	(19,415)
Tax effect of income not taxable for tax purpose	**(3,800)**	(2,915)
Tax effect of expenses not deductible for tax purpose	**7,362**	3,829
Tax effect of deductible temporary differences not recognised	**22,909**	6,044
Effect of withholding tax at 5% on the distributable profits of the Company's subsidiaries in the PRC	**161**	(1,006)
Deferred tax effects of LAT	**(1,599)**	(4,586)
Overprovision in prior years	**–**	512
Tax effect of tax losses not recognised	**2,815**	11,196
Utilisation of tax losses previously not recognised	**(597)**	–
Other	**7,517**	–
Income tax expense (credit) for the year	**6,142**	(6,341)

10. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2021 *HK$'000*	2020 *HK$'000*
Employee benefit expense (including directors' remunerations):		
Wages and salaries *(note a)*	**124,333**	99,604
Other employee benefits	**2,140**	1,026
Contributions to defined contribution retirement plans	**10,409**	7,587
	136,882	108,217
Auditors' remuneration	**1,833**	1,311
Cost of inventories recognised as an expense (included in cost of sales) *(note b)*	**661,222**	345,001
Idle capacity costs (included in other operating expenses) *(note c)*	**–**	23,561
Depreciation of property, plant and equipment	**12,678**	11,149
Depreciation of right-of-use assets	**5,206**	3,731
Impairment loss on property, plant and equipment	**30,704**	–
Impairment loss on right-of-use assets	**3,140**	–
Write down of inventories, net (included in cost of sales)	**26,091**	1,929
Short-term lease charges in respect of land and buildings	**1,063**	1,470
Provision for litigation (included in other operating expenses) *(note d)*	**14,515**	–
Professional fee (included in other operating expenses) *(note e)*	**4,778**	4,797

10. LOSS FOR THE YEAR (Continued)

Notes:

(a) HK$32,565,000 (2020: HK$30,967,000) and HK$1,195,000 (2020: HK$1,156,000) of the wages and salaries are included in administrative expenses and selling and distribution costs respectively, the remaining are included in cost of sales and idle capacity costs.

(b) Cost of inventories included cost of materials consumed in production and sub-contracting labor costs amounting to HK$330,768,000 (2020: HK$173,867,000) and HK$102,055,000 (2020: HK$35,218,000) respectively.

(c) During the year ended 31 December 2020, certain expenses of approximately HK$23,561,000 directly related and attributable to COVID-19 are classified under other operating expenses. The expenses were attributable to staff, space and depreciation expenses which the Group had to bear even though the affected factory was under an idle capacity or was not operational due to the respective social distancing and other measures imposed by government and the Group during the pandemic.

(d) The provision for litigation represents the receipt of summons as disclosed in the Company's announcement on 24 August 2021, where an independent third party (the "First Defendant") and a wholly owned subsidiary of the Company became the two defendants to be required to refund a deposit of RMB20,000,000 paid by the plaintiff to First Defendant. On 7 January 2022, the court has made a verdict that the First Defendant is liable to repay the RMB24,074,000 (equivalent to approximately HK$29,029,000) to the plaintiff and if the First Defendant is unable to repay such amount, the Group will need to bear half of it (i.e. HK$14,515,000). Details please refer to note 43(b).

Although both the First Defendant and the Group are appealing this case, the Group has made a provision for potential loss of HK$14,515,000 for this legal case based on the verdict, to recognise the amount required to be borne by the Group should the appeal is not successful in future or the First Defendant is unable to pay the plaintiff the repayment.

(e) During the year ended 31 December 2021, professional fees amounting to HK$470,000 (2020: HK$529,000) and HK$nil (2020: HK$605,000) were incurred for directors and office liabilities insurance and the resumption of trading in the shares of the Company on Stock Exchange, respectively.

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, is as follows:

	Notes	Fees HK$'000	Salaries allowances and benefits in kind HK$'000	Retirement benefit scheme contributions HK$'000	Total remuneration HK$'000
2021					
Executive directors:					
Dr. Liao Wenjian	(i)	–	280	–	280
Mr. Liu Michael Xiao Ming	(ii)	–	1,106	–	1,106
Mr. Luo Lianjun	(ii)	–	248	–	248
Mr. Zhao Deyong		–	1,040	18	1,058
Mr. Wong Kui Fai	(iii)	65	–	–	65
		65	2,674	18	2,757
Non-executive director:					
Mr. Lin Shaopeng		120	1,246	23	1,389
Independent non-executive directors:					
Mr. Kwok Kim Hung Eddie		156	–	–	156
Mr. Ng Wai Hung		156	–	–	156
Mr. Zhao Yong	(iv)	48	–	–	48
Ms. Shi Xiaolei	(v)	108	–	–	108
		468	–	–	468
Total directors' and chief executive's emoluments		653	3,920	41	4,614

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

	Notes	Fees	Salaries allowances and benefits in kind	Retirement benefit scheme contributions	Total remuneration
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2020					
Executive directors:					
Mr. Liu Michael Xiao Ming	*(ii)*	–	1,040	329	1,369
Mr. Luo Lianjun	*(ii)*	–	240		240
Mr. Zhao Deyong		–	1,094	20	1,114
		–	2,374	349	2,723
Non-executive director:					
Mr. Lin Shaopeng		120	1,246	23	1,389
Independent non-executive directors:					
Mr. Kwok Kim Hung Eddie		147	–	–	147
Mr. Ng Wai Hung		147	–	–	147
Ms. Shi Xiaolei	*(v)*	147	–	–	147
		441	–	–	441
Total directors' and chief executive's emoluments		561	3,620	372	4,553

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive director's emoluments shown above were mainly for his services as director of the Company or its subsidiaries.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

Notes:

(i) Appointed on 24 September 2021.

(ii) Resigned on 24 September 2021.

(iii) Appointed on 24 September 2021 and resigned on 18 March 2022.

(iv) Appointed on 10 September 2021.

(v) Resigned on 10 September 2021.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the years ended 31 December 2021 and 2020.

As at 31 December 2021, the share options that had been granted to certain directors were all lapsed.

As at 31 December 2020, certain directors were granted share options in respect of their services to the Group under the share option scheme of the Company.

Details of the share option scheme are set out in note 32 to the Group's consolidated financial statements.

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included two (2020: two) directors, details of whose remuneration are set out in note 11 above. Details of the remuneration of the remaining three (2020: three) individuals are as follows:

	2021 ***HK$'000***	2020 *HK$'000*
Salaries, allowances and benefits in kind	**4,073**	4,394
Retirement benefit scheme contributions	**115**	115
	4,188	4,509

12. FIVE HIGHEST PAID EMPLOYEES (Continued)

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

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

13. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company for both years, nor has any dividend been proposed since the end of the reporting period.

14. LOSS PER SHARE

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

	2021	2020
	HK$'000	*HK$'000*
Loss		
Loss attributable to owners of the Company for the purposes of basic and diluted loss per share	**(136,015)**	(95,779)

	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**3,661,865**	3,661,865

No diluted loss per share for both years was presented as there were no potential ordinary shares in issue.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings HK$'000	Leasehold improvements HK$'000	Plant and Machinery HK$'000	Furniture, fixture and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
2021							
At 1 January 2021							
Cost or valuation	108,000	6,931	72,209	41,042	6,036	–	234,218
Accumulated depreciation and impairment	–	(3,102)	(49,680)	(35,262)	(4,625)	–	(92,669)
Carrying amount	108,000	3,829	22,529	5,780	1,411	–	141,549
Year ended 31 December 2021							
Opening net carrying amount	108,000	3,829	22,529	5,780	1,411	–	141,549
Additions	–	3,017	2,070	1,804	246	2,404	9,541
Disposals	–	–	(20)	(51)	–	–	(71)
Surplus on revaluation	1,808	–	–	–	–	–	1,808
Depreciation	(4,320)	(2,259)	(2,802)	(2,893)	(404)	–	(12,678)
Exchange realignment	3,512	138	966	442	63	35	5,156
Impairment loss (note)	(6,235)	(3,032)	(22,743)	(4,929)	–	–	(36,939)
Reclassified to assets held for sale	–	(1,693)	–	–	–	–	(1,693)
Closing net carrying amount	102,765	–	–	153	1,316	2,439	106,673
At 31 December 2021							
Cost or valuation	102,765	6,351	75,751	43,422	6,391	2,439	237,119
Accumulated depreciation and impairment	–	(6,351)	(75,751)	(43,269)	(5,075)	–	(130,446)
Carrying amount	102,765	–	–	153	1,316	2,439	106,673
Analysis of cost or valuation:							
At cost	–	–	–	153	1,316	2,439	3,908
At valuation	102,765	–	–	–	–	–	102,765
	102,765	–	–	153	1,316	2,439	106,673

Note: Included in leasehold buildings' impairment loss of HK$6,235,000 represented the estimated costs of disposal for the purpose of impairment assessment for CGU in Toys as disclosed in note 4 to the consolidated financial statements, such impairment loss is treated as a revaluation decrease and included in other comprehensive expense.

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
2020							
At 1 January 2020							
Cost or valuation	102,000	2,898	67,687	38,613	5,937	111	217,246
Accumulated depreciation	–	(1,606)	(45,125)	(31,344)	(4,003)	–	(82,078)
Carrying amount	102,000	1,292	22,562	7,269	1,934	111	135,168
Year ended 31 December 2020							
Opening net carrying amount	102,000	1,292	22,562	7,269	1,934	111	135,168
Additions	–	3,538	1,307	920	–	–	5,765
Disposals	–	–	(33)	(211)	(10)	(112)	(366)
Surplus on revaluation	2,843	–	–	–	–	–	2,843
Depreciation	(3,923)	(1,222)	(2,773)	(2,643)	(588)	–	(11,149)
Exchange realignment	7,080	221	1,466	445	75	1	9,288
Closing net carrying amount	108,000	3,829	22,529	5,780	1,411	–	141,549
At 31 December 2020							
Cost or valuation	108,000	6,931	72,209	41,042	6,036	–	234,218
Accumulated depreciation	–	(3,102)	(49,680)	(35,262)	(4,625)	–	(92,669)
Carrying amount	108,000	3,829	22,529	5,780	1,411	–	141,549
Analysis of cost or valuation:							
At cost	–	3,829	22,529	5,780	1,411	–	33,549
At valuation	108,000	–	–	–	–	–	108,000
	108,000	3,829	22,529	5,780	1,411	–	141,549

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Leasehold buildings	Over the remaining lease terms of 25 years (2020: 25 years)
Leasehold improvements	10% to 33%
Plant and machinery	10% to 15%
Furniture, fixtures and office equipment	15% to 20%
Motor vehicles	20%

(a) The carrying amounts of the leasehold buildings of the Group at 31 December 2021 would have been approximately HK$35,514,000 (2020: HK$36,994,000) had they been carried at cost less accumulated depreciation.

(b) At 31 December 2021, the Group's leasehold buildings in the PRC with carrying amounts of approximately HK$102,765,000 (2020: HK$108,000,000) were pledged to secure general banking facilities granted to the Group (note 28).

(c) The leasehold buildings situated in the PRC of HK$102,765,000 (2020: HK$108,000,000) are located on the leasehold lands as disclosed in note 16 to the consolidated financial statements.

(d) Fair value measurement of the Group's leasehold buildings

The Group's leasehold buildings were revalued on 31 December 2021 and 2020 by RHL Appraisal Limited, an independent qualified professional valuer not connected to the Group.

Due to the nature of buildings and structures, and absence of sufficient market data, the fair value of the leasehold buildings was determined based on the depreciated replacement cost approach calculated based on the current cost of replacement of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. The valuations were carried out by RHL, which has among their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The Group's finance department worked closely and had discussions with RHL on the valuation assumptions and valuation results when the valuation was performed at the annual reporting date. There has been no change to the valuation technique during the year.

In estimating the fair value of the leasehold buildings, the highest and best use of the properties is their current use.

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

(d) Fair value measurement of the Group's leasehold buildings (Continued)

Fair value hierarchy

The following table presents the fair value of the Group's leasehold buildings measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The leasehold buildings located in the PRC are measured at Level 3 fair value category as at 31 December 2021 and 2020.

	Fair value hierarchy	**Fair value as at 31 December 2021** *HK$'000*	Fair value hierarchy	Fair value as at 31 December 2020 *HK$'000*
Leasehold buildings in the PRC	**Level 3**	**109,000**	Level 3	108,000
Less: costs of impairment loss (note)		**(6,235)**		N/A
		102,765		108,000

Note: For the purpose of impairment assessment of CGU in Toys (as disclosed in note 4 for the year ended 31 December 2021, estimated costs of disposal has been included to determine the recoverable amount of the leasehold buildings in the PRC.

During the years ended 31 December 2021 and 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

Information about Level 3 fair value measurements

For the years ended 31 December 2021 and 2020

	Valuation techniques	**Significant unobservable input**	**Sensitivity**
Leasehold buildings in the PRC	Depreciated Replacement cost approach	Recent general construction cost, taking into account the differences in location and the age of property, at a rate of RMB1,840 (2020: RMB1,802) per square metre.	A significant increase in construction cost would result in a significant increase in fair value, and vice versa.

16. RIGHT-OF-USE ASSETS

	Leasehold lands HK$'000	Leased properties HK$'000	Total HK$'000
As at 31 December 2021			
Gross carrying amount	3,442	13,888	17,330
Less: Impairment loss	–	(3,140)	(3,140)
Carrying amount	**3,442**	**10,748**	**14,190**
As at 31 December 2020			
Carrying amount	3,586	2,951	6,537
For the year ended 31 December 2021			
Depreciation charge	**143**	**5,063**	**5,206**
For the year ended 31 December 2020			
Depreciation charge	143	3,588	3,731

	2021 HK$'000	2020 HK$'000
Expense relating to short-term leases	**1,063**	1,470
Total cash outflow for leases	**6,506**	5,372
Additions to right-of-use assets	**15,817**	1,038

For both years, the Group leases various offices and industrial buildings for its operations. Lease contracts are entered into for fixed term of 1 year to 5 years (2020: 1 year to 2 years), but may have extension and termination options as described below. 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.

The lease arrangements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

At 31 December 2021, the Group's leasehold land under right-of-use assets in the PRC with carrying amounts of approximately HK$3,442,000 (2020: HK$3,586,000) were pledged to secure general banking facilities granted to the Group (note 28).

The leasehold lands are held under a medium term lease and are situated in the PRC.

17. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2020	110,518
Decrease in fair value recognised in profit or loss	(10,344)
Exchange adjustments	6,528
At 31 December 2020	106,702
Additions	204
Decrease in fair value recognised in profit or loss	(15,986)
Exchange adjustments	2,891
Reclassified to assets classified as held for sale	(49,535)
At 31 December 2021	44,276
Unrealised gain on property revaluation included in profit or loss (included in other income, gains and losses)	(15,986)

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes and land held for undetermined future use, which is regarded as held for capital appreciation purpose, are measured using the fair value model and are classified and accounted for as investment properties.

The fair values of the Group's investment properties as at 31 December 2021 have been arrived at on the basis of a valuation carried out on the respective dates by Ascent Partners Valuation Service Limited and Roma Appraisals Limited (2020: Roma Appraisals Limited), independent qualified professional valuers not connected to the Group who hold recognised and relevant professional qualification and have recent experience in the location and category of the investment properties being valued.

In determining the fair values of the relevant properties, the Group engages third party qualified valuers to perform the valuation. The management of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management of the Group reports the findings to the board of directors of the Company to explain the cause of fluctuations in the fair values of the investment properties.

17. INVESTMENT PROPERTIES (Continued)

In estimating the fair values of the properties, the highest and best use of the properties is their current use.

	Valuation technique(s)	Significant unobservable input(s)	Sensitivity
Warehouse located in Suzhou, the PRC – completed properties (note i)	2020: Depreciated replacement cost approach	2020: Recent general construction cost, taking into account the differences in location and the age of the property, at a rate of RMB2,066 per square metre.	2020: A significant increase in construction cost would result in a significant increase in fair value, and vice versa
Leasehold land located in Suzhou, the PRC (note i)	2020: Direct comparison approach	2020: Recent transaction price, taking into account the differences in location, and individual factors, such as frontage and size, between the comparables and the property, at an average rate of RMB370 per square metre per month.	2020: A significant increase in the recent transaction price would result in a significant increase in fair value, and vice versa.
Leasehold land located in Haikou, the PRC	Direct comparison approach	Recent transaction price, taking into account the differences in location, and individual factors, such as frontage and size, between the comparables and the property, at an average rate of RMB443 (2020: RMB662) per square metre.	A significant increase in the recent transaction price would result in a significant increase in fair value, and vice versa.
Office and retail building located in Shandong, the PRC (note ii)	Income capitalisation method	Capitalisation rate, taking into account the differences in location, and individual factors, such as the type and class of property, at a rate of 6.75% and 7.00% for office portion and retail portion respectively.	A significant increase in the capitalisation rate would result in a significant decrease in fair value, and vice versa.

Notes:

(i) The investment properties located in Suzhou were transferred to assets classified as held for sale during the year.

(ii) The property represents right-of-use asset held for subleasing to earn rentals, which meet the definition of investment property.

17. INVESTMENT PROPERTIES (Continued)

Details of the Group's investment properties and information about the fair value hierarchy as at the end of the reporting period are as follows:

	Fair value hierarchy	**Fair value as at 31 December 2021**	Fair value hierarchy	Fair value as at 31 December 2020
		HK$'000		*HK$'000*
Located in Suzhou, the PRC				
Warehouse	–	–	Level 3	18,417
Leasehold land held for capital appreciation	–	–	Level 3	29,348
		–		47,766
Located in Haikou, the PRC				
Leasehold land held for capital appreciation	**Level 3**	**39,139**	Level 3	58,936
Located in Shandong, the PRC				
Office and retails places	**Level 3**	**5,137**	–	–

There were no transfers into or out of Level 3 for both years.

18. LOAN RECEIVABLES

	2021	2020
	HK$'000	*HK$'000*
Fixed-rate loan receivables	**17,223**	17,124
Less: provision of ECL	**(17,223)**	(15,337)
	–	1,787
Analysed as		
Current	–	1,787

18. LOAN RECEIVABLES (Continued)

As at 31 December 2021, the loans carry interest at fixed rates of 10% (2020: 10%) per annum and are repayable within one year (2020: all loans were repayable within one year). During the year ended 31 December 2020, loans with gross carrying values of amounting to HK$16,000,000 (2020: HK$16,000,000) were entered into extension agreements to extend the maturity date to 7 February 2021. As at 31 December 2021, the directors of the Company considered the loan receivables with gross carrying amount of HK$16,000,000 and RMB1,000,000 (equivalent to approximately HK$1,223,000) were credit impaired (2020: loan receivables with gross carrying amount of HK$16,000,000 were credit impaired, whereas the credit risks have increased significantly for the loan receivable with carrying amount of RMB1,000,000 (equivalent to approximately HK$1,124,000)). Pursuant to loan agreements, the Group retains a discretionary right to demand the repayment from the borrowers in full before the maturity of the loans.

The Group has a policy for assessing the impairment on loan receivables on an individual basis. The assessment also includes evaluation of collectability and ageing analysis of accounts and on the management's judgment, including the current creditworthiness and past collection history of each borrower. In determining the recoverability of the loan receivables, the Group considers any change in the credit quality of the loan receivables from the date credit was initially granted up to the reporting date. This includes assessing the credit history of the business, such as financial difficulties or default in payments and current market conditions.

During the year ended 31 December 2021, in determining the expected credit losses for these assets, the directors of the Company have taken into account the financial position of the counterparties as well as the future prospects of the industries in which the borrowers operate and considered various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. The ECL is assessed individually for the counterparties.

Provision of ECL for loan receivables is assessed on 12m ECL basis when there has been no significant increase in credit risk since initial recognition. However, when there has been a significant increase in credit risk since origination, the provision will be based on the lifetime ECL. The gross carrying amount of HK$17,223,000 (2020: HK$17,124,000) is assessed on the lifetime ECL. The provision of ECL on the loan receivables amounted to HK$1,886,000 (2020: HK$8,952,000) during the year ended 31 December 2021, details of which are set out in note 39(b).

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for loan receivables.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 *HK$'000*	2020 *HK$'000*
Listed securities held for trading		
Equity securities listed in Hong Kong	–	1,761

At 31 December 2021, the Group has invested in zero (2020: four) equity securities listed in Hong Kong. The fair values were based on quoted prices of the respective securities in active markets for identical assets.

At 31 December 2021 and 2020, no financial assets at FVTPL have been pledged as security.

20. INVENTORIES

	2021 *HK$'000*	2020 *HK$'000*
Raw materials	**21,163**	27,672
Work in progress	**57,216**	51,920
Finished goods	**35,485**	13,768
	113,864	93,360

21. TRADE RECEIVABLES

	2021 *HK$'000*	2020 *HK$'000*
Trade receivables, gross	**146,790**	58,951
Less: provision of ECL	**(12,628)**	(3,175)
Trade receivables, net	**134,162**	55,776

At as 31 December 2021, the gross carrying amount of trade receivables arising from contracts with customers amounted to approximately HK$146,790,000 (2020: HK$58,951,000).

21. TRADE RECEIVABLES (Continued)

The following is an ageing analysis of trade receivables (net of provision of ECL) presented based on the invoice dates which are approximate to the revenue recognition date:

	2021 HK$'000	2020 HK$'000
0 to 30 days	**85,010**	39,044
31 to 90 days	**48,239**	15,848
Over 90 days	**913**	884
	134,162	55,776

The Group's trading terms with its customers are mainly on credit with credit periods generally ranging from 30 to 60 days. The Group seeks to maintain strict control over its outstanding receivables, and overdue balances are reviewed regularly by management. Trade receivables are non-interest bearing.

Expected credit loss of trade receivables

At the end of the reporting period, the Group reviews trade receivables for evidence of impairment on both an individual and a collective basis. The provision of ECL for receivables is recognized based on the credit history of its customers, indication of financial difficulties, default in payments, and current market conditions. After the above assessment performed by the directors of the Company, a provision of ECL of HK$9,453,000 (2020: HK$2,603,000) was provided for current year and the directors consider that the trade debtors are of good credit quality.

Ageing of trade receivables which are past due but not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	2021 HK$'000	2020 HK$'000
Neither past due nor impaired	**131,450**	54,043
Past due but not impaired		
Less than 1 month past due	**1,799**	874
1 to 3 months past due	**913**	859
	134,162	55,776

21. TRADE RECEIVABLES (Continued)

Ageing of trade receivables which are past due but not impaired (continued)

Trade receivables that were neither past due nor impaired related to customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired are related to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021	2020
	HK$'000	*HK$'000*
Prepayments *(note i)*	**7,532**	3,032
Value-added tax recoverable arising from toys segment	**4,205**	2,621
Rental deposits	**1,135**	1,066
Loan interest receivables *(note ii)*	**–**	217
Others *(note iii)*	**3,040**	3,158
	15,912	10,094
Analysed as		
Non-current	**309**	–
Current	**15,603**	10,094
	15,912	10,094

Notes:

(i) Prepayment included the prepayment paid to suppliers and paid to a consultant which is an independent third party of the Group for research on potential future development of leasehold land located in Haikou amounting to HK$2,824,000 and HK$2,446,000 respectively (2020: HK$2,642,000 and nil).

(ii) At the end of the reporting period, the directors of the Company have taken into account the financial position of the counterparties as well as the future prospects of the industries in which the borrowers operate and considered various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. The ECL is assessed individually for the counterparties.

Provision of ECL for loan interest receivables is assessed on 12m ECL basis when there has been no significant increase in credit risk since initial recognition. However, when there has been a significant increase in credit risk since origination, the provision will be based on the lifetime ECL. The gross carrying amount of HK$3,790,000 (2020: HK$3,790,000) is assessed on the lifetime ECL. The provision of ECL on the loan interest receivables amounted to HK$217,000 (2020: HK$2,565,000) during the year ended 31 December 2021, details of which are set out in note 39(b).

(iii) The Group recognized lifetime ECL for other receivables based on individually significant debtors or the ageing of debtors collectively that are not individually significant by reference to past default experience of the debtor at the reporting date.

23. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

Bank balances carry interest at market rates which range from 0.001% to 1.15% per annum (2020: 0.001% to 1.15% per annum). The bank balances were deposited with banks with no recent history of default.

For the year ended 31 December 2020 and 2021, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

As at 31 December 2021, pledged bank deposits amounting to HK$1,190,000 (2020: HK$3,463,000) with a fixed interest rate of 1.3% (2020: 1.3%) per annum represented deposits pledged to a bank to secure bill payables (see note 26) granted to the Group.

The bank borrowings and bill payables are due for repayment within one year from the end of the reporting period, and thus the pledged bank deposits are classified as current assets.

24. ASSETS CLASSIFIED AS HELD FOR SALE

On 15 November 2021, the Company, Billion Pride Group Limited, a direct wholly-owned subsidiary of the Company, being the vendor (the "Vendor") and an independent third party, being the purchaser (the "Purchaser") entered into a sale and purchase agreement (the "Disposal Agreement"), pursuant to which, the Vendor agreed to sell, and the Purchaser agreed to acquire all the issued shares of Bright Triumph Development Limited ("Bright Triumph", together with its subsidiaries, the "Target Group") and the current account between the Target Group and the Vendor in an aggregate amount of approximately HK$134,429,000, at a consideration of HK$49,000,000. A deposit of HK$28,492,000 (representing 60% of the consideration, amounted to HK$29,400,000, with HK$908,000 being outstanding from the Purchaser) was received and included in "Other payables and accruals".

The major asset being disposed is investment property situated in Suzhou in the PRC. The assets and liabilities attributable to Billion Triumph, which is expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position (see below). The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

24. ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

The major classes of assets and liabilities of Bright Triumph classified as held for sale as at 31 December 2021 are as follow:

	As at 31 December 2021 *HK$'000*
Property, plant and equipment	**1,693**
Investment property	**49,535**
Prepayments and other receivables	**1,047**
Bank balances and cash	**1,172**
Total assets classified as held for sale	**53,447**
Other payables and accruals	**5,380**
Total liabilities classified as held for sale	**5,380**

25. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date:

	2021 *HK$'000*	2020 *HK$'000*
0 to 30 days	**138,740**	77,107
31 to 90 days	**49,627**	30,873
Over 90 days	**65,986**	32,610
	254,353	140,590

The trade payables are expected to be settled within one year.

26. OTHER PAYABLES AND ACCRUALS

	2021 HK$'000	2020 HK$'000
Bills payables for purchasing raw materials *(note i)*	**3,967**	11,544
Accrued staff costs	**15,648**	10,694
Accruals	**10,691**	10,069
Other payables	**3,866**	3,836
Provision for litigation *(note ii)*	**14,515**	–
Deposits received for disposal of subsidiaries *(note iii)*	**33,832**	5,188
Tenant deposits received	**866**	798
	83,385	42,129

Notes:

(i) As at 31 December 2021, bills payables amounting to HK$3,967,000 (2020: HK$11,544,000) are secured by pledged bank deposits of HK$1,190,000 (see note 23) (2020: HK$3,463,000). All bills payables are issued to suppliers of the toys segment for repayment in June 2022 (2020: June 2021).

(ii) The amount represents the provision for litigation with the Plaintiff and First Defendant disclosed in notes 10 and 43(b).

(iii) On 28 December 2017, the Group entered into a sale and purchase agreement (the "Former Disposal Agreement") with an independent third party (the "Former Purchaser") to conditionally sell the entire share capital of Bright Triumph, a company incorporated in the British Virgin Islands with limited liability and being the investment holding company of Yi Nuo Technology (Suzhou) Co., Limited, at a consideration of HK$142,000,000. On 19 March 2018, the Group received a deposit of RMB22,686,000 (equivalent to approximately HK$25,891,000) out of RMB28,400,000 as prescribed in the Former Disposal Agreement from the Former Purchaser.

However, in the opinion of the directors of the Company, the Former Purchaser was not in a position to proceed to the completion. On 23 April 2019, following negotiations, the parties mutually agreed to terminate the Former Disposal Agreement, and the Group and the Former Purchaser entered into a termination agreement (the "Termination Agreement"), pursuant to which the parties have agreed to terminate the Former Disposal Agreement with immediate effect, the respective rights and obligations of each party thereunder shall cease and no party to the Former Disposal Agreement shall have any claim against any other party. Pursuant to the Termination Agreement, the Group is required to refund the deposit received of RMB22,686,000 to the Former Purchaser. Up to 31 December 2021, the Group has refunded part of the deposit of approximately RMB18,320,000 to the Former Purchaser.

On 15 November 2021, the Company, Billion Pride Group Limited, a direct wholly-owned subsidiary of the Company, being the Vendor and the Purchaser entered into the Disposal Agreement, pursuant to which, the Vendor agreed to sell, and the Purchaser agreed to acquire all the issued shares of Bright Triumph, together with its subsidiaries and the current account between the Target Group and the Vendor in an aggregate amount of approximately HK$134,429,000, at a consideration of HK$49,000,000. A deposit of HK$28,492,000 is received by the Group during the year. Detail are set in note 24 to the consolidated financial statements.

27. CONTRACT LIABILITIES

	2021 HK$'000	2020 HK$'000
Deposits received from customers	**2,954**	1,700

28. BORROWINGS

	2021 Contractual interest rate (%)	2021 HK$'000	2020 Contractual interest rate (%)	2020 HK$'000
Bank loans				
– secured *(note a)*	**Fixed rates of 3.10% to 5.00% per annum**	**167,567**	Fixed rates of 3.60% to 5.22% per annum	156,906
Corporate bonds				
– secured *(note b)*	**Fixed rates of 6.75% per annum**	**45,000**	Fixed rates of 6.75% per annum	45,000
Term loan				
– secured *(note c)*	**Fixed rates of 12.00% per annum**	**17,000**	Fixed rates of 12.00% per annum	11,000
– secured *(note d)*	**Fixed rates of 12.00% per annum**	**15,000**	–	–
Sub-total of secured borrowings		**244,567**		212,906
Revolving loans				
– unsecured *(note e)*	**Fixed rates of 12.00% per annum**	**–**	Fixed rates of 12.00% per annum	20,000
– unsecured *(note f)*	**Fixed rates of 12.00% per annum**	**19,000**	–	–
		263,567		232,906

The above loans are measured at amortised costs.

28. BORROWINGS (Continued)

Notes:

(a) The bank borrowings were secured by the Group's leasehold buildings and leasehold lands under right-of-use assets with aggregate carrying amount of approximately HK$102,765,000 and HK$3,442,000 respectively (2020: leasehold buildings and leasehold lands under right-of-use assets with aggregate carrying amount of approximately HK$108,000,000 and HK$3,586,000 respectively), as disclosed in notes 15 and 16 respectively and were due on 25 March 2022.

The total banking facilities granted to the Group amounted to RMB150,000,000 (equivalent to approximately HK$183,464,000) (2020: RMB150,000,000 (equivalent to approximately HK$178,232,000)) of which approximately RMB140,247,000 (equivalent to HK$171,534,000) (2020: RMB141,768,000 (equivalent to HK$168,450,000)) were utilised as at 31 December 2021. On 15 March 2022, an extension agreement for the bank facilities (being revised to RMB141,000,000, equivalent to approximately HK$172,456,000) was entered into between the Group and the bank to extend the facilities to 9 March 2023.

(b) On 7 December 2016, corporate bonds amounted to HK$45,000,000 were issued by the Company to an independent third party, bearing interest of 6% per annum and payable semi-annually in arrears, and with maturity in two years, of which are secured by shares of a subsidiary of the Company.

The corporate bonds had become due and payable on its maturity date of 6 December 2018. As at 31 December 2018, the Group defaulted on the repayment of the corporate bonds and further negotiated with the bond holder for extension. On 23 August 2019, by successfully entering into a deed of waiver and a supplemental deed poll to the bond instrument executed by the Company, the Group was discharged and released from the obligation and liabilities which arose from the default and the maturity date has been extended to 30 September 2020. The corporate bonds then bear interest at 6.75% per annum from 7 December 2018 to 30 September 2020. On 27 December 2019, an extension deed had been signed, which the maturity date had been extended to 31 March 2021. On 29 March 2021, another extension deeds were signed, whereby the maturity date was further extended to 31 March 2022. On 29 March 2022, another extension deeds were signed, whereby the maturity date was further extended to 31 March 2023.

(c) On 13 May 2020, the Group obtained a term loan of HK$11,000,000 at a fixed rate of 12% per annum from an independent third party, with a maturity in one year. The loan is secured by pledge of shares of a subsidiary of the Group and a first floating charge over the assets of a subsidiary of the Group to the lender.

The term loan is payable on its maturity date of 13 May 2021. On 13 March 2021, the Group has entered into an extension agreement to extend the maturity date to 13 May 2022. On 30 June 2021, an additional loan was obtained from the same independent third party amounted of HK$6,000,000 under the same terms. On 19 April 2022, the Group has extended the maturity date to 13 May 2023.

(d) On 25 January 2021, the Group obtained a term loan of HK$15,000,000 at a fixed rate of 12% per annum from an independent third party, with a maturity in one year. The loan is secured by a first floating charge over all the undertaking property and assets of a subsidiary of the Group to the lender.

The term loan is payable on its maturity date of 27 April 2021. On 29 March 2021, the Group has extended the maturity date to 27 April 2022. On 19 April 2022, the Group has extended the maturity date to 27 April 2023.

(e) The revolving loan was granted by a substantial shareholder of the Company, guaranteed by the Company and repayable within one year. On 8 October 2019, the Group entered into an extension agreement to extend the maturity date to 30 September 2020. On 31 December 2019, the Group entered into another extension agreement to further extend the maturity date to 31 March 2021. According to the extension deed, a first floating charge incorporated over the assets of a subsidiary of the Group as a security to the lender, which was executed on 7 February 2020. On 29 March 2021, the Group entered into an extension agreement to further extend the maturity date to 31 March 2022.

The revolving loans utilized with carrying amount of HK$20,000,000 and had an unutilised amount of HK$30,000,000 as at 31 December 2020. During the year ended 31 December 2021, the whole outstanding amount of the revolving loans was repaid.

(f) On 24 May 2021, the Group has obtained a revolving loan for an aggregate principal amount of HK$50,000,000 at a fixed rate of 12% per annum from an independent third party, with a maturity in one year. The loan is guaranteed by the Company.

The revolving loans utilised with carrying amount of HK$19,000,000 (2020: nil) as at 31 December 2021, repayable within one year. The revolving loans had unutilised with amount of HK$31,000,000 (2020: nil) as at 31 December 2021.

29. LEASE LIABILITIES

	2021 *HK$'000*	2020 *HK$'000*
Lease liabilities payable:		
Within one year	**4,769**	2,363
Within a period of more than one year but not more than two years	**3,367**	533
Within a period of more than two years but not more than five years	**4,918**	–
	13,054	2,896
Less: Amount due for settlement with 12 months shown under current liabilities	**(4,769)**	(2,363)
Amount due for settlement after 12 months shown under non-current liabilities	**8,285**	533

30. DEFERRED TAX (ASSETS) LIABILITIES

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax (assets) and liabilities 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	**–**	(7,517)
Deferred tax liabilities	**23,666**	23,633
	23,666	16,116

30. DEFERRED TAX (ASSETS) LIABILITIES (Continued)

The following are the major deferred tax liabilities and (assets) recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Tax losses HK$'000	Withholding tax HK$'000	Total HK$'000
Deferred tax arising from:					
At 1 January 2020	49	27,237	(7,517)	2,169	21,938
Deferred tax credited to profit or loss for the year (note 9)	(18)	(5,829)	–	(1,006)	(6,853)
Deferred tax credited to other comprehensive income for the year	–	(449)	–	–	(449)
Exchange realignment	–	1,397	–	83	1,480
At 31 December 2020	31	22,356	(7,517)	1,246	16,116
Deferred tax credited to profit or loss for the year (note 9)	**(21)**	**(1,515)**	**7,517**	**161**	**6,142**
Deferred tax credited to other comprehensive income for the year	**–**	**723**	**–**	**–**	**723**
Exchange realignment	**–**	**646**	**–**	**39**	**685**
At 31 December 2021	**10**	**22,210**	**–**	**1,446**	**23,666**

At the end of the reporting period, the Group has unused tax losses arising in Hong Kong of HK$211,998,000 (2020: HK$203,046,000) available for offset against future profits. As of 31 December 2021, the management of the Group reassessed the recoverability of deferred tax assets and no deferred tax asset (2020: HK$45,558,000) has been recognised in respect of such losses. As at 31 December 2021, no deferred tax asset has been recognised in respect of the amounted to HK$211,998,000 (2020: HK$157,488,000) due to the unpredictability of future profit streams. All losses may be carried forward indefinitely.

As at 31 December 2021, the Group has tax losses arising in the PRC of RMB37,958,000 (equivalent to approximately HK$43,902,000) (2020: RMB45,135,000 (equivalent to approximately HK$51,612,000)) available for offsetting against future profits that may be carried forward for up to five years for EIT purpose. Deferred tax assets on these tax losses have not been recognised as it is not probable that future taxable profits against which the losses can be utilised will be available for the companies in which losses arose.

31. SHARE CAPITAL OF THE COMPANY

	Number of shares		Amount	
	2021	2020	**2021**	2020
	'000	'000	**HK$'000**	HK$'000
Ordinary shares of HK$0.10 each				
Authorised:				
At 1 January and 31 December	**7,000,000**	7,000,000	**700,000**	700,000
Issued and fully paid:				
At 1 January and 31 December	**3,661,865**	3,661,865	**366,186**	366,186

32. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

Details of share options granted in previous years and outstanding during the year ended 31 December 2020 under the Scheme are as follows:

Name of grant	Date of grant	Exercisable period	Exercise price HK$ per share	Share closing price immediately before grant date HK$ per share
2015 grant	10 April 2015	10 April 2015 to 9 April 2020	0.465	0.425
2014 grant	30 December 2014	30 December 2014 to 29 December 2019	0.305	0.270

The movement of share options during the year ended 31 December 2020 is presented as follows:

		Number of share options		
	Name of grant	At 1 January 2020 '000	Lapsed during the year '000	At 31 December 2020 '000
Employees	2015 grant	**1,000**	**(1,000)**	**–**
Other participants	2015 grant	**131,300**	**(131,300)**	**–**
Total		**132,300**	**(132,300)**	**–**

During the year ended 31 December 2020, the share options granted to employees and other participants have been lapsed due to the expiration of the options granted.

33. RETIREMENT BENEFITS PLANS

Defined contribution plans

The Group operates MPF Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to MPF Scheme, which contribution is matched by employees.

The employees of the Group's subsidiary in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiary is required to contribute a specified percentage of 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.

The total expense recognised in profit or loss of HK$10,409,000 (2020: HK$7,587,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

34. CONTINGENT LIABILITIES

As at 31 December 2020, a subsidiary of the Company is a defendant in a legal action in Hong Kong involving the alleged claim of commission income by a consultant ("Consultant") in relation to Investment Project of the Group in the previous years. The claim against the subsidiary is approximately US$1,375,000 (equivalent to approximately HK$10,725,000) in aggregate. The commission income is entitled by the Consultant upon the services provided and upon a management fee paid to the subsidiary from the Investment Project. As at 31 December 2020, the directors of the Company believed, based on legal advice, that the case had a good arguable defence and therefore it is not probable that losses will be incurred. As a result, no provision was made as at 31 December 2020 in this regard.

During the year ended 31 December 2021, the Group received the management fee from the Investment Project, which is set out in note 6 (ii) to the consolidated financial statements. On 16 April 2021, a settlement agreement was entered into by the Company and the Consultant, whereby agreed to settle the commission income for US$986,000 (equivalent to approximately HK$7,695,000). The commission income was paid to the Consultant during the year ended 31 December 2021. Thus, the court case regarding to the alleged claim of commission income was dismissed on 9 June 2021.

35. OPERATING LEASE COMMITMENTS

The Group as lessor

All of the properties and motor vehicles held by the Group for rental purpose have committed lessees for the next four years and one year respectively. The leases do not include contingent rentals.

	2021 *HK$'000*	2020 *HK$'000*
Within one year	**1,912**	1,117
In the second year	**1,538**	–
In the third year	**1,510**	–
In the fourth year	**747**	–
	5,707	1,117

36. CAPITAL COMMITMENTS

	2021 *HK$'000*	2020 *HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements – in respect of property, plant and equipment	**2,293**	–

37. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2020, the Group entered into a sale and purchase agreement with an independent third party to dispose of its 100% equity interest in Excellent Harvest International Corporation ("Excellent Harvest"), incorporated in the British Virgin Islands (the "BVI") and indirectly holding 60% equity interest in a company established in the PRC which is principally engaged in preclinical research studies of genetically engineered bacteria for targeted cancer therapy, at a cash consideration of HK$8,000,000. The disposal was completed on 26 June 2020, on which date the Group lost control of the Excellent Harvest. On 19 June 2020, the Group disposed of Amazing Express Worldwide Limited ("Amazing Express"), which is incorporated in the BVI, at a consideration of HK$45,000.

The net liabilities of the subsidiaries at the date of disposal were as follows:

	Excellent Harvest *HK$'000*	**Amazing Express** *HK$'000*	**Total** *HK$'000*
Bank balances and cash	124	9	133
Shareholders' loans	(11,140)	(1,645)	(12,785)
Other payables and accruals	(745)	–	(745)
Net liabilities disposed of	(11,761)	(1,636)	(13,397)
Cumulative exchange difference	(79)	–	(79)
Assignment of shareholders' loans	11,140	1,645	12,785
Settlement of accruals	745	–	745
Gain on disposal	7,955	36	7,991
Total cash consideration	**8,000**	**45**	**8,045**
Net cash inflow (outflow) arising on disposal:			
Cash consideration received	8,000	45	8,045
Less: Bank balances and cash disposed of	(124)	(9)	(133)
	7,876	**36**	**7,912**

38. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 28, net of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital, accumulated losses and other reserves.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

39. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2021 *HK$'000*	2020 *HK$'000*
Financial assets		
Financial assets at FVTPL		
Mandatorily measured at FVTPL		
– Held-for-trading	–	1,761
Financial assets at amortised cost	**210,076**	121,609
	210,076	123,370
Financial liabilities		
Amortised cost	**538,268**	394,862
Lease liabilities	**13,054**	2,896
	551,322	397,758

39. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies

The Group's principal financial instruments include financial assets at FVTPL, trade receivables, deposits and other receivables, loan receivables, amount due from a related party, bank balances and cash, pledged bank deposits, trade payables, other payables, borrowings and lease liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. 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

(i) Currency risk

The Group mainly operates in Hong Kong and the PRC, with certain of their sales and purchases transactions being settled in US$, HK$ and RMB. The Group is thus exposed to currency risk arising from fluctuations on foreign currencies, primarily US$, HK$ and RMB, against the functional currency of the relevant group entities. The management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As HK$ is pegged to US$, the Group does not have material exchange rate risk on such currency.

The Group's exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. Differences resulting from the translation of the financial statements of the entities within the Group into the Group's presentation currency are excluded.

	2021			2020		
	US$	**HK$**	**RMB**	US$	HK$	RMB
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Bank balances and cash	**99**	**–**	**97**	96	–	94
Pledged bank deposits	**–**	**–**	**–**	–	–	–
Borrowings	**–**	**(68,729)**	**–**	–	(61,371)	–
Overall exposure to currency risk	**99**	**(68,729)**	**97**	96	(61,371)	94

39. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The following table demonstrates the sensitivity at the end of reporting period to a reasonably possible change in the HK$ exchange rate against RMB for group entities with RMB or HK$ as functional currencies, with all other variables held constant, of the Group's loss for the year and accumulated losses.

		Increase (decrease) in loss for the year and accumulated losses
	%	*HK$'000*
2021		
If HK$ weakens against RMB	**5**	**(3,441)**
If HK$ strengthens against RMB	**(5)**	**3,441**
2020		
If HK$ weakens against RMB	5	(3,073)
If HK$ strengthens against RMB	(5)	3,073

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' loss for the year and accumulated losses measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group, including intra-group balances with foreign operations within the Group denominated in a currency other than the functional currency of the foreign operations, which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for year ended 31 December 2020.

39. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate loan receivables, borrowings and lease liabilities. The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and pledged bank deposits. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and pledged bank deposits. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

Total interest income from financial assets that are measured at amortised cost is as follows:

	2021 ***HK$'000***	2020 *HK$'000*
Financial assets at amortised cost	**70**	2,325

39. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk (Continued)

Interest expense on financial liabilities not measured at FVTPL:

	2021	2020
	HK$'000	*HK$'000*
Financial liabilities at amortised cost	**15,538**	13,177
Lease liabilities	**541**	272
	16,079	13,449

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2020: 50 basis points) increase or decrease in variable-rate bank balances and pledged bank deposits are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2020: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2021 would decrease/increase by HK$338,000 (2020: decrease/increase by HK$279,000).

The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for the variable financial instruments in existence at that date. The 50 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period. The analysis was performed on the same basis for year ended 31 December 2020.

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

39. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Equity price risk

The Group is exposed to equity price risk through its investments in equity securities measured at FVTPL. For equity securities measured at FVTPL quoted in the Stock Exchange, the management manages this exposure by maintaining a portfolio of investments with different risks. Decisions to buy and sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the index and other industry indicators, as well as the Group's liquidity needs.

The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date.

If the prices of the respective equity instruments had been 10% (2020: 10%) higher/lower, the post-tax loss for the year ended 31 December 2021 would decrease/increase by HK$Nil (2020: decrease/increase by HK$176,000) as a result of the changes in fair value of financial assets at FVTPL.

The sensitivity analysis indicates the instantaneous change in the Group's loss for the year that would arise assuming that the changes in the price of the respective trading securities had occurred at the end of the reporting period and had been applied to remeasure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. The analysis is performed on the same basis for year ended 31 December 2020.

Credit risk and impairment assessment

As at 31 December 2021, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of our Group mainly arises from trade receivables from toys segment, financial assets at FVTPL, deposits and other receivables, amount due from a related company, bank balances and cash, pledged bank deposit, loan receivables and interest receivables. The carrying amount of these balances represent out Group's maximum exposure to credit risk in relation to financial assets.

39. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables from toys segment

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Other monitoring procedures are in place 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 consider that the Group's credit risk is significantly reduced.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer having similar credit risk characteristics. Most of the customers are multi-national corporations with well-known brands for their toy products and have satisfactory credit rating.

Concentration risk of trade receivables from toys segment

The Group has concentration of credit risk as 90.5% (2020: 86.1%) and 99.6% (2020: 99.7%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. These customers are international toy retailers with good credit ratings.

Financial assets at FVTPL

Transactions involving financial assets at FVTPL are with counterparties of sound credit standing. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations.

39. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Deposits and other receivables

For deposits and other receivables and amount due from a related company, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

Bank balances and pledged bank deposits

The credit risks on bank balances and pledged bank deposits are limited because the counterparties are banks with good reputation.

Concentration risk of bank balances and pledged bank deposits

At 31 December 2021, the Group had certain concentration of credit risk as 81.5% (2020: 70.6%) of the total of cash and cash equivalents and pledged bank deposits was deposited with one financial institution in the PRC (2020: PRC) with high credit rating. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Loan receivables and interest receivables

At 31 December 2021, the Group had gross loan receivables and interest receivables of HK$17,223,000 (2020: HK$17,124,000) and HK$3,790,000 (2020: HK$3,790,000) respectively. Before entering into the loan agreements, the Group assesses the credit quality of borrowers and defines the terms of the loans. In addition, the Group reviews the recoverable amount of each individual loan at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has concentration of credit risk as the loans were made to two (2020: two) borrowers. In order to minimise the credit risk, the management of the Group has delegated a team responsible for monitoring procedures to ensure that follow-up action is taken to recover overdue loans. In view of the financial position of the borrowers, and the monitoring procedures adopted by the management, in the opinion of the directors of the Company, the credit risk in respect of the loan receivables could be monitored.

39. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Loan receivables and interest receivables (Continued)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- Internal and external credit rating;
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations; and
- Significant changes in the expected performance and behaviour of the borrowing, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

At 31 December 2021 and 2020, two loan receivables and their loan interest receivables with gross carrying amounts of HK$16,000,000 (2020: HK$16,000,000) and HK$3,790,000 (2020: HK$3,790,000) respectively are amounts due from borrowers whom the directors of the Company considered were credit-impaired. The borrowers did not repay the loan interest receivable according to the schedule listed on the loan agreements. The directors of the Company were of the opinion that the borrowers might not be able to repay loan receivables. Another loan receivable with gross carrying amount of HK$1,223,000 (2020: HK$1,124,000) as at 31 December 2021 is amount due from a borrower which the directors of the Company considered that is credit impaired (2020: credit risks have been increased significantly), and the borrowers might not be able to repay loan receivables.

39. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Loan receivables and interest receivables (Continued)

As at 31 December 2021, the directors of the Company assessed the provision of ECL of these loan receivables and their loan interest receivables were HK$17,223,000 (2020: HK$15,337,000) and HK$3,789,000 (2020: HK$3,573,000) respectively with the assistance of Norton Appraisals Holdings Limited (2020: Norton Appraisals Holdings Limited), an independent professional valuer not connected to the Group. Provision of ECL for loan receivables and loan interest receivables of HK$1,886,000 (2020: HK$8,952,000) and HK$217,000 (2020: HK$2,565,000) respectively were recognised in profit or loss during the year ended 31 December 2021. Up to the reporting date, the Group has arranged legal letters to the borrowers of two loan receivables with gross amounts of HK$16,000,000 to request for repayment and another borrowers of the loan receivable with gross amount of HK$1,223,000 is negotiating with the Group to renew and extend existing loan receivables terms.

The Group's exposure to credit risk

In order to minimise credit risk, the Group has tasked its operation management team to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the operation management team uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

39. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The Group's exposure to credit risk (Continued)

The Group's current credit risk grading framework comprises the following categories:

Category	**Description**	**Basis for recognising ECL**
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL – not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – 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	Amount is written off

39. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The Group's exposure to credit risk (Continued)

The table below details the credit quality of the Group's financial assets as well as the Group's maximum exposure to credit risk by credit risk rating grades:

At 31 December 2021	Notes	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Loan receivables	18	Default	Lifetime ECL	17,223	(17,223)	–
Trade receivables	21	note ii	Lifetime ECL (individual assessment)	146,790	(12,628)	(134,162)
Deposits and other receivables	22	Default	Lifetime ECL	3,790	(3,790)	–
		Performing	12-month ECL	8,088	–	8,088

At 31 December 2020	Notes	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Loan receivables	18	Default	Lifetime ECL	16,000	(15,250)	750
	18	Doubtful	Lifetime ECL	1,124	(87)	1,037
Trade receivables	21	note i	Lifetime ECL (provision matrix)	583	–	583
	21	note ii	Lifetime ECL (individual assessment)	58,368	(3,175)	55,193
Deposits and other receivables	22	Default	Lifetime ECL	3,790	(3,573)	217
		Performing	12-month ECL	4,224	–	4,224

39. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The Group's exposure to credit risk (Continued)

Note i for trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors that are credit-impaired or with significant outstanding balances, the Group determines the ECL on these items by using a provision matrix, grouped by internal credit rating. The management of the Group considered the loss allowance on this group of trade receivables to be insignificant.

Note ii as at 31 December 2021 and 2020, ECL on trade receivables with significant balances with gross amount of HK$146,790,000 and HK$58,368,000 respectively were assessed individually. These receivables are assessed for impairment allowance based on the historical credit losses experience, forward looking factors and adjusted for factors that are specific to the debtors, including settlement pattern, recent transactions with the Group and length of business relationship.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The Group relies on borrowings as a significant source of liquidity. As at 31 December 2021, the Group has available revolving loan facility of approximately HK$31,000,000 (31 December 2020: HK$30,000,000). Details of which are set out in note 28.

The Group is exposed to liquidity risk of being unable to finance its future working capital and financial requirements when they fall due. The net current liabilities and net liabilities of the Group as at 31 December 2021 was approximately HK$232,439,000 and HK$98,942,000 respectively. In view of this, the directors of the Company have given careful consideration to the future liquidity of the Group and details of which are set out in note 3.1.

The following table details the Group's remaining contractual maturity for its financial liabilities and derivative instruments. 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, loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the lenders choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

39. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The table includes both interest and principal cash flows.

Liquidity tables

	Weighted average interest rate %	On demand or less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
2021							
Borrowings	**6.24%**	**1,401**	**47,664**	**218,818**	**–**	**267,883**	**263,567**
Trade payables	**–**	**65,986**	**188,367**	**–**	**–**	**254,353**	**254,353**
Other payables	**–**	**16,381**	**–**	**3,967**	**–**	**20,348**	**20,348**
Lease liabilities	**6.2%**	**366**	**731**	**4,329**	**9,081**	**14,507**	**13,054**
		84,134	**236,762**	**227,114**	**9,081**	**557,091**	**551,322**

	Weighted average interest rate %	On demand or less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
2020							
Borrowings	5.84	1,173	94,184	147,196	–	242,553	232,906
Trade payables	–	32,610	107,980	–	–	140,590	140,590
Other payables	–	9,822	–	11,544	–	21,366	21,366
Lease liabilities	7.13	324	648	1,505	550	3,027	2,896
		43,929	202,812	160,245	550	407,536	397,758

39. FINANCIAL INSTRUMENTS (Continued)

c. Fair value measurements of financial instruments

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. Level 1 valuation methodology has been applied to the financial assets at FVTPL of approximately HK$1,761,000 as at 31 December 2020. In estimating the fair value, the Group uses market-observable data to the extent it is available.

During the years ended 31 December 2021 and 2020, there have been no significant transfers between Level 1 and 2 or transfers into or out of Level 3.

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

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

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

40. 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 financing activities.

	Borrowings	**Interest payables**	**Lease liabilities**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(note 28)		*(note 29)*	
At 1 January 2020	254,441	–	5,463	259,904
Finance costs	–	13,177	272	13,449
New leases entered	–	–	1,019	1,019
Financing cash flows	(31,470)	(11,556)	(3,902)	(46,928)
Foreign exchange translation	9,935	–	44	9,979
At 31 December 2020	232,906	1,621	2,896	237,423
Finance costs	**–**	**15,538**	**541**	**16,079**
New leases entered	**–**	**–**	**15,950**	**15,950**
Financing cash flows	**25,970**	**(17,159)**	**(6,506)**	**2,305**
Foreign exchange translation	**4,691**	**–**	**173**	**4,864**
At 31 December 2021	**263,567**	**–**	**13,054**	**276,621**

41. MATERIAL RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

	2021	2020
	HK$'000	*HK$'000*
Rental income received from a related company in which a key management personnel of the Company has significant influence	**324**	312
Interest expenses paid to a substantial shareholder of the Company	**1,564**	2,178
	1,888	2,490

Compensation of key management personnel

The remuneration of key management, comprising the directors of the Company, during the year was as follows:

	2021	2020
	HK$'000	*HK$'000*
Short-term benefits	**4,573**	4,181
Post-employment benefits	**41**	372
	4,614	4,553

The remuneration of key management, comprising the directors of the Company, is determined having regard to the performance of individuals and market trends.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name	Place of incorporation/ registration	Registered capital paid up	2021 Percentage of equity attributable to the company		2020 Percentage of equity attributable to the company		Principal activities
			Direct	Indirect	Direct	Indirect	
Amazing Express	BVI	Ordinary US$1	-	-	-	-	Investment holding/Hong Kong
Alliance Credit Services Limited	Hong Kong	Ordinary HK$10,000	-	100%	-	100%	Provision of credit finance services
Big Crown Investments Limited	Hong Kong	Ordinary HK$1	-	100%	-	100%	Trading of securities
Billion Pride Group Limited	BVI	Ordinary US$1	100%	-	100%	-	Investment holding
Central Information Limited	Hong Kong	Ordinary HK$100	-	100%	-	100%	Trading of securities and provision of management services
Chongxin Co., Limited	Hong Kong	Ordinary HK$1	-	100%	-	100%	Investment holding
Excellent Harvest	BVI	Ordinary US$1	-	-	-	-	Investment holding
Luxtone HK Limited	Hong Kong	Ordinary HK$1	-	100%	-	100%	Investment holding
Sewco (B.V.I.) Limited	British Virgin Islands	Ordinary US$401	100%	-	100%	-	Investment holding
Sewco Toys & Novelty Limited	Hong Kong	Ordinary HK$76,000,200 Non-voting deferred HK$420,000	-	100%	-	100%	Investment holding and trading of toys products
Talent Management Services Limited	Hong Kong	Ordinary HK$1	-	100%	-	100%	Provision of management services
中山崇高玩具製品廠限公司 (Zhongshan Sewco Toys & Novelty Limited*)#	The PRC	Paid-up capital HK$124,300,000	-	100%	-	100%	Manufacturing and sales of toys products
北京琉石網絡技術有限公司#	The PRC	Paid-up capital US$1,750,000	-	100%	-	100%	Investment holding
宜諾科技(蘇州)有限公司# Yi Nuo Technology (Suzhou) Co., Limited	The PRC	Paid-up capital US$22,349,950	-	100%	-	100%	Lease of properties
海南瀛晟科技產業投資有限公司#	The PRC	Paid-up capital US$1,869,680	-	100%	-	100%	Investment holding
海南中置實業有限公司#	The PRC	Paid-up capital US$5,800,000	-	100%	-	100%	Investment holding

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

A wholly foreign-owned enterprise registered in the PRC.

* For identification purpose only.

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

43. EVENTS AFTER END OF THE REPORTING PERIOD

Subsequent to 31 December 2021 and up to the date of this report, the following events took place:

(a) On 21 March 2022, Billion Pride Group Limited, a wholly-owned subsidiary of the Company, being the vendor (the "Haikou Vendor"), and an independent third party, being the purchaser (the "Haikou Purchaser"), entered into a disposal agreement, pursuant to which, the Haikou Vendor agreed to sell and the Haikou Purchaser agreed to acquire, 60% of the total issued share capital of, and 60% of the shareholder's loan owed by Enormous Fortune Business Limited to the Haikou Vendor, at the cash consideration of HK$15,000,000. The major asset being disposed is the investment property situated in Haikou in the PRC;

(b) Following the Company's announcement on 24 August 2021 in relation to the receipt of summons, where the First Defendant and a wholly owned subsidiary of the Company became the two defendants to be required to refund a deposit of RMB20,000,000 paid by the plaintiff. In March 2022, the court has made a verdict that the First Defendant is liable to repay the RMB24,074,000 (equivalent to approximately HK$29,029,000), and should the First Defendant is unable to repay such amount, the Group will need to repay half of the payment (i.e. HK$14,515,000).

Although both the First Defendant and the Group are appealing this case, the Group has made a provision for potential loss of HK$14,515,000 during the year ended 31 December 2021 for this legal case based on the verdict, should the appeal is not successful in future or the First Defendant is unable to pay the plaintiff the repayment; and

(c) Following the Company's announcement on 24 September 2021 in relation to the entering into of the subscription agreement (the "Subscription Agreement") and the proposed issue of convertible bonds, where an independent third party (the "Subscriber") has conditionally agreed to subscribe for; and the Company has conditionally agreed to issue the convertible bonds in the principal amount of HK$73,000,000 at a conversion price of HK$0.1 per conversion share. Following the Company's announcement on 31 March 2022, the Company and the Subscriber have decided not to proceed with this subscription and the proposed issue of convertible bonds, accordingly the Company and the Subscriber entered into of a deed of termination (the "Deed of Termination") pursuant to which the parties to the subscription agreed that the Subscription Agreement shall be terminated and shall cease to be binding upon the parties thereto with effect from the date of the Deed of Termination and the parties thereto mutually release and discharge each other from all obligations, duties, responsibilities, claims and liabilities whatsoever of whatever nature owed to any other party (if any) arising out of or in connection with the Subscription Agreement.

44. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Interests in subsidiaries	*(a)*	**–**	83,779
Current assets			
Prepayments, deposits and other receivables		**331**	298
Bank balances and cash		**2,442**	592
		2,773	890
Current liabilities			
Other payables and accruals		**36,847**	5,238
Borrowing		**45,000**	45,000
Amounts due to subsidiaries		**890**	–
		82,737	50,238
Net current liabilities		**(79,964)**	(49,348)
Total assets less current liabilities		**(79,964)**	34,431
Net (liabilities) assets		**(79,964)**	34,431
Capital and reserves			
Share capital	*31*	**366,186**	366,186
Deficit	*(b)*	**(446,150)**	(331,755)
(Capital deficiencies) total equity		**(79,964)**	34,431

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

Notes:

(a) The amounts due from subsidiaries are classified under non-current asset as the directors of the Company consider that the amounts due from subsidiaries are part of the investments in subsidiaries. The amounts are unsecured, interest free and repayable on demand.

(b) Movement in the Company's reserves

	Share premium *HK$'000*	Contributed surplus *HK$'000*	Share option reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2020	942,400	152,762	37,716	(1,391,435)	(258,557)
Total comprehensive expense for the year	–	–	–	(73,198)	(73,198)
Share option lapsed *(note 32)*	–	–	(37,716)	37,716	–
At 31 December 2020	942,400	152,762	–	(1,426,917)	(331,755)
Total comprehensive expense for the year	**–**	**–**	**–**	**(114,395)**	**(114,395)**
At 31 December 2021	**942,400**	**152,762**	**–**	**(1,541,312)**	**(446,150)**

FIVE YEARS FINANCIAL SUMMARY

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

	Year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
Continuing operations					
Revenue	**724,627**	364,311	649,490	636,882	589,933
Cost of sales	**(687,370)**	(345,796)	(574,551)	(567,137)	(502,364)
Gross profit	**37,257**	18,515	74,939	69,745	87,569
Other income, gains and losses	**(10,475)**	(6,999)	16,822	16,589	(7,027)
Selling and distribution costs	**(5,710)**	(4,109)	(6,403)	(8,183)	(9,441)
Administrative expenses	**(78,522)**	(72,446)	(76,431)	(186,172)	(101,277)
Impairment loss on property, plant and equipment	**(30,704)**	–	–	–	–
Impairment loss on right-of-use assets	**(3,140)**	–	–	–	–
Gain on disposal of subsidiaries	**–**	7,991	–	–	–
Research and development expenses	**–**	(336)	(2,523)	(1,972)	(6,389)
Changes in fair value of financial assets at fair value through profit or loss	**100**	(2,929)	(10,689)	(9,999)	(7,016)
Other operating expenses	**(22,600)**	(28,358)	(14,404)	(15,616)	(12,436)
Finance costs	**(16,079)**	(13,449)	(14,785)	(8,745)	(11,808)
Loss before taxation from continuing operations	**(129,873)**	(102,120)	(33,474)	(144,353)	(67,825)
Income tax credit (expense)	**(6,142)**	6,341	(8,948)	(9,272)	(9,908)
Loss for the year from continuing operations	**(136,015)**	(95,779)	(42,422)	(153,625)	(77,733)
Loss for the year	**(136,015)**	(95,779)	(42,422)	(153,625)	(77,733)

	As at 31 December				
	2021	2020	2019	2018	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
Total assets	**550,348**	484,688	595,752	524,846	752,852
Total liabilities	**(649,290)**	(446,787)	(475,473)	(360,509)	(419,684)
Total equity	**(98,942)**	37,901	120,279	164,337	333,168