

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

Orange Tour Cultural Holding Limited
旅橙文化控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8627

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the “**Board**”) of directors (the “**Directors**”) of Orange Tour Cultural Holding Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) hereby announces the audited annual results of the Company and its subsidiaries for the year ended 31 December 2021.

This announcement, containing the full text of the 2021 annual report of the Company (the “**Annual Report**”), complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) in relation to the information to accompany the preliminary announcement of annual results. Printed version of the Annual Report containing the information required by the GEM Listing Rules will be despatched to the shareholders of the Company in due course in the manner as required by the GEM Listing Rules.

By order of the Board
Orange Tour Cultural Holding Limited
Zhou Yang
Chairman and Executive Director

Hong Kong, 25 March 2022

As at the date of this announcement, the Board comprises Mr. Zhou Yang and Ms. Song Ruiqing as executive Directors; and Mr. Ho Yau Kwok, Mr. Wong Kin Yip and Mr. Yip Koon Shing as independent non-executive Directors.

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

This announcement will remain on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk on the “Latest Listed Company Information” page for at least 7 days from the date of its posting and will be published on the Company’s website at www.otch.com.cn.

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

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

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

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of this report.

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



CONTENTS

| | |
|---|----|
| Corporate Information | 2 |
| Financial Summary | 3 |
| Chairman's Statement | 4 |
| Management Discussion and Analysis | 5 |
| Biographical Details of the Directors and Senior Management | 13 |
| Environmental, Social and Governance Report | 17 |
| Directors' Report | 31 |
| Corporate Governance Report | 40 |
| Independent Auditor's Report | 52 |
| Consolidated Statement of Comprehensive Income | 57 |
| Consolidated Statement of Financial Position | 58 |
| Consolidated Statement of Changes in Equity | 59 |
| Consolidated Statement of Cash Flows | 60 |
| Notes to the Consolidated Financial Statements | 62 |



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhou Yang (*Chairman*)
Ms. Song Ruiqing (*Chief Executive Officer*)

Independent Non-executive Directors

Mr. Ho Yau Kwok
Mr. Yip Koon Shing
Mr. Wong Kin Yip

BOARD COMMITTEES

Audit Committee

Mr. Ho Yau Kwok (*Chairman*)
Mr. Yip Koon Shing
Mr. Wong Kin Yip

Remuneration Committee

Mr. Yip Koon Shing (*Chairman*)
Ms. Song Ruiqing
Mr. Wong Kin Yip

Nomination Committee

Mr. Zhou Yang (*Chairman*)
Mr. Ho Yau Kwok
Mr. Yip Koon Shing

COMPANY SECRETARY

Mr. Wong Tik Man

AUTHORISED REPRESENTATIVES

Mr. Zhou Yang
Mr. Wong Tik Man

COMPLIANCE OFFICER

Mr. Zhou Yang

COMPLIANCE ADVISER

Frontpage Capital Limited
26/F, Siu On Centre
188 Lockhart Road
Wan Chai
Hong Kong

AUDITOR

Moore Stephens CPA Limited
Registered Public Interest Entity Auditor
801-806 Silvercord, Tower 1
30 Canton Road
Tsimshatsui
Kowloon
Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Sertus Chambers
Governors Square
Suite #5-204
23 Lime Tree Bay Avenue
P.O. Box 2547
Grand Cayman, KY1-1104
Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Composite Building
Xiazhang Village
Yicheng Subdistrict
Yixing City
Jiangsu Province
The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 813, 8/F
Tai Yau Building
181 Johnston Road
Wan Chai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Appleby Global Services (Cayman) Limited
71 Fort Street
P.O. Box 500
George Town
Grand Cayman KY1-1106
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17/F, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong (effective from 7 February 2022)

PRINCIPAL BANKS

China Construction Bank (Asia) Corporation Limited
Industrial and Commercial Bank of China Limited

COMPANY'S WEBSITE

www.otch.com.cn

STOCK CODE

8627

FINANCIAL SUMMARY

FINANCIAL SUMMARY

| | For the year ended 31 December | | | | |
|---|--------------------------------|----------|----------|----------|----------|
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Revenue | 30,183 | 22,061 | 60,998 | 53,358 | 40,877 |
| Other income and gains | 322 | 881 | 153 | 309 | 108 |
| Project costs | (12,406) | (9,474) | (22,117) | (19,959) | (12,235) |
| Depreciation of property, plant and equipment | (540) | (472) | (264) | (329) | (387) |
| Employee benefits expense | (12,633) | (10,307) | (11,984) | (11,143) | (10,083) |
| (Provision for)/reversal of expected credit loss on trade receivables, net | (84) | 363 | (666) | (360) | (83) |
| Other operating expenses | (4,132) | (4,412) | (4,130) | (2,467) | (1,840) |
| Listing expenses | – | – | (6,870) | (8,048) | – |
| Finance costs | – | (6) | (11) | – | – |
| Share of loss of an associate | (3) | – | – | – | – |
| Profit/(loss) before income tax | 707 | (1,366) | 15,109 | 11,361 | 16,357 |
| Income tax expense | (1,475) | (446) | (6,230) | (5,054) | (4,103) |
| (Loss)/profit for the year attributable to the owners of the Company | (768) | (1,812) | 8,879 | 6,307 | 12,254 |

SUMMARY OF SELECTED ITEMS IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | At as 31 December | | | | |
|--------------------------|-------------------|---------|---------|---------|---------|
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Total non-current assets | 960 | 1,182 | 556 | 5,323 | 630 |
| Total current assets | 104,044 | 102,634 | 111,253 | 53,678 | 58,654 |
| Total assets | 105,004 | 103,816 | 111,809 | 59,001 | 59,284 |
| Total liabilities | 15,092 | 13,187 | 19,266 | 14,934 | 25,148 |
| Total equity | 89,912 | 90,629 | 92,543 | 44,067 | 34,136 |



CHAIRMAN'S STATEMENT

Dear Shareholders

On behalf of the Board of Directors, I would like to present the annual report of the consolidated results of the Group for the financial year ended 31 December 2021 (“**FY2021**”) for all shareholders of the Company.

2021 is a year of prudent efforts and a year of seeking progress amidst stability. Under the waves of the outbreak of Covid-19 epidemic (the “**Epidemic**”), we deeply appreciate the preciousness of life and the importance of safety. Despite of the challenging environment, the Group strived to stimulate the business growth and maintain our position among the industry peers in the markets.

The Group recorded a net loss of approximately RMB0.8 million for FY2021 as compared with a net loss of approximately RMB1.8 million for the year ended 31 December 2020 (“**FY2020**”). The Board is of the view that the decrease in net loss is mainly due to the increase in revenue for the FY2021 as compared with FY2020, amidst the gradual recovery of the general economy of the PRC. The basic and diluted loss per share for the FY2021 was RMB0.10 cents, compared to a basic and diluted loss per share of RMB0.23 cents for the FY 2020.

Looking forward, given the emergence of new variants of the coronavirus, the number of infected cases remained volatile and the Epidemic may not fade out in short run. Although the financial performance of the Group has been improving, the Group will remain cautious in developing and operating its business. With the hard-working and innovative spirit, the Group will continue to embrace its visions and goals and realise plans in practice. We will cooperate with talents and enterprises, which have common aspirations with us, to line up the market and culture. We will also refine ourselves in our existing fields and forge ahead pragmatically to expand the market of the Group.

All in all, on behalf of the Board, I would like to express my sincere gratitude to all shareholders, customers, and business partners for your unrelenting trust and support, and commend our management team and relevant employees for your continued dedication and contributions to our Group.

Zhou Yang
Chairman and Executive Director

Hong Kong, 25 March 2022



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is a marketing services company headquartered in Yixing of the People's Republic of China (“**PRC**”) with a principal focus on the provision of (i) event management services; and (ii) design and production services. Commenced its business under its predecessor, the Group has accumulated over 15 years of experience in the provision of marketing services. Over the years, the Group has developed well-established relationships with customers from governmental and commercial sectors in the PRC.

The Group recorded a net loss of approximately RMB0.8 million for FY2021 as compared with a net loss of approximately RMB1.8 million for FY2020. The Directors considers that the decrease of the net loss was primarily attributable to the increase in revenue for FY2021 as comparing with FY2020, which resulted from the increase of demand and contract value for the contracts during the year under the gradual recovery of the general economy in the PRC.

Although the financial performance of the Group has been improving gradually, the novel coronavirus (COVID-19) epidemic (the “**Epidemic**”) and the emergence of new variants of the coronavirus has continued to pose significant challenges to the Group during the year. For instance, different regional cities were still subject to various level of community and travel quarantine, which has affected social and business activities within the cities. As a result, certain marketing projects, especially the event management projects, have been delayed unceasingly or even cancelled under the Epidemic. Besides, enterprises have continued to operate with a reduced marketing budget and spend cautiously throughout the year, which has resulted in the decrease in demand of the marketing services. The foregoing challenges has hindered the Group not recovering to pre-pandemic levels during the year.

Looking forward, the Group expects the operating results will depend on the pace of economic recovery in the PRC. Given the emergence of new variants of the coronavirus, it shows little sign of ending in the short run. Therefore, the Directors will continue to assess the impact of the Epidemic on the Group's operation and financial performance and closely monitor the Group's exposure to the risks and uncertainties in connection with the Epidemic. The Group will take appropriate measures as and when necessary. The Group is ready to move into another new year with both cautious optimism and a readiness to respond to potential market disruption.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group generates revenue from the provision of (i) event management services; and (ii) design and production services in the PRC. The following table sets forth the breakdown of revenue from business operations for FY2020 and FY2021.

| | Year ended 31 December | | | |
|--------------------------------|------------------------|---------------|---------|--------|
| | 2021 | | 2020 | |
| | RMB'000 | % | RMB'000 | % |
| Event management services | 10,175 | 33.7% | 6,978 | 31.6% |
| Design and production services | 20,008 | 66.3% | 15,083 | 68.4% |
| | 30,183 | 100.0% | 22,061 | 100.0% |

Revenue increased from approximately RMB22.1 million for FY2020 to approximately RMB30.2 million for FY2021, representing an increase of approximately RMB8.1 million or 36.8%. Such increase was mainly due to the increase in number of projects undertaken and the value of the contracts for both services for FY2021.

Over the past year, the provision of event management services was the main source of revenue stream of the Group. Although the market demand has been rebounding back, the ongoing Epidemic has continually affected this service sector drastically as numbers of event management projects were cancelled or delayed due to various levels of community and travel quarantine measures adopted in different regional cities. As a result, the revenue generated from this sector was just accounted for 33.7% of total revenue despite experiencing an increase of revenue by approximately 45.8% from approximately RMB7.0 million for FY2020 to approximately RMB10.2 million for FY2021.

For design and production services, as driven by the increase in the number of projects undertaken as a result of the increasing demand of digital marketing under the Epidemic, its revenue increased from approximately RMB15.1 million for FY2020 to approximately RMB20.0 million for FY2021, representing an increase of approximately 32.7% and accounting for 66.3% of the total revenue.

Other income and gains

Other income and gains decreased from approximately RMB881,000 for FY2020 to approximately RMB322,000 for FY2021, representing a decrease of approximately RMB559,000 or 63.5%. Such decrease was primarily due to the decrease of interest income derived from the time deposit and decrease in exchange gain for FY2021.

Project costs

Project costs increased by approximately RMB2.9 million, or 30.9%, from approximately RMB9.5 million for FY2020 to approximately RMB12.4 million for FY2021. Such increase was generally in line with the increase in revenue as a result of the increase in the number of projects undertaken by the Group for FY2021.



MANAGEMENT DISCUSSION AND ANALYSIS

Employee benefits expense

Employee benefits expense increased from approximately RMB10.3 million for FY2020 to approximately RMB12.6 million for FY2021, representing an increase of approximately RMB2.3 million or 22.6%. Such increase was primarily due to the increase in the number of staff for FY2021.

Other operating expenses

Other operating expenses remained relatively stable at approximately RMB4.4 million and RMB4.1 million for FY2020 and FY2021, respectively.

Expected credit loss on trade receivables

The Group recorded a provision for expected credit loss on trade receivable of approximately RMB84,000 for FY2021 as compared with a reversal of expected credit loss on trade receivable of approximately RMB363,000 for FY2020, which was mainly due to increase in expected credit loss on certain long outstanding balance of trade receivables during the year.

Finance costs

Finance costs represents the interest expense recognised in respect of the lease liabilities in relation to the lease of the office premises. There were no material changes in finance costs for FY2020 and FY2021, which amounted to approximately RMB6,000 and nil, respectively.

Loss for the year and loss per share

As a result of the foregoing, the Group recorded a net loss of RMB0.8 million for FY2021 as compared with a net loss of RMB1.8 million for FY2020, representing a decrease of approximately RMB1.0 million or 57.6%. Basic and diluted loss per share for FY2021 were RMB0.10 cents as compared with basic and diluted loss per share of RMB0.23 cents for FY2020.

SEGMENT INFORMATION

Segment information is presented for the Group as disclosed on Note 6 to the consolidated financial statements.

DIVIDEND

The Directors do not recommend the payment of a final dividend for FY2021 (2020: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group finances its liquidity and capital requirements primarily through cash generated from operations and equity contribution from shareholders.

As at 31 December 2021, the Group had cash and cash equivalents of approximately RMB92.9 million (2020: RMB43.5 million). As of the same date, the Group did not have any bank borrowings and lease liabilities (2020: Nil).

As at 31 December 2021, the Group's total equity attributable to owners of the Company amounted to approximately RMB89.9 million (2020: RMB90.6 million).



MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS

As at 31 December 2021, none of the Group's assets was pledged (2020: Nil).

GEARING RATIO

Gearing ratio is calculated as total interest-bearing debt divided by total equity and multiplied by 100%. The Group did not have any gearing ratio for FY2021 (2020: Nil) as the Group did not have any interest bearing debt as at 31 December 2021.

TREASURY POLICY

The Directors will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Group that is likely to have a material and adverse effect on the Group's business, financial condition or results of operations (2020: Nil).

FOREIGN EXCHANGE EXPOSURE

All of the revenue-generating operations of the Group were mainly transacted in RMB which is the presentation currency of the Group. As such, the Directors are of the view that the Group did not have significant exposure to foreign exchange risk. The Group currently does not have a foreign currency hedging policy.

CAPITAL STRUCTURE

The shares of the Company were successfully listed on GEM of the Stock Exchange on 14 November 2019 (the "Listing Date"). There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares. As at 31 December 2021, the Company's issued share capital was RMB5.6 million and the number of its issued ordinary shares was 800,000,000 of US\$0.001 each.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

With reference to the announcement of the Company dated 29 November 2019, the Directors is in the progress of looking for a suitable property for new headquarter in Yixing in order to cope with the business expansion of the Group. Save for the establishment of the new headquarter, the Group did not have other plans for material investments or capital assets as of 31 December 2021.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures for FY2021.

CAPITAL COMMITMENTS

As at 31 December 2021, the Group had no capital commitment (2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

COMPARISON OF BUSINESS OBJECTIVE WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set in the prospectus of the Company dated 30 October 2019 (“Prospectus”) with the Group’s actual business progress for the period from the Listing Date to 31 December 2021 is set out below:

| Business and strategy as stated in the Prospectus | Business objectives as stated in the Prospectus | Actual business progress up to 31 December 2021 |
|---|---|--|
| Establishment of new branch offices in Wuxi and Beijing | <ul style="list-style-type: none"> <li data-bbox="630 685 1018 814">– Recruitment of one general manager for setting up the branch offices in Wuxi and Beijing <li data-bbox="630 847 1018 1095">– Recruitment of 22 additional staff, including three operation managers, 17 staff for event management and/or design and two accounting and administrative staff to support the business operation for the branch office in Wuxi <li data-bbox="630 1127 1018 1375">– Recruitment of 11 additional staff, including two operation managers, seven staff for event management and/or design and two accounting and administration staff to support the business operation for the branch office in Beijing <li data-bbox="630 1407 1018 1548">– Purchase of fixtures, furniture and office equipment for the new branch offices in Wuxi and Beijing <li data-bbox="630 1580 1018 1677">– Payment of renovation costs for the new branch offices in Wuxi and Beijing <li data-bbox="630 1709 1018 1828">– Payment of staff costs of the additional staff recruited for the branch offices in Wuxi and Beijing <li data-bbox="630 1860 1018 1957">– Payment of rental expenses for the new branch offices in Wuxi and Beijing | <p data-bbox="1029 685 1436 1116">For the new branch office in Wuxi, the Group has completed the renovation works of the new office rented and new fixtures, furniture and office equipment have been acquired and the branch office in Wuxi has commenced its operation during FY2020. A general manager, three operation managers, 17 staff for event management and/or design and two accounting and administrative staff have been recruited.</p> <p data-bbox="1029 1149 1436 1655">For the establishment of new branch office in Beijing, the Group is in the progress of identifying the suitable premises for the new office. Due to continuing uncertainty as brought by the Epidemic and implementation of high degree of anti-epidemic measures in Beijing, the Group is cautious about the timing of the expansion of its business in Beijing and will continuously assess the development of the market conditions so as to capture the opportunities arising from gradually recovering market.</p> |



MANAGEMENT DISCUSSION AND ANALYSIS

| Business and strategy as stated in the Prospectus | Business objectives as stated in the Prospectus | Actual business progress up to 31 December 2021 |
|--|--|---|
| Setting up a sales and marketing team and the enhancement of marketing efforts | <ul style="list-style-type: none"> – Recruitment of eight additional staff for setting up the sales and marketing team – Carrying out marketing and promotional activities in different cities and regions in the PRC – Payment of staff costs of the additional staff recruited | <p>Eight additional staff has been recruited for the Group's sales and marketing team. The Group commenced to carry out some marketing and promotional activities in order to capture the potential customers from the recovering market and increase of enhancement of brand awareness. Due to the uncertainty of Epidemic, the Group is cautious in the marketing spending and to select suitable marketing activities to promote the growth.</p> |
| Setting up an in-house multimedia production and design team | <ul style="list-style-type: none"> – Recruitment of one general manager for setting up the multimedia production and design team – Recruitment of 10 additional staff including one director, three animators and designers, one scriptwriter, three videographers and two post-production editors to support the operation of the multimedia production and design team – Payment of staff costs of the additional staff to be recruited – Purchase of audiovisual equipment and hardware | <p>Under the instability caused by the Epidemic, the Group has carefully evaluated by accessing profitability of such business and the current market conditions. The Group decided to slow down the recruitment plan as the outbreak of the Epidemic remained volatile in the PRC.</p> |

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF NET PROCEEDS FROM THE LISTING

The Company successfully listed its shares on GEM of the Stock Exchange on the Listing Date by way of public offer and placing and the net proceeds from the listing of the Company were approximately HK\$27.2 million. The Company intends to apply the net proceeds in the same proportion and in the same manner as shown in the Prospectus. An analysis of the utilisation of the net proceeds is set out as below:

| | Planned use of net proceeds as disclosed in the Prospectus HK\$ million | Actual use of net proceeds up to 31 December 2021 HK\$ million | Unutilised net proceeds as at 31 December 2021 HK\$ million | Expected timeline for utilising remaining unused net proceeds (Note) |
|--|---|--|--|---|
| Business objective and strategy | | | | |
| Establishment of new branch offices in Wuxi and Beijing | 12.6 | 5.0 | 7.6 | Expected to be fully utilised by 31 December 2022 |
| Setting up a sales and marketing team and the enhancement of marketing efforts | 6.6 | 3.7 | 2.9 | Expected to be fully utilised by 31 December 2022 |
| Setting up an in-house multimedia production and design team | 5.4 | – | 5.4 | Expected to be fully utilised by 31 December 2022 |
| General working capital | 2.6 | 2.6 | – | Fully utilised |

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

In light of the outbreak of the Epidemic, the marketing service sector has been adversely affected in the PRC. The Group will remain cautious in utilising its net proceeds from the Listing in order to mitigate the business risks exposed to the Group under the Epidemic. The Directors will continually evaluate the Group's business objective and strategies, and will change or modify the plans in line with market conditions to stimulate business growth of the Group.

All unutilised balances has been deposited in the licensed banks in the PRC.

PRINCIPAL RISKS AND UNCERTAINTIES

Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of the reporting period, 70% (2020: 13%) and 30% (2020: 85%) of the total bank deposits (including time deposit and bank balances) were placed in two financial institutions respectively with good standing in the PRC.

The carrying amount of trade and other receivables represent the Group's maximum exposure to credit risk in relation to its financial assets. No other financial assets carry a significant exposure to credit risk.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent.



MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2021, the Group has a certain concentration of credit risk as 26% of gross trade receivables was due from the Group's five largest customers. As at 31 December 2020, the Group had a certain concentration of credit risk as 35% of gross trade receivables was due from the Group's largest customer while 43% of gross trade receivables was due from the Group's five largest customers.

Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was matured either within one year or on demand.

COMPLIANCE WITH LAWS AND REGULATIONS

The Directors uphold high standards and meet relevant requirements under applicable laws or ordinances when conducting our business. The Directors did not identify non-compliance or breach of relevant standards, rules and regulations for FY2021.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Directors have overall responsibility for the Group's environmental, social and governance ("ESG") strategy and reporting. The Directors are responsible for the Group's ESG risk management and internal control systems to ensure that the ESG strategies and reporting requirements are met.

Details of ESG performance of the Group are set out in the section headed "Environmental, Social and Governance Report" section of this annual report.

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS AND EMPLOYEES

The Group maintains a good relationship with its employees and certain policies have been implemented to ensure that its employees are provided with competitive remuneration, good welfare benefits and continuous professional training. The Group also maintains good relationships with its customers and suppliers, without whom success in the Group's production and operation would be at risk.

INFORMATION ON EMPLOYEES

As at 31 December 2021, the Group had 90 employees (2020: 59 employees). The total staff costs (including remuneration of Directors) amounted to approximately RMB10.3 million and RMB12.6 million for FY2020 and FY2021 respectively. Employees are remunerated based on their qualifications, position and performance. The remuneration offered to employees generally includes salaries, allowances, defined contribution retirement plans and discretionary bonus. Various kinds of trainings were provided to the employees.

MATERIAL EVENTS SINCE THE END OF THE FINANCIAL PERIOD

Save as disclosed in this report, there has no other important event affecting the Group since 31 December 2021 and up to the date of this report.



BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out as follows:

EXECUTIVE DIRECTORS

Mr. Zhou Yang (周楊先生) (“Mr. Zhou”), aged 42, is the chairman of the Board, an executive Director and a controlling shareholder of the Group (the “**Controlling Shareholder**”). He was appointed as Director on 13 April 2018 and re-designated as the chairman of the Board and the executive Director on 24 July 2018. He is responsible for overseeing the management and business operations of the Group and formulating the marketing strategies for the Group.

Prior to establishing our Group with Ms. Song in May 2014, Mr. Zhou worked for China Life Insurance Company Limited (stock code: 02628), a company listed on Main Board of The Stock Exchange of Hong Kong Limited (“**Main Board**”), from December 2002 to April 2012 where he was involved in a number of managerial positions in various departments and once served as an assistant general manager of the Yixing branch. From May 2012 to March 2013, he worked for Yixing Guohao Biological Environmental Protection Co., Ltd. (宜興國豪生物環保有限公司) and Zhongjieneng Guohao Biological Environmental Protection Co., Ltd. (中節能國豪生物環保有限公司) as a general manager assistant of the sales department and subsequently joined Yixing City Xiashu Advertising Workshop (“**Xiashu Workshop**”) (宜興市夏樹廣告工作室) in April 2013.

Mr. Zhou completed his undergraduate studies in Electronic and Information Technology (電子與信息技術) from the China University of Mining and Technology in July 2002.

Ms. Song Ruiqing (宋瑞清女士) (“Ms. Song”), aged 43, is the chief executive officer, an executive Director and a Controlling Shareholder. She was appointed as Director on 13 April 2018 and re-designated as chief executive officer and executive Director on 24 July 2018. She is responsible for managing the design and creative aspects of the Group’s business, overseeing the Group’s market position and supervising the administrative department.

Ms. Song has over 20 years of experience in marketing industry. She has extensive knowledge in marketing, brand promotion, advertising strategies, design and creative production through her past working experience, which has played a significant role in enhancing the scale of operations of our Group. Prior to setting up Xiashu Workshop and establishing our Group, she worked for Wuxi Dawei Property Consultancy Limited (無錫大衛不動產顧問有限公司) as a project director from July 2001 to February 2003. She then served as a senior management of Guangzhou City Baiyang Advertising Company Limited (廣州市白陽廣告有限公司) from March 2003 to June 2005. Subsequently, she worked as an editor for Yixing Daily (宜興日報) since July 2005. In August 2006, she set up Xiashu Workshop and decided to devote all her time on it since then.

Ms. Song obtained her college degree in radio and television journalism (廣播電視新聞) from the China University of Mining and Technology in July 2001. She has been a member of Yixing Author Association (宜興市作家協會) since June 2008.



BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Yau Kwok (何有國先生) (“Mr. Ho”), aged 48, was appointed as independent non-executive Director of the Company on 21 October 2019. Mr. Ho is responsible for providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Group.

Mr. Ho has over 20 years of experience in banking and financial service sector. Mr. Ho was appointed as director of Grand Harvest Finance Ltd since December 2021. He was the director of ABN AMRO Bank N.V. Hong Kong Branch from August 2010 to December 2020. Prior to that, he served for various financial institutions including Standard Chartered Bank (Hong Kong) Limited, Fortis Bank, Ernst & Young Transactions Limited, China CITIC Bank International Limited and Nanyang Commercial Bank Limited.

Mr. Ho obtained a Bachelor of Arts in Accountancy from The Hong Kong Polytechnic University in November 1996 and further obtained a Master of Laws in Chinese Business Law from The Chinese University of Hong Kong in December 2010. He was admitted as a member of The Association of Chartered Certified Accountants in May 2003 and has become a fellow of The Association of Chartered Certified Accountants since March 2008. He was also admitted as a member and a fellow of the Hong Kong Institute of Certified Public Accountant in July 2003 and June 2010 respectively. He was accredited as a chartered financial analyst by the CFA Institute in September 2004 and admitted as an associate member of The Hong Kong Institute of Bankers in May 2005.

Mr. Yip Koon Shing (葉冠成先生) (“Mr. Yip”), aged 56, was appointed as independent non-executive Director of the Company on 21 October 2019. Mr. Yip is responsible for providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Group.

Mr. Yip has almost 30 years of experience in transportation and logistics services industry. Currently, he is the chief executive of Good One Container Lines Limited. Prior to joining Good One Container Lines Limited in March 1997. He worked in Jardine Matheson & Co. from 1991 to 1997 with his last position held as an assistant general manager.

Mr. Yip obtained a Bachelor of Science in Business Administration from California State Polytechnic University, Pomona in June 1988. He received a Master of Business Administration from Loyola Marymount University in Los Angeles in May 1992.



BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Wong Kin Yip (黃建業先生) (“Mr. Wong”), aged 48, was appointed as independent non-executive Director of the Company on 21 October 2019. Mr. Wong is responsible for providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Group.

Currently, Mr. Wong is the deputy director of Yue Yuen Industrial (Holdings) Limited (stock code: 0551), a company listed on the Main Board, since October 2019. Prior to that, he served for various multinational corporations including Jones Lang LaSalle Limited, FPD Savills Property Management Limited, Chinese Estates, Limited, East Pacific Holdings Limited, Galaxy Casino, S.A., New World China Land Limited and VXL Capital Limited.

Mr. Wong received a Bachelor of Science in Real Estate from The Hong Kong Polytechnic University in November 1997 and a Certificate in Shopping Centre Management from the University of Hong Kong – School of Professional and Continuing Education in October 2002. He obtained a Master of Business Administration (Financial Services) from The Hong Kong Polytechnic University in October 2009. He further obtained a Master of Arts in Buddhist Studies since November 2019 from The Chinese University of Hong Kong. He enrolled a programme of Doctor of International Real Estate and Construction from The Hong Kong Polytechnic University in 2020. He was admitted as a member of The Hong Kong Institute of Surveyors in February 2004, and subsequently as a professional member of The Royal Institution of Chartered Surveyors in December 2006. He was admitted as member of the China Institute of Real Estate Appraisers and Agents in October 2011 and an associate member of the Hong Kong Institute of Arbitrators in May 2013. He is now registered with the Surveyors Registration Board as a registered professional surveyor in general practice Division.



BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Suen Wai Hin (孫偉騫先生) (“Mr. Suen”), aged 34, was appointed as the chief financial officer of the Group on 8 June 2018. He is responsible for managing our financial team and supervising our Group’s treasury, financial reporting, tax and other related financial matters.

Mr. Suen received a Bachelor of Commerce from The University of Sydney in October 2010. Prior to joining our Group, He worked for Deloitte Touche Tohmatsu, Hong Kong carrying out auditing and assurance works with his last position held as a manager in April 2018. He was admitted as a member of CPA Australia in July 2013.

Ms. Ma Li (麻俐女士) (“Ms. Ma”), aged 39, was appointed as the operation manager of the Group on 30 May 2014. She is responsible for supporting the design and creative aspects of the Group’s business.

Ms. Ma graduated from Jiangsu Radio and Television University (江蘇廣播電視大學) (now known as Jiangsu Open University (江蘇開放大學)) in July 2004, where she majored in computer information management (計算機信息管理). Prior to joining our Group, she worked for Yixing Daily (宜興日報) from July 2005 to June 2008, where she acquainted with Ms. Song through their positions and shared interest in design, and she subsequently joined Xiashu Workshop in July 2008. She has accumulated more than 10 years of experience in design and creative aspects. She has been a member of Yixing Author Association (宜興市作家協會) since June 2014.

Ms. Zhou Qi (周琦女士) (“Ms. Zhou”), aged 40, was appointed as the operation manager of the Group on 30 May 2014. She is responsible for assisting in management of the Group’s business operations and organising promotional activities and exhibitions for customers.

Ms. Zhou completed her undergraduate education in Journalism (新聞專業) via self-study examination from Fudan University (復旦大學) in June 2005. Prior to joining the Group, she worked as a project manager of Yixing City Qiangsheng Motor Services Company Limited (宜興市強盛汽車服務有限公司) from August 2005 to August 2007. She has worked with Ms. Song since September 2007 when she joined Xiashu Workshop, and has accumulated more than 10 years of experience in event management and promotion.

COMPANY SECRETARY

Mr. Wong Tik Man (王迪民) (“Mr. Wong”), aged 41, and was appointed as our company secretary on 28 January 2021. He is responsible for overseeing the compliance and company secretarial matters of our Group.

Mr. Wong is a practising member of the Hong Kong Institute of Certified Public Accountants. He obtained a Bachelor of Commerce from Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University).

Mr. Wong has over 15 years of experience in accounting, auditing and company secretarial matters. Prior to joining the Company, he worked for various organisations and audit firms, including Ta Yang Group Holdings Limited (stock code: 1991) from May 2018 to December 2019 as a financial controller. He is currently the director of Windward CPA Limited.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Introduction

We are pleased to present our “Environmental, Social and Governance Report” (the “**Report**”). This Report discusses the Group’s concern to environmental and social impacts, policies and initiatives of the Group to demonstrate our long-term commitment to ensure that our activities, at all levels, are economically, socially and environmentally sustainable development to stakeholders.

Reporting Scope, Period and Boundary

The report covers the environmental and social performance (the “**ESG performance**”) of the Group’s principal business in the PRC including Hong Kong operation. All the information in the Report reflects the Group’s environmental and social performance from 1 January 2021 to 31 December 2021 (the “**Reporting Period**”).

While we seek to establish a consistent boundary for reporting ESG aspects across the Group’s structure, the reporting boundary of the ESG Report is hence established based on the criteria that all operations and entities in which the Group has a controlling interest and which are under our management, in terms of a contractual obligation. As a result, we do not report entities which are outside of the Group’s structure, where we do not own the assets and do not directly engage or employ the workforce, and where we do not operate the asset under a contractual obligation. In addition, we do not report entities which were sold or acquired during the Reporting Period.

Reporting Standards

The “Environmental, Social and Governance Reporting Guide” (the “**ESG Reporting Guide**”) which is set out in Appendix 20 to the GEM Listing Rules serves as the reporting guidelines of this Report.

Reporting Principles

The reporting principles of this Report are governed by “materiality” and “quantitative”. With respect to “materiality”, the Group ensures that ESG issues discussed in this Report are sufficiently important and material to investors and stakeholders including but not limited to clients, communities, employees, institutions, governments, non-governmental organisations, shareholders, subcontractors, suppliers and industry associations. With respect to “quantitative”, Key Performance Indicators (“**KPI**”) required by the ESG Reporting Guide are measurable such that the effectiveness of our ESG policies and management systems can be evaluated and validated continuously.

In order to determine what issues are relevant and material to our business with respect to sustainability, the Group is aware that the key is to understand what issues that our stakeholders concerned most. Therefore, we define our stakeholders as people who affect our business or who are affected by our business. In our daily business, we actively exchange information with our stakeholders through our transparent platform while the group are devoted to continuous improvement of our communication system. In addition, we are committed to maintaining a long-term partnership with our stakeholders and are actively engaged in addressing their concerns with timely follow-up actions. The Group is dedicated to create a sustainable growth for the benefits of all our stakeholders.

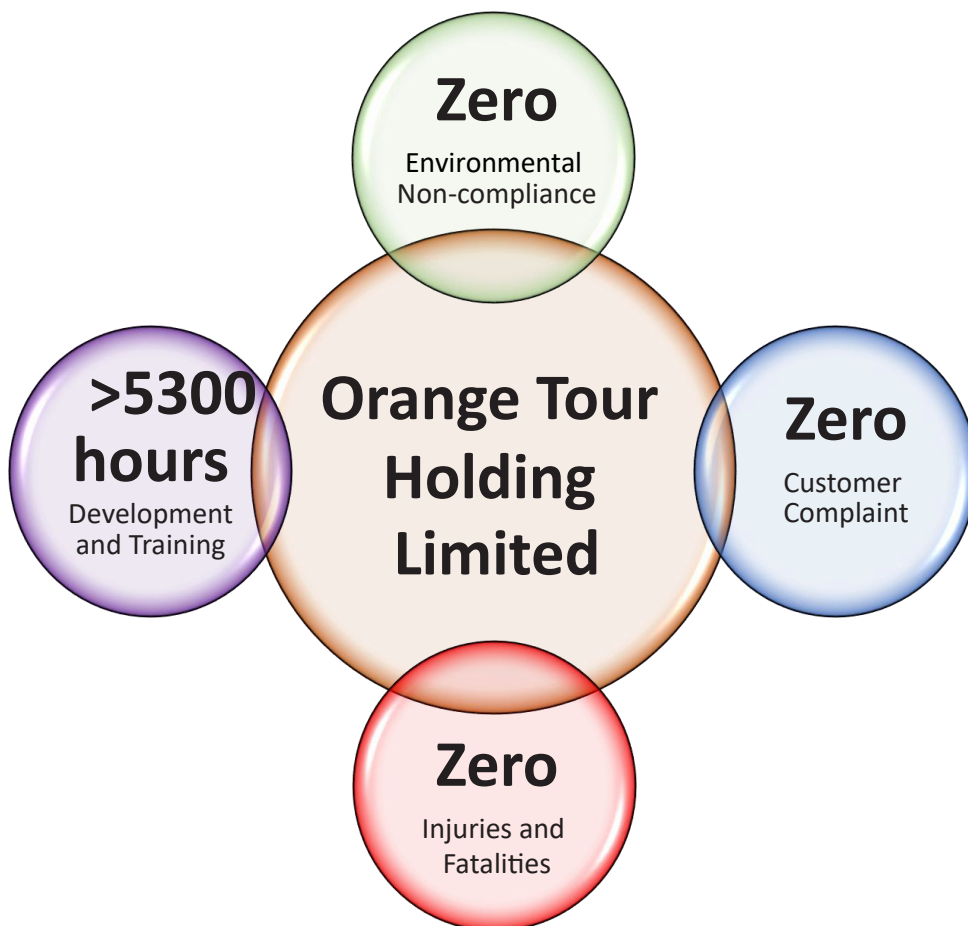
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Reporting Framework

With reference to the ESG Reporting Guide and the Group's business operation, the presentation of our Report consists of the relevant aspects and KPI, which are considered to be relevant and material to the Group, divided into four subject areas: Environmental Protection, Employment and Labour Practices, Operating Practices and Community Investments, which are discussed in details in the following sections.

Our Recent ESG Achievements

The Group contemplates that ESG is an integral part of our principal business and also our ability to succeed in a relentlessly competitive market. As such, the Group continuously spends remarkable efforts to address various aspects of ESG, including environmental conservation, development and training opportunities for employees, health and safe work environment for employees, customer satisfaction and community contributions.





ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL PROTECTION

Environmental conservation

In recent years, the PRC government has formulated various initiatives and conceptual goals, such as “Innovation and technological self-reliance” and “green technological innovation” to combat climate change. New carbon emission goal has also been set in order to achieve for low-carbon economy. In response to the national strategy, it is predominant for the Group to minimise the environmental footprints in our business activities and foster the environmental sustainability.

As a company principally engaged in event management as well as design and production services, we generally bear a low impact on emission except electricity consumption which is our major source of greenhouse gas (“GHG”) emission and energy footprint. Despite that, the Group has strived to achieve environmental sustainability and has formulated relevant rules and regulations for a sound and effective management of energy consumption, emission, and use of resources as well as discharge of domestic waste and sewage and other pollutants, as highlighted below:

- comply with applicable environmental protection laws and regulations;
- define appropriate goals, objectives and targets on a regular basis for our ESG management approach;
- improve continuously the ESG management system and maintain rigorous standards;
- promote environmental awareness among the workforce with regular communication; and
- communicate our environmental performance to stakeholders and seek their involvement wherever applicable.

During the Reporting Period, the Group complied with applicable environmental protection laws and regulations in relation to air and GHG emissions, discharge into water and land, and generation of hazardous and non-hazardous waste. The Group did not violate any environmental protection laws or regulations of the region where we operate, nor was it subject to significant fines, non-monetary penalties and litigation relating to environmental protection.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Emissions

Exhaust gas emissions

The Group's major sources of exhaust gas emissions were originated from petrol consumed by vehicles. Through the usage of vehicles, nitrogen oxides ("NO_x"), sulphur oxides ("SO_x") and Particulate Matter ("PM") are produced. The following table set forth the approximate amount of NO_x, SO_x and PM produced from the Group's operation during the Reporting Period:

Table 1 – Exhaust Gas Emissions for FY2021

| | Unit | Total |
|---------------------------|------|---------|
| Nitrogen Oxides | g | 4,745.8 |
| Sulphur Oxides | g | 93.4 |
| Particulate Matter | g | 349.4 |

Greenhouse Gas ("GHG") Emissions

During the course of the Group's operations, GHG emissions are generated from petrol consumption via the usage of vehicles (Scope 1), electricity consumed (Scope 2) and paper consumption (Scope 3). The following table set forth the summary of GHG emissions performance of the Group during the Reporting Period.

Table 2 – GHG Emissions for FY2021

| | Total emissions (tCO ₂ e) | Intensity ^{Note 3} (tCO ₂ e/employee) |
|---|---|--|
| Direct GHG emissions | | |
| (Scope 1) — Petrol consumption via the usage of vehicle | 17.2 | 0.19 |
| Indirect GHG emissions (Scope 2) — Electricity consumption | 22.5 | 0.25 |
| Other Indirect GHG emissions (Scope 3) — Paper consumption | 0.4 | 0.01 |

Note 1: Emission factors were referred to Appendix 20 to the GEM Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

Note 2: Combined margin emission factor of 0.792 tCO₂e/MWh was used for electricity consumed the PRC

Note 3: As at 31 December 2021, the Group had 90 employees in total. The data is also used for calculating other intensity data.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is highly aware that the exhaust gas and GHG emission is one of the major sources of global warming. Therefore, we strive to reduce our carbon and ecological footprint, adopting practices that are sustainable to the environment. In order to reduce the emissions from our operations, we have adopted the following measures:

- migration to product materials with a long durability and a low carbon footprint whenever possible;
- selecting decoration materials which is certified to be environmentally friendly for event management;
- encouraging employees to make the best use of modern telecommunication system to avoid unnecessary travel arrangement; and
- encouraging the use of public transport instead of private vehicles.

In addition to the above measures, the Group has implemented measures to reduce indirect GHG emissions from consumption of electricity stated in “Energy Consumption” below. Also, the paper-saving measures are also described in the section “Waste Management”.

Waste Management

The Group’s principal waste management policy is dedicated to achieving a green and paperless operation and to reducing waste generated by our operation wherever possible and practical. Through the 4-R Principles – Reduce, Reuse, Replace and Recycle, the Group strives to achieve the target of reducing the amount of waste generated and aims at waste management from the source. Our waste management practice is compliant with laws and regulations relating to environmental protection in the region where we operate.

Given our business nature, the Group does not directly produce hazardous waste throughout the operation. The non-hazardous wastes generated by the Group are mainly domestic waste including stationery and paper from our operations, among which, recyclable wastes will be recycled for reuse.

Table 2 – Waste Discharge for FY2021

| | Total waste discharge (kg) | Intensity (kg/employee) |
|-----------------------|-------------------------------|----------------------------|
| Domestic Waste | 11,817.53 | 131.31 |

In future, we will continue to raise employees’ and our business partners’ awareness in environmental protection on an ongoing basis and perform our business with an environmentally conscious approach.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Use of Resources

The Group strives to optimise resource usage in our business operations and takes initiatives to introduce measures on promoting resource efficiency and adopting eco-friendly approaches in our operations. During the operations, unleaded petrol, electricity and water are frequently consumed, and the Group has established relevant policies and procedures in governing the efficient use of resources, in reference to the objective of achieving higher energy efficiency and reducing the unnecessary use of materials. Internal memos are circulated to staff, encouraging the environmentally friendly practices.

Energy Consumption

The major energy consumption of the Group in daily operation is electricity consumption in the operation and gasoline consumption for vehicles. In addition to the measures adopted in respect of petrol consumption as mentioned in “Emissions” above, the Group has also formulated rules and regulations to achieve the goal of electricity saving and efficient consumption, which are stated as follows:

- selecting energy-efficient equipment and electrical appliances for operation, office and domestic electricity use;
- turning off all unnecessary lights, air conditioners, computers and other office equipments in office areas, conference rooms and corridors when they are not in use to avoid waste of electricity;
- using LED lights;
- maintaining indoor temperature at an optimal level for comfort;
- placing “Green Message” reminders on office equipment and workplace to further enhance employees’ environmental awareness; and
- encouraging employees to switch off machines and devices, such as computers and monitors when not in use.

As a result, the employees’ awareness of energy conservation has been increased through these energy-saving measures.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Water Consumption

The Group's operation does not consume a significant amount of water and our main use of water is for sanitary purpose. We endeavour to implement an effective water management through efficient water use. Our primary goal is to reduce the water consumption by measuring our water use and promoting water-saving behaviours to all staff. For example, staff are encouraged to fully empty any containers before washing, to turn off water taps promptly, to check faucets and pipes for leaks, and to adopt water saving appliances. All sewage is discharged through municipal wastewater system and no issue on sourcing water was reported during the Reporting Period.

Packaging material

Given our business nature, the Group does not have manufacturing facilities and does not consume significant amount of packaging materials by our operation. However, we encourage our suppliers to use less packaging material.

Environmental performance

For our general daily operation, our environmental performance of "Use of Resources" during the reporting period are shown as below.

Table 3 – Use of Resources for FY2021

| | Unit | Total | Intensity (per employee) |
|------------------------|----------------|----------|-----------------------------|
| Electricity | kWh | 28,445.0 | 316.1 |
| Unleaded Petrol | L | 6,353.1 | 70.6 |
| Paper | kg | 93.6 | 1.0 |
| Water | m ³ | 426.0 | 4.7 |

Environmental and Natural Resources

Although the business of the Group has limited impact on the environment and natural resources, as an ongoing commitment to good corporate social responsibility, the Group recognises the responsibility in minimising the negative environmental impacts of its operations in achieving sustainable development to generate long-term values to its stakeholders and the community. The Group has strived to adopt environmentally friendly measures in order to mitigate environmental impacts and reduce natural resources consumption and emissions. The Group regularly assesses its businesses' environmental risks and adopts preventive measures in reducing those risks while ensuring compliance with relevant laws and regulations.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Climate Change

Recognising the importance of identifying and managing the risks associated with climate change, the Group has taken different measures to assess and mitigate the risks. The Group has identified different physical risks, such as increase in extreme weather events and change in precipitation patterns which could pose threats to the business and its financial performance. Besides, climate change may pose various transitional risks, such as shifts in consumer preferences, increase in stakeholder concern and legal risks. With increased emissions reporting obligations, the Group's operating costs may increase. The Group is also more likely to be exposed to litigation over increased climate-related compliance obligations.

During the Reporting Period, the Group has not been significantly impacted by climate -related issues. To mitigate climate-related risks, the Group reviews policies and regulations from time to time to identify potential climate-related risks and reserves capital for emergency use in case of extreme weather events. If there are extreme weather conditions or events, a safety warning will be issued and special working arrangements will be put in place to ensure the safety of employees and workplaces. In long run, we will continuously evaluate for any impact arising from climate change and has taken measures to mitigate its impacts on the Group's operations.

EMPLOYMENT AND LABOUR AND OPERATING PRACTICES

Employment

The Group fully understands that our corporate development and long-term growth are largely driven by the continued quality services delivered by our experienced and competent workforce. As such, it is of paramount importance for us to proactively manage our talent pipeline and career development for employees. The Group is determined to uphold an open, fair, just and reasonable recruitment and human resource policies, with respect to equal opportunities, diversity and anti-discrimination.

We encourage differences and individuality in employees, with the philosophy that diversity can bring new ideas, dynamics and challenges to our operations. We are committed to supporting our employees to maintain a family-friendly work environment because we respect their roles and responsibilities in their families. We strive to make sure employees and business partners comply with laws and regulations, follow ethical business practices and respect equal opportunity in employment.

In order to attract and retain our employees, which are our most valuable assets, the Group offers competitive wages, medical insurance, disability and invalidity coverage, maternity leave and other compensation to our employees. The Group determines the remunerations payable to its staff based on their duties, work experience and the prevailing market practices.

During the Reporting Period, the Group was not aware of any material non-compliance with relevant standards, rules and regulations regarding operations and activities, labour practices. We strictly prohibit discrimination, harassment and bullying at all workplaces.

As at 31 December 2021, the Group had 90 full-time employees, of which 6% was based in Hong Kong and 94% was based in the PRC.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Total workforce structure as at 31 December 2021

| Region | Gender | Age below 30 | Age 30 to 50 | Age over 50 | Number of employees by gender | Total number of employees | Ratio of number of male to female employees |
|--------------|--------|--------------|--------------|-------------|-------------------------------|---------------------------|---|
| The PRC | Male | 12 | 21 | – | 33 | 85 | 1:1.6 |
| | Female | 27 | 25 | – | 52 | | |
| Hong Kong | Male | – | 4 | 1 | 5 | 5 | 1:0 |
| | Female | – | – | – | – | | |
| Total | Male | 12 | 25 | 1 | 38 | 90 | 1:1.4 |
| | Female | 27 | 25 | – | 52 | | |
| Total | | 39 | 50 | 1 | 90 | | |

Employee turnover in the Reporting Period

| Region | Gender | Age below 30 | Age 30 to 50 | Age over 50 | Staff turnover by gender | Total staff turnover | Percentage of employee turnover to total number of employee |
|--------------|--------|--------------|--------------|-------------|--------------------------|----------------------|---|
| The PRC | Male | 3 | 4 | 1 | 8 | 12 | 14.1% |
| | Female | 2 | 2 | – | 4 | | |
| Hong Kong | Male | – | – | – | – | – | – |
| | Female | – | – | – | – | | |
| Total | Male | 3 | 4 | 1 | 8 | 12 | 13.3% |
| | Female | 2 | 2 | – | 4 | | |
| Total | | 5 | 6 | 1 | 12 | | |



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Occupational Safety and Health

The Group is highly aware that employees' health and safety is of paramount importance to our operation and therefore, the Group is determined attaching great importance to a healthy, comfortable and safe working environment for our employees. Our primary goals of the Occupational Safety and Health ("OSH") are to commit to provision of a safe and healthy working environment for the employees and adherence to applicable laws and regulations in relation to occupational safety and health. In order to meet with such requirement, the Group has offered various measures to address the health and safety needs of our employees, including but not limited to:

- formulation of emergency response plans, risk assessment and accident investigation mechanism so as to ensure legal compliance with OSH;
- provision of first aid kits and fire extinguishers in the workplaces;
- prohibition of smoking and abuse of alcohol and drugs in the workplaces;
- provision of clean and tidy rest area such as corridors and pantry; and
- promotion of safety culture among employees

During the Reporting Period, the Group did not record any accidents that resulted in death or serious physical injury and did not identify any material non-compliance with laws and regulations in relation to occupational health and safety.

Development and Training

The Group envisions that empowering its people through development and training is the cornerstone of our success in the long-run. Our training programmes are designed not only to meet our business vision and to provide skillset required for the operation, but also for the benefit of society as a whole wherever possible.

Considering that each of the position is of unique professional and technical needs, the Group ensures that every new joiner receives a proper orientation training and monitoring in order to help them adapt to the new working environment affirmatively and quickly. Continuous training to our employees is also committed by the Group in different ways so as to ensure that they possess the appropriate qualities and skill-sets.

During the Reporting Period, employees at all levels satisfied their needs of trainings through multiple training programs, including induction training, technical skills training and pre-post training.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Training and Development Key Performance Indicators (Employee)

| FY2021 | | | | |
|---------------|--|--------------------------------|---|---|
| Trained staff | Managerial level or above <i>Note 1</i> | General staff <i>Note 1</i> | Percentage of employees receiving training by gender <i>Note 1</i> | Overall percentage of employees receiving training <i>Note 2</i> |

| | | | | |
|--------|------|------|-------|-------|
| Male | 20% | 100% | 89.5% | 95.6% |
| Female | 100% | 100% | 100% | |

Note 1: Percentage of employees trained in relevant categories = Employees in the category who took part in training/Number of employees in category x 100%

Note 2: Percentage of employees trained = Employees who took part in training/Number of employees x 100%

| Average training hours | Managerial level or above <i>Note 3</i> | General staff <i>Note 3</i> | Average training hours per employee by gender <i>Note 3</i> | Overall average training hours per employee <i>Note 4</i> |
|------------------------|--|--------------------------------|--|--|
|------------------------|--|--------------------------------|--|--|

| | | | | |
|--------|------------|------------|------------|------------|
| Male | 16.2 hours | 59.7 hours | 54.0 hours | 59.6 hours |
| Female | 81 hours | 62.6 hours | 63.6 hours | |

Note 3: Average training hours per employee = Total number of training hours of the category/Number of employees in category

Note 4: Overall average training hours per employee= Total number of training hours/Total number of employees

Harmonious Corporate Culture

Believing that sense of belonging is the key for the healthy growth of every commercial organisation, the Group promotes open and direct communication between employees and management. Regular and festival gatherings for instance, Chinese New Year dinners, Christmas gathering, excursion, are organised to enhance the harmonious spirit of different levels of staff members throughout the Group. The Group believes that such a corporate culture and harmonic working environment will naturally achieve a synergistic result to facilitate employee retention and to improve productivity.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Labour Standards

Being fully aware that exploitation of child and forced labour violates human rights and international labour conventions, the Group strictly prohibits the employment of any child labour and forced labour in any form. New employees are required to provide true and accurate personal data when they are onboard. If there is any child discovered, the person will be dismissed immediately and the discovered issue will be reviewed and discussed with the Board to prevent it from happening again. During the Reporting Period, the Group strictly complied with the relevant laws and regulations, in relation to the prevention of child labour or forced labour. No material non-compliance with the laws and regulations has been found by the Group.

Supply Chain Management

The Group understands that the supply chain management is always one of the key aspects of the Group's operation. In order to identify environmental and social risks along the supply chain, we developed a supply chain management system for selecting suppliers. The system evaluates potential suppliers according to their track record of compliance with applicable laws and regulations. A higher technical score is generally credited to those suppliers which can provide products and services featured with environmentally friendly and socially responsible functions during our assessment process. We may perform on-site inspection and assessments if deemed necessary. Cooperation and contract will be terminated with those suppliers which fail to reach the applicable compliance standard. In addition, the Group encourages our business partners to adopt the best environmental and social practices and to disseminate the pursuit of sustainability into the core business, through develop energy-saving and consumption-reducing policies.

We believe that, through the above review process, we can minimise the potential environmental and social risks associated with the supply chain management. During the Reporting Period, the Group had over 200 suppliers in total which were normally located in the region we operated.

Product Responsibility

To be a successful business, we are committed to the highest standards of services we deliver, maintaining continuous communication with our customers to ensure that we understand and fulfil their needs and expectations. To ensure the quality of the projects undertaken by the Group, defined quality assurance protocol has been adopted for the event management as well as design and production services. We keep track of emerging trends and continue to develop and optimise our services that offer the best solution to the customers. All our services will be planned, developed and performed to meet all relevant laws and regulations.

During the Reporting Period, our operation complied with relevant laws and regulations in the PRC such as the Consumer Protection Law, Advertising Law and Product Quality Law, by ensuring that there are no false and misleading messages in our advertisements and promotion activities. During the Reporting Period, the Group did not identify any material non-compliance of the laws and regulations related to the quality of products and services.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Customer Feedback and Handling

We value our customers' feedback on our services as it drives the Group to explore new opportunities for continuous improvement on service efficiency and quality. We welcome all comments and suggestions from our customers. After the completion of the projects, the Group will invite customers to fill in the evaluation form to rate against parameters such as quality, communication and timeliness of our services. Further comprehensive analysis on the customers' feedback will be conducted so as to monitor the level of customer satisfaction of our services and feedback will be reverted to the customers in a timely manner. Follow-up actions, including internal evaluation and modification of training programs for employees, formulation of improvement plan and refining the existing management procedures, will also be taken to address the identified issues as and when necessary.

During the Reporting Period, due to the business nature of the Group, there were no recalls concerning the provision and use of products for safety and health reasons within the Group. In addition, there were no substantiated complaints received relating to the provision and use of our services that have a significant impact on the Group's operations.

Customer Data Protection

Protection of the privacy and confidentiality of stakeholders is of utmost importance. The Group has established internal control system to ensure that all data are securely kept in our internal system with access control. The Group also sets out data privacy requirements in our corporate policies, under which customer and supplier data would be used exclusively for matters relating to the Group's operation only. We strive to ensure all collected data kept is not free of unauthorised or accidental access, processing, erasure or other use.

Intellectual Property Rights Protection

The Group extensively introduces innovative designs and services to various customers. Hence, the Group attaches great importance to the protection of intellectual property rights. At all times, employee shall keep confidential, except authorised by the Group, any trade secrets, confidential information, knowledge, data or other information of the Group relating to its designs, software systems, models and any other intellectual properties.

Anti-Corruption

The Group makes every effort to uphold a high standard of business ethics and prohibition of any forms of bribery and corrupt practices. To prevent misconduct and corruption as part of the exercise of Corporate Governance, the Group has a Code of Conduct in place. The Code of Conduct elaborates in detail on the prevention of bribery, fraud, corruption, conflicts of interest and gambling. We require our employees to declare any conflict of interest, to avoid any possible such conflict with sub-contractors or suppliers. We also encourage all of our business-related parties, including customers and suppliers to observe those principles of the policies and to proactively report any suspected misconduct issues to the Group.

During the Reporting Period, the Group observed with related laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering. The Audit Committee identified no complaint from employees and no concluded litigation of corruption practice during the Reporting Period.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Whistle-Blowing

In order to encourage our employees to report illegality, irregularity, malpractice, unethical acts or behaviors, inappropriate conducts or actions, which may damage the Group's interests, we established whistle-blowing policy and implement procedures for our employees to report improprieties via a confidential reporting channel to the extent that is made possible to all employees. The Group is committed to addressing the "whistle-blowers" concerns in a fair and reasonable manner and to handling the reports with due care and conducting a comprehensive and independent investigation for each reasonably established report. The Group protects whistle-blowers by prohibiting any form of discrimination or retaliation or hindrance, interference or antagonism against employees participating in the investigation. All "whistle-blowers" who report in good faith are reasonably protected from retaliation or adverse consequence of their employment regardless of whether the allegation is substantiated.

COMMUNITY INVESTMENTS

The Group believes that participating in social engagement and contributing to society are forms of showing corporate citizenship. We also see the potential to nurture corporate culture and inspire our employees towards social concerns in the daily work life. The Group actively encourages employees to contribute their time and skills to community volunteer works to benefit local communities by giving them opportunities to learn more about social and environmental issues and enhance the Group's corporate value. We would embrace human capital into the social management strategies to sustain the corporate social responsibility as a part of the strategic development of the Group.

Fighting the COVID-19 pandemic is considered as part of the Group's community-care effort. During the Reporting Period, the Group has produced public welfare video for broadcasting on advertising platform to disseminate anti-epidemic information to the public during the COVID-19 pandemic. The Group's employees also worked as volunteers to help distribute anti-epidemic kits to those people who have to be quarantined.

The Directors present their report together with the audited consolidated financial statements of the Group for FY2021.

PRINCIPAL ACTIVITIES

The Company is an investment holding company, and its subsidiaries are providing the event management services and design and production services in the PRC. Details of the principal activities of its subsidiaries are set out in Note 22 to the consolidated financial statements.

BUSINESS REVIEW AND OUTLOOK

The business review and outlook of the Group for the year are set out in the section headed “Chairman’s Statement” and “Management Discussion and Analysis” of this annual report.

RESULTS AND DIVIDEND

The results of the Group for FY2021 are set out in the consolidated statement of comprehensive income. The state of affairs of the Group and the Company as at 31 December 2021 are set out in the consolidated statement of financial position and Note 30 to the consolidated financial statements respectively. The Directors do not recommend the payment of a final dividend for FY2021.

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on Friday, 27 May 2022 (the “**2022 AGM**”). For determining the entitlement to attend and vote at the 2022 AGM, the register of members of the Company will be closed from Monday, 23 May 2022 to Friday, 27 May 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to attend and vote at the 2022 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the company in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Friday, 20 May 2022.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out in the section headed “Financial Summary” of this annual report. This summary does not form part of the audited consolidated financial statements of the Group.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 14 to the consolidated financial statements.



DIRECTORS' REPORT

SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons thereof, are set out in Note 20 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in consolidated statement of changes in equity and Note 30 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's reserves available for distribution to equity shareholders in accordance with its memorandum and articles of association amounted to approximately RMB7.1 million.

SHARE OPTION SCHEMES

The Company conditionally adopted a share option scheme on 21 October 2019 (the "**Scheme**"). The terms of the Scheme are in accordance with the GEM Listing Rules and other relevant rules and regulations. Further details of the Scheme are set out in the section headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV to the Prospectus.

As at 31 December 2021, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Scheme.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the memorandum and articles of association of the Company or the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

DONATION

During FY2021, the Group did not make any charitable donations.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the significant related party transactions entered into by the Group for FY2021 are set out in Note 24 to the consolidated financial statements. To the best knowledge of the Directors, none of these related party transactions constitutes connected transactions that need to be disclosed under the GEM Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During FY2021, the percentage of the Group's revenue amount attributable to the Group's largest customer was approximately 27.4% of the Group's total revenue, while the percentage of the Group's total revenue attributable to the five largest customers in aggregate was approximately 58.9%. During FY2021, the percentage of the Group's project costs attributable to the Group's largest supplier was approximately 19.0% of the Group's total project costs, while the percentage of the Group's total project costs attributable to the five largest suppliers in aggregate was approximately 52.7%.

None of the Directors of the Company, or any of their close associates or shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest customers or suppliers.

BOARD OF DIRECTORS

The Board during the year and up to date of this report were as follows:

Executive Directors

Mr. Zhou Yang (*Chairman*)

Ms. Song Ruiqing (*Chief Executive Officer*)

Independent Non-executive Directors

Mr. Ho Yau Kwok

Mr. Yip Koon Shing

Mr. Wong Kin Yip

In accordance with the memorandum and articles of association of the Company, at each annual general meeting one third of the Directors for the time being shall retire from office by rotation that every Director shall be subject to retirement by rotation at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the annual general meeting. All Directors appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after their appointment and be subject to re-election at such meeting and all Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

Any Director who has not been subject to retirement by rotation in the three years preceding the annual general meeting shall retire by rotation at such annual general meeting.



DIRECTORS' REPORT

PERMITTED INDEMNITY PROVISION

Pursuant to the memorandum and articles of association of the Company, the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in the execution of their duties in their offices.

Such provision was in force during FY2021 and remained in force as of the date of this annual report. The Company has taken out and maintained Directors' and officers' liabilities insurance throughout the year, which provides appropriate cover for the Directors.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 13 to 16 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as the related party transactions disclosed in Note 24 to the consolidated financial statements, no Director or a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries was a party for FY2021.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in the section "Directors' Report – Related Party Transaction and Connected Transactions" above and in the section headed "Relationship with our Controlling Shareholders" to the Prospectus, neither the Company nor any of its subsidiaries had entered into any contract of significance with the Company's Controlling Shareholders or their subsidiaries, or any contract of significance for the provision of services to the Company or any of its subsidiaries by the Company's Controlling Shareholders or their subsidiaries, during the year.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" and the "Share Option Schemes" disclosures, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or the Company's subsidiary or holding company or a subsidiary of the Company's holding company a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

NON-COMPETITION UNDERTAKINGS

In order to avoid any possible future competition between the Group and the Controlling Shareholders (each a “**Covenantor**” and collectively the “**Covenantors**”) have entered into the deed of non-competition (the “**Deed of Non-competition**”) with the Company (for itself and for the benefit of each other member of the Group) on 21 October 2019. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and as trustee for its subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in the core business that is in competition with or likely to be in competition with the existing business activity of any member of the Group.

Each of the Covenantors further undertakes that if any of he/she/it or his/its associates other than any member of the Group is offered or becomes aware of any business opportunity which may compete directly or indirectly with the core Business of the Group, he/she/it shall (and he/she/it shall procure his/its associates to) notify the Group in writing and the Group shall have a right of first refusal of take up such business opportunity. The Group shall, within six months after receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out under the GEM Listing Rules from time to time), notify the Covenantor(s) whether the Group will exercise the right of first refusal or not. The Group shall only exercise the right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such opportunity) and approval by the Board/or shareholders as required under relevant laws and regulations and in accordance with the articles of association of the Company in effect at the relevant time. The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal. During the year, the Company had not received any information in writing from any of the Controlling Shareholders in respect of any new business opportunity which competed or might compete with the existing and future business of the Group which were offered to or came to the knowledge of the Controlling Shareholders or their associates (other than any member of the Group), and the Company has received an annual written confirmation from each Controlling Shareholder of the Company in respect of him/her/it or his/her/its associates in compliance with the Deed of Non-competition. The independent non-executive Directors have also reviewed and were satisfied that each of the Controlling Shareholders of the Company had complied with the Deed of Non-competition.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors or the Controlling Shareholders of the Company or their respective close associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group or has or may have any other conflict of interests with the Group for FY2021.



DIRECTORS' REPORT

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT

Details of the emoluments of the Directors and five highest paid individuals and senior management are set out in Note 10 to the consolidated financial statements. The emolument of the number of the highest paid individuals who are not the Directors of the Company for FY2021 are set out in Note 10(b) to the consolidated financial statements.

The emoluments of the senior management (excluding the Directors) of the Group for FY2021 falls within the following band:

| Emolument Band | Number of Senior Management |
|----------------------|-----------------------------|
| Nil to HK\$1,000,000 | 3 |

EMOLUMENT POLICY

A remuneration committee of the Company (the “**Remuneration Committee**”) is set up for reviewing the Group’s emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group’s operating results, individual performance and comparable market practices.

The Remuneration Committee will meet at least once for each year to discuss remuneration related matters (including the remuneration of Directors and senior management) and review the emolument policy of the Group. It has been decided that Remuneration Committee would determine, with delegated responsibility, the remuneration packages of individual Directors and senior management.

RETIREMENT BENEFITS PLANS

Details of retirement benefits plans are set out in Note 4.11 to the consolidated financial statements.

MANAGEMENT CONTRACTS

Save for the service agreements, no other contracts concerning the management and/or administration of the whole and any substantial part of the business of the Company were entered into or existed for FY2021.

INTERESTS OF THE COMPLIANCE ADVISER

As confirmed by the Group’s compliance adviser, Frontpage Capital Limited (the “**Compliance Adviser**”), save as the compliance adviser agreement entered into between the Company and Compliance Adviser, none of the Compliance Adviser or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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

As at 31 December 2021, the interests or short positions of each of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Future Ordinance (the "SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions), or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which are required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, are as follows:

Long positions in shares of the Company

| Name of Director/ chief executive | Capacity/Nature of interest | Number of shares held/interested | Approximate percentage of shareholding |
|--------------------------------------|---|-------------------------------------|--|
| Mr. Zhou ^(Note) | Interest in a controlled corporation | 420,000,000 | 52.5% |
| Ms. Song ^(Note) | Interest in a controlled corporation/ Interest of spouse | 420,000,000 | 52.5% |

Note: Mr. Zhou and Ms. Song own 51% and 49% of the issued share capital of QY Investment Holding Limited ("QY"). Therefore, each of Mr. Zhou and Ms. Song is deemed, or taken to be, interested in all shares of the Company held by QY for the purpose of the SFO. Mr. Zhou and Ms. Song are the directors of QY.

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

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

As at 31 December 2021, the following persons/entities (other than the Directors and chief executives of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

DIRECTORS' REPORT

Long positions in the shares of the Company

| Name | Capacity/Nature of interest | Number of shares held/interested | Approximate percentage of shareholding |
|---|------------------------------------|----------------------------------|--|
| QY | Beneficial owner | 420,000,000 | 52.5% |
| SRU Investment Limited ("SRU") ^(Note 1) | Beneficial owner | 120,000,000 | 15.0% |
| Mr. Fan Yajun ("Mr. Fan") ^(Note 1) | Interest in controlled corporation | 120,000,000 | 15.0% |
| Ms. Zhou Jianyuan ("Ms. Zhou") ^(Note 2) | Spouse interest | 120,000,000 | 15.0% |

Notes:

1. Mr. Fan beneficially owns the entire issued share capital of SRU. Therefore, Mr. Fan is deemed, or taken to be, interested in all the shares of the Company held by SRU for the purpose of the SFO. Mr. Fan is the sole director of SRU.
2. Ms. Zhou is the spouse of Mr. Fan. Ms. Zhou is deemed to be or taken to be interested in all the shares of the Company in which Mr. Fan is interested under the SFO.

Save as disclosed above, as at 31 December 2021, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interest or short positions in the shares or underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be recorded in the register referred to therein.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares for FY2021.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the section headed "Corporate Governance Report" of this annual report.

EQUITY-LINKED AGREEMENTS

There was no equity-linked agreement entered into by the Company for FY2021.

SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on information that is publicly available to the Company, at least 25% of the Company's issued capital were held by public as at the date of this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual written confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers all the independent non-executive Directors to be independent.

INDEPENDENT AUDITOR

The consolidated financial statements of the Group for FY2020 and FY2021 were audited by Moore Stephens CPA Limited. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Moore Stephens CPA Limited as auditor of the Company.

ON BEHALF OF THE BOARD
Orange Tour Cultural Holding Limited
Zhou Yang
Chairman and Executive Director

Hong Kong, 25 March 2022



CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Board and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders' value. The corporate governance principles of the Company emphasise a quality Board, sound internal controls, and transparency and accountability to all shareholders.

CORPORATE GOVERNANCE PRACTICE

The Company acknowledges the need and importance of corporate governance as one of the key elements in creating shareholders' value. The Company is also committed to achieving high standard of corporate governance that can protect and promote the interests of all shareholders and to enhance corporate value and accountability of the Company. For corporate governance purpose, the Company has adopted the Corporate Governance Code (the "**CG Code**") set out in Appendix 15 of the GEM Listing Rules since Listing Date up to the date of this annual report. To the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealing, as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the shares of the Company (the "**Required Standard of Dealing**"). Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the Required Standard of Dealing and there was no event of non-compliance during FY2021.

DIRECTORS' RESPONSIBILITIES AND DELEGATION

The Board is responsible for leading and controlling the business operations of the Group. It formulates strategic directions, oversees the operations and monitors the financial performance of the Group. The management is delegated power and authority given by the Board for the day-to-day management and operations of the Group. The management is accountable to the Board for the Company's overall operation.

BOARD COMPOSITION

The Board currently comprises two executive Directors and three independent non-executive Directors and the Board is accountable to shareholders of the Company. The management and control of the business of the Company is vested in its Board. It is the duty of the Board to create value to the shareholders of the Company.

EXECUTIVE DIRECTORS

Mr. Zhou (*Chairman*)

Ms. Song (*Chief Executive Officer*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Yau Kwok
Mr. Yip Koon Shing
Mr. Wong Kin Yip

Biographical details of the Directors are set out in section headed “Biographical Details of the Directors and Senior Management” of this annual report.

The proportion of which is higher than what is required by Rule 5.05A, 5.05(1) and (2) of the GEM Listing Rules whereby independent non-executive Directors of a listed issuer represent at least one-third of the board. The three independent non-executive Directors represent more than one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. With the various experience of both the executive Directors and the independent non-executive Directors and the nature of the Group’s business, the Board considered that the Directors have a balance of skills and experience for the business of the Group.

The independent non-executive Directors play a significant role in the Board as they bring an impartial view on the Company’s strategies, performance and control, as well as ensure that the interests of all shareholders are taken into account. All independent non-executive Directors possess appropriate academic, professional qualifications or related financial management experience. None of the independent non-executive Directors held any other offices in the Company or any of its subsidiaries or is interested in any shares of the Company.

The Company has received from each independent non-executive Director an annual confirmation of his independence, and the Company considers such Directors to be independent in accordance with the criteria set out in Rule 5.09 of the GEM Listing Rules.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the “**Board Diversity Policy**”) for FY2021 and up to the date of this corporate governance report, which sets out the basis to achieve diversity on the Board. Details of this Board Diversity Policy is disclosed as below.

Purpose

This Board Diversity Policy aims to set out the approach to achieve diversity on the Board.

Policy Statement

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. All Board appointments will be based on meritocracy, and candidates will be considered against selection criteria.

Selection Criteria

Selection of candidates will be based on a range of diversity perspectives, which would include but not be limited to gender, age, cultural and educational background, 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 Board’s composition will be disclosed in the annual report of the Company.



CORPORATE GOVERNANCE REPORT

MONITORING AND REVIEW OF THE BOARD DIVERSITY POLICY

- The Nomination Committee will monitor the implementation of the Board Diversity Policy.
- The Nomination Committee will from time to time review the Board Diversity Policy, as appropriate, to ensure the effectiveness of the policy.

NOMINATION POLICY

The Board has adopted a nomination policy (the “**Nomination Policy**”) for FY2021 and up to the date of this corporate governance report, which sets out the approach to guide the Nomination Committee in relation to the selection, appointment and re-appointment of the Directors. Details of the Nomination Policy is disclosed as below.

PURPOSE

- This Nomination Policy aims to set out the approach to guide the Nomination Committee in relation to the selection, appointment and re-appointment of the Directors.
- This Nomination Policy aims to ensure that the Board has a balance of skills, experience, knowledge and diversity of perspectives appropriate to the requirements of the Company’s business.

CRITERIA

The Nomination Committee will evaluate, select and recommend candidate(s) for directorships to the Board by giving due consideration to criteria including but not limited to (collectively, the “**Criteria**”):

- Diversity in aspects including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how;
- Sufficient time to effectively carry out their duties; their services on other listed and non-listed companies should be limited to reasonable numbers;
- Qualifications, including accomplishment and experience in the relevant industries the Company’s business is involved in;
- Independence;
- Reputation for integrity;
- Potential contributions that the individual(s) can bring to the Board; and
- Commitment to enhance and maximise shareholders’ value.

RE-ELECTION OF DIRECTOR AT GENERAL MEETING

- The Nomination Committee will evaluate and recommend retiring Director(s) to the Board for re-appointment by giving due consideration to the criteria including but not limited to:
 - (a) the overall contribution and service to the Company of the retiring director including his attendance of Board meetings and, where applicable, general meetings, and the level of participation and performance on the Board; and
 - (b) whether the retiring Director(s) continue(s) to satisfy the Criteria in section 2.
- The Nomination Committee and/or the Board shall then make recommendation to shareholders in respect of the proposed re-election of director at the general meeting.

NOMINATION PROCESS

The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following procedures and process:

- (a) The Nomination Committee will, giving due consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort;
- (b) The Nomination Committee may consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertising, recommendations from an independent agency firm and proposals from shareholders of the Company with due consideration given to the Criteria;
- (c) The Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference checks;
- (d) Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;
- (e) The Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment and the proposed remuneration package; and
- (f) The Board will have the final authority on determining the selection of nominees and all appointment of Directors will be confirmed by the filing of the consent to act as Director of the relevant Director (or any other similar filings requiring the relevant Director to acknowledge or accept the appointment as Director, as the case may be) to be filed with the Companies Registry of Hong Kong.

DIVIDEND POLICY

The Company has a dividend policy, the objective of which is to allow shareholders of the Company to participate in the Company's profits whilst retaining adequate reserves to sustain the Group's future growth. The declaration, form, frequency and amount of dividend paid by the Company must be in accordance with relevant laws and regulations and subject to the Articles. In deciding whether to declare any dividend, the Board will take into account a number of factors, including the financial results, the distributable reserves, the operations and liquidity requirements, and the current and future development plans of the Company. The Board will review the dividend policy of the Company as appropriate from time to time.



CORPORATE GOVERNANCE REPORT

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Director and independent non-executive Director has entered into a service contract with the Company on 21 October 2019. The service contracts with the executive Directors and independent non-executive Directors are for an initial fixed term of three years commencing from the Listing Date. The service contracts are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with the memorandum and articles of association of the Company and the applicable GEM Listing Rules.

According to the Article 108 of the memorandum and articles of association of the Company, one-third of the Directors for the time being shall retire from office by rotation at every annual general meeting of the Company, provided that every Director shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years. Article 112 of the memorandum and articles of association of the Company provides that any Directors who are appointed to fill casual vacancies shall hold office only until the next following general meeting after their appointment, and are subject to re-election by shareholders of the Company.

Mr. Zhou Yang, Ms. Song Ruiqing and Mr. Ho Yau Kwok will retire from office at the forthcoming annual general meeting of the Company to be held on 27 May 2022. Mr. Zhou Yang, Ms. Song Ruiqing and Mr. Ho Yau Kwok, being eligible, will offer themselves for re-election.

At the forthcoming annual general meeting of the Company, separate ordinary resolutions will be put forward to the shareholders of the Company in relation to the proposed re-election of Mr. Zhou Yang, Ms. Song Ruiqing and Mr. Ho Yau Kwok.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The role of Chairman remains separate from that of the chief executive officer to enhance their respective independence, accountability and responsibility. Mr. Zhou is the Chairman of the Board. Ms. Song is the chief executive officer.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

The Group acknowledges the importance of adequate and ample continuing professional development for the Directors for a sound and effective internal control system and corporate governance. In this regard, the Group has always encouraged the Directors to attend relevant training courses to receive the latest news and knowledge regarding corporate governance.

During FY2021, the Company has provided and all Directors have attended training courses on the updates of the GEM Listing Rules concerning good corporate governance practices. The Company will, if necessary, provide timely and regular trainings to the Directors to ensure that they keep abreast with the current requirements under the GEM Listing Rules.

BOARD COMMITTEES

The Board has established three Board committees, namely, the audit committee of the Company (the “**Audit Committee**”), the Remuneration Committee and the nomination committee of the Company (the “**Nomination Committee**”), for overseeing particular aspects of the Company’s affairs. All Board committees have been established with defined written terms of reference, which are posted on the website of the Stock Exchange at www.hkexnews.hk and the Company’s website at www.otch.com.cn. All the Board committees responsibly report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out above.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company’s expense.

The Board is responsible for performing the corporate governance duties set out in the CG Code which included developing and reviewing the Company’s policies and practices on corporate governance, training and continuous professional development of Directors, and reviewing the Company’s compliance with the code provision in the CG Code and disclosures in this annual report.

AUDIT COMMITTEE

The Audit Committee was established on 21 October 2019. The chairman of the Audit Committee is Mr. Ho Yau Kwok, the independent non-executive Director, and other members included Mr. Yip Koon Shing and Mr. Wong Kin Yip, the independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the website of the Stock Exchange and on the Company’s website.

The Company has complied with Rule 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditor and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the year, the Audit Committee held four meetings to review and comment on the Company financial results as well as the Company’s internal control procedures and risk management system. The Group’s consolidated financial statements for FY2021 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for FY2021 comply with applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.



CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Remuneration Committee was established on 21 October 2019. The chairman of the Remuneration Committee is Mr. Yip Koon Shing, the independent non-executive Director, and other members includes Mr. Wong Kin Yip, the independent non-executive Director, and Ms. Song, the executive Director. The written terms of reference of the Remuneration Committee are posted on the website of the Stock Exchange and the Company's website.

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board on the appropriate policy and structures for all aspects of Directors' and senior management's remuneration. The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration Committee has reviewed the remuneration packages and emoluments of Directors and senior management and considered that they are fair and reasonable during FY2021. No Director or any of his or her associates is involved in deciding his or her own remuneration.

NOMINATION COMMITTEE

The Nomination Committee was established on 21 October 2019. The chairman of the Nomination Committee is Mr. Zhou, the Chairman and executive Director, and other members included Mr. Ho Yau Kwok and Mr. Yip Koon Shing, the independent non-executive Directors. The written terms of reference of the Nomination Committee are posted on the website of the Stock Exchange and on the Company's website.

The primary duties of the Nomination Committee are to review and assess the composition of the Board and independence of the independent non-executive Directors and makes recommendations to the Board on appointment of new Directors of the Company. In recommending candidates for appointment to the Board, the Nomination Committee considers candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board.

In designing the Board's composition, Board diversity has been considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

BOARD AND GENERAL MEETING

The Board meets regularly for considering, reviewing and/or approving matters relating to, among others, the financial and operating performance, as well as, the overall strategies and policies of the Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved.



CORPORATE GOVERNANCE REPORT

ATTENDANCE RECORD OF DIRECTORS

Details of all Directors' attendance at the Board meeting and Board Committees' meeting held during FY2021 are as follows:

| Name of Directors | Board Meeting | Audit Committee Meeting | Remuneration Committee Meeting | Nomination Committee Meeting | 2021 Annual General Meeting |
|--|---------------|-------------------------|--------------------------------|------------------------------|-----------------------------|
| Number of Meetings Attended/Held | | | | | |
| Executive Directors | | | | | |
| Mr. Zhou Yang | 4/4 | – | – | 1/1 | 1/1 |
| Ms. Song Ruiqing | 4/4 | – | 1/1 | – | 1/1 |
| | 4/4 | | | | |
| Independent non-executive Directors | | | | | |
| | 4/4 | | | | |
| Mr. Ho Yau Kwok | 4/4 | 4/4 | – | 1/1 | 1/1 |
| Mr. Yip Koon Shing | 4/4 | 4/4 | 1/1 | 1/1 | 1/1 |
| Mr. Wong Kin Yip | 4/4 | 4/4 | 1/1 | – | 1/1 |

COMPANY SECRETARY

The company secretary of the Company (the “**Company Secretary**”) assists the Board by ensuring the Board policy and procedures are followed. The Company Secretary is also responsible for advising the Board on corporate governance matters.

The Company has engaged an external service provider, Mr. Wong Tik Man (“**Mr. Wong**”), as its company secretary. The selection, appointment or dismissal of the company secretary was approved by the Board. Mr. Wong possesses the necessary qualification and experience, and is capable of performing the functions of the company secretary. Mr. Zhou, the executive Director, is the primary contact person who Mr. Wong contacts.

For FY2021, Mr. Wong undertook no less than 15 hours of relevant professional training to update his skill and knowledge. The biography of Mr. Wong is set out in the section headed “Biographical Details of the Directors and Senior Management” of this annual report.



CORPORATE GOVERNANCE REPORT

INDEPENDENT AUDITORS' REMUNERATION

During FY2021, the remuneration paid or payable to the external auditor of the Company, Moore Stephens CPA Limited, in respect of the audit service was as follows:

| Services rendered | Remuneration paid/payable HK\$'000 |
|---------------------------|---------------------------------------|
| Audit service | |
| – Statutory audit service | 480 |

SHAREHOLDERS' RIGHT

As one of the measures to safeguard shareholders' interest and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. All resolutions put forward at shareholders' meeting will be voted by poll pursuant to the GEM Listing Rules and the poll voting results will be posted on the website of the Stock Exchange and the Company's website after the relevant shareholders' meeting.

Extraordinary general meeting may be convened by the Board on requisition of shareholders holding not less than one-tenth of the paid up capital of the Company or by such shareholders who made the requisition (the "Requisitionists") (as the case may be) pursuant to Article 64 of the memorandum and articles of association of the Company. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company's principal place of business in the PRC. Shareholders should follow the requirements and procedures as set out in such Article for convening an extraordinary general meeting. Shareholders may put forward proposals with general meeting of the Company by sending the same to the Company at the principal office of the Company in the PRC.

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. Shareholders may send their enquiries or requests in respect of their rights to the Company's principal place of business in the PRC.

RISK MANAGEMENT AND INTERNAL CONTROL

The Directors acknowledge that they have overall responsibility for overseeing the Company's internal control, financial control and risk management system and shall monitor its effectiveness on an ongoing basis. A review of the effectiveness of the risk management and internal control systems has been conducted by the Board at least annually.

Aimed at providing reasonable assurance against material errors, losses or fraud, the Company has established a risk management procedure which comprised the following steps:

- identify risks: identify major and significant risks that could affect the achievement of goals of the Group;
- risk assessment: assess and evaluate the identified risk according to its likely impact and the likelihood of occurrence; and
- risk mitigation: develop effective control activities to mitigate the risks.

Risk identification and assessment is performed or updated annually, and the results of risk assessment, evaluation and mitigation of each functions or operation are documented in the risk registry to communicate to the Board and management for reviews.

The Group's risk management and internal control systems are, however, designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

A review on the internal control systems of the Company, including financial, operational and compliance controls and risk management functions has been carried out by an independent consultancy company with staff in possession of relevant expertise to conduct an independent review.

The Audit Committee reviewed the internal control review report issued by the independent consultancy company and the Company's risk management and internal control systems in respect of FY2021 and considered that they are effective and adequate. The Board assessed the effectiveness of internal control systems by considering the internal control review report and reviews performed by the Audit Committee and concurred the same.



CORPORATE GOVERNANCE REPORT

Under Code Provision C.2.5, the Group should have an internal audit function. The Company has no internal audit function because the Company has maintained an internal control system and its implementation has been considered effective by the Audit Committee and the Board. In addition, the Audit Committee has communicated with external auditor of the Company to understand if there is any material control deficiency. Nevertheless, the Company will review the need for one on an annual basis.

INSIDE INFORMATION POLICY

The Group has in place a policy on Disclosure of Inside Information which sets out the procedures and internal controls for handling and dissemination of inside information. The policy provides guidelines to the Directors, officers and all relevant employees of the Group to ensure proper safeguards exist to prevent the Company from breaching the statutory disclosure requirements. It also includes appropriate internal control and reporting systems to identify and assess potential inside information.

Key procedures in place include:

- Define the requirements of periodic financial and operational reporting to the Board and Company Secretary to enable them to assess inside information and make timely disclosures, if necessary;
- controls the access to inside information by employees on a need-to-know basis, and safeguarding the confidentiality of the inside information before it is properly disclosed to public;
- procedures of communicating with the Group's stakeholders, including shareholders, investors, analysts, etc. in ways which are in compliance with the GEM Listing Rules.

The Group has also established and implemented procedures to handle enquiries from external parties related to the market rumours and other Group's affairs.

To avoid uneven dissemination of inside information, the dissemination of inside information of the Company shall be conducted by publishing the relevant information on the Stock Exchange's website and the Company's website.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company adopted shareholders communication policy with objective of ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company.

The Company has established several channels to communicate with the shareholders as follows:

- (i) corporate communications such as annual reports, quarterly reports, interim reports and circulars are issued in printed form and are available on the respective website of the Stock Exchange and the Company;
- (ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;
- (iii) corporate information is made available on the Company's website;
- (iv) annual and extraordinary general meetings provide a forum for the shareholders to make comments and exchange views with the Directors and senior management; and
- (v) the Hong Kong share registrar of the Company serves the shareholders in respect of share registration, dividend payment and related matters.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquires to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

During FY2021, there is no significant change in the memorandum and articles of association of the Company.

INDEPENDENT AUDITOR'S REPORT



Moore Stephens CPA Limited

801-806 Silvercord, Tower 1,
30 Canton Road, Tsimshatsui,
Kowloon, Hong Kong

T +852 2375 3180
F +852 2375 3828

www.moore.hk

大
華
馬
施
雲
會
計
師
事
務
所
有
限
公
司

Independent Auditor's Report to the Shareholders of Orange Tour Cultural Holding Limited (Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Orange Tour Cultural Holding Limited (the "Company") and its subsidiaries (together with the Company, referred to as the "Group") set out on pages 57 to 100, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matter is the matters that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Impairment assessment of trade receivables

Refer to the Notes 4.4, 5 and 16 to the consolidated financial statements

Key audit matter

As at 31 December 2021, the Group had trade receivables net of expected credit loss (“**ECL**”) amounting to approximately RMB8,750,000. The Group had recognised ECL on trade receivables amounting to approximately RMB863,000 as at 31 December 2021.

The ECL assessment on trade receivables is considered to be a matter of most significance as it requires the application of significant judgement and use of subjective assumptions by the Group’s management. The management of the Group believed that the methodologies and inputs used in estimating ECL are in accordance with the applicable accounting standards. These models and assumptions relate to the future macroeconomic conditions and debtors’ creditworthiness. The Group has applied judgement, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards such as parameters for measuring ECL and forward-looking information.

How our audit addressed the key audit matter

Our key procedures to address the matter included:

- evaluated the methodologies, inputs and assumptions used by the Group in calculating the ECL, by reference to externally available economic data;
- obtained an ageing analysis of the trade receivables from the management of the Group and tested the accuracy of ageing of trade receivables at the reporting date to the underlying invoices on a sample basis;
- challenged the management’s assessment of the recoverability of long outstanding and overdue trade receivables;
- inspected, on a sample basis, underlying documents in respect of key inputs adopted, including the historical settlement details and observable external data; and
- assessed the adequacy of the ECL recognised by reviewing subsequent settlements after the year end.



INDEPENDENT AUDITOR'S REPORT

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors of the Company are responsible for the other information. The other information comprises all the information included in the annual report for the year ended 31 December 2021 of the Group, other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are assisted by the audit committee of the Company in discharging their responsibilities for overseeing the Group's financial reporting process.



INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



INDEPENDENT AUDITOR'S REPORT

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

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

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

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

Moore Stephens CPA Limited

Certified Public Accountants

Leung Yu Ngong

Practising Certificate Number: P06734

Hong Kong, 25 March 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

| | <i>Notes</i> | 2021 RMB'000 | 2020 RMB'000 |
|--|--------------|------------------------|-----------------|
| Revenue | 7 | 30,183 | 22,061 |
| Other income and gains | 7 | 322 | 881 |
| Project costs | 8 | (12,406) | (9,474) |
| Depreciation of property, plant and equipment | 14 | (540) | (472) |
| Employee benefits expense | 8 | (12,633) | (10,307) |
| (Provision for)/reversal of expected credit loss on trade receivables, net | 8 | (84) | 363 |
| Other operating expenses | | (4,132) | (4,412) |
| Finance costs | 9 | – | (6) |
| Share of loss of an associate | 15 | (3) | – |
| Profit/(loss) before income tax | 8 | 707 | (1,366) |
| Income tax expense | 11 | (1,475) | (446) |
| Loss for the year attributable to the owners of the Company | | (768) | (1,812) |
| Other comprehensive income/(loss) | | | |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences arising on translation | | 51 | (102) |
| Other comprehensive income/(loss) for the year, net of income tax | | 51 | (102) |
| Total comprehensive loss for the year attributable to the owners of the Company | | (717) | (1,914) |
| Loss per share attributable to the owners of the Company | | | |
| Basic and diluted | 13 | RMB(0.10) cents | RMB(0.23) cents |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

| | <i>Notes</i> | 2021 RMB'000 | 2020 RMB'000 |
|-------------------------------|--------------|-----------------|-----------------|
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | 14 | 746 | 989 |
| Deferred tax assets | 19 | 214 | 193 |
| Interest in an associate | 15 | – | – |
| | | 960 | 1,182 |
| Current assets | | | |
| Trade and other receivables | 16 | 10,541 | 23,197 |
| Tax recoverable | | 629 | 943 |
| Time deposit | 17 | – | 35,000 |
| Bank balances and cash | 17 | 92,874 | 43,494 |
| | | 104,044 | 102,634 |
| Current liability | | | |
| Trade and other payables | 18 | 15,092 | 13,187 |
| Net current assets | | 88,952 | 89,447 |
| Net assets | | 89,912 | 90,629 |
| CAPITAL AND RESERVES | | | |
| Share capital | 20 | 5,616 | 5,616 |
| Reserves | 21 | 84,296 | 85,013 |
| Total equity | | 89,912 | 90,629 |

The consolidated financial statements on the pages from 57 to 100 were approved and authorised for issue by the Board of Directors on 25 March 2022 and are signed on its behalf by:

Zhou Yang
Executive Director

Song Ruiqing
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

| | Share capital RMB'000 (Note 20) | Share premium RMB'000 (Note 21) | Statutory reserve RMB'000 (Note 21) | Translation reserve RMB'000 (Note 21) | Other reserve RMB'000 (Note 21) | Retained earnings RMB'000 | Total equity RMB'000 |
|---|--|--|--|--|--|---------------------------------|----------------------------|
| Balance at 1 January 2020 | 5,616 | 34,420 | 5,629 | (817) | 26,412 | 21,283 | 92,543 |
| Loss for the year | - | - | - | - | - | (1,812) | (1,812) |
| Other comprehensive loss | | | | | | | |
| Exchange differences arising on translation | - | - | - | (102) | - | - | (102) |
| Total comprehensive loss for the year | - | - | - | (102) | - | (1,812) | (1,914) |
| Transfer to statutory reserve | - | - | 292 | - | - | (292) | - |
| Balance at 31 December 2020 and 1 January 2021 | 5,616 | 34,420 | 5,921 | (919) | 26,412 | 19,179 | 90,629 |
| Loss for the year | - | - | - | - | - | (768) | (768) |
| Other comprehensive income | | | | | | | |
| Exchange differences arising on translation | - | - | - | 51 | - | - | 51 |
| Total comprehensive income/(loss) for the year | - | - | - | 51 | - | (768) | (717) |
| Transfer to statutory reserve | - | - | 382 | - | - | (382) | - |
| Balance at 31 December 2021 | 5,616 | 34,420 | 6,303 | (868) | 26,412 | 18,029 | 89,912 |

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

| | <i>Notes</i> | 2021 RMB'000 | 2020 RMB'000 |
|--|--------------|------------------------|-----------------|
| Cash flows from operating activities | | | |
| Profit/(loss) before income tax | | 707 | (1,366) |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 14 | 540 | 472 |
| Provision for/(reversal of) expected credit loss on trade receivables, net | 8 | 84 | (363) |
| Interest income | 7 | (313) | (426) |
| Interest expenses for lease liabilities | 9 | – | 6 |
| Share of loss of an associate | 15 | 3 | – |
| Impairment loss on amount due from an associate | 8 | 337 | – |
| Operating profit/(loss) before working capital changes | | 1,358 | (1,677) |
| Decrease in trade and other receivables | | 12,288 | 21,413 |
| Increase/(decrease) in trade and other payables | | 1,935 | (2,329) |
| Cash generated from operations | | 15,581 | 17,407 |
| Income tax paid | | (1,182) | (5,178) |
| Net cash generated from operating activities | | 14,399 | 12,229 |
| Cash flows from investing activities | | | |
| Interest received | | 313 | 160 |
| Acquisition of property, plant and equipment | 14 | (297) | (905) |
| Decrease/(increase) in time deposit | | 35,000 | (5,000) |
| Net cash generated from/(used in) investing activities | | 35,016 | (5,745) |

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

| | <i>Notes</i> | 2021 RMB'000 | 2020 RMB'000 |
|---|--------------|------------------------|-----------------|
| Cash flows from financing activities | | | |
| Payment of capital element of lease liabilities | 25 | – | (114) |
| Payment of interest element of lease liabilities | 25 | – | (6) |
| Net cash used in financing activities | | – | (120) |
| Net increase in cash and cash equivalents | | 49,415 | 6,364 |
| Cash and cash equivalents at beginning of the year | | 43,494 | 37,466 |
| Effect of foreign exchange rate changes | | (35) | (336) |
| Cash and cash equivalents at end of the year | | 92,874 | 43,494 |
| Analysis of cash and cash equivalents | | | |
| Bank balances and cash | | 92,874 | 43,494 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

1. GENERAL INFORMATION

Orange Tour Cultural Holding Limited (the “**Company**”, collectively with its subsidiaries, the “**Group**”) was incorporated as an exempted company with limited liability in the Cayman Islands on 13 April 2018 under the Companies Act of the Caymans Islands. The registered office of the Company is located at Sertus Chambers, Governors Square, Suite 5-204, 23 Lime Tree Bay Avenue, P.O. Box 2547, Grand Cayman, KY1-1104, Cayman Islands. The Group’s principal place of business is located at Composite Building, Xiazhang Village, Yicheng Subdistrict, Yixing City, Jiangsu Province, the People’s Republic of China (the “**PRC**”). The shares of the Company are listed on GEM of The Stock Exchange of Hwong Kong Limited (the “**Stock Exchange**”) since 14 November 2019.

The Company is an investment holding company. The principal activities of the Group are provision of event management services and design and production services.

2. BASIS OF PREPARATION AND PRESENTATION

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards (“**HKFRSs**”), Hong Kong Accounting Standards (“**HKAS**”) and interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”).

The consolidated financial statements have been prepared on historical cost basis. The consolidated financial statements are presented in Renminbi (“**RMB**”), which is different from Hong Kong dollar (“**HK\$**”), the functional currency of the Company. As the Group mainly operates in the PRC, RMB is used as the presentation currency of the consolidated financial statements. All values are rounded to the nearest thousand except when otherwise indicated.

It should be noted that accounting estimates and assumptions have been used in preparation of the consolidated financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are set out in Note 5 “Significant accounting judgements and estimates”.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

The HKICPA has issued a number of revised HKFRSs and had become effective during the year. In preparing the consolidated financial statements, the Group has applied all applicable revised HKFRSs issued by the HKICPA, which are effective for the Group's consolidated financial statements for the accounting period beginning on 1 January 2021.

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

None of these amendments have had a material effect on how the Group's financial performance and financial position for the current or prior years and/or on the disclosures set out in these consolidated financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

At the date when these consolidated financial statements are authorised for issue, certain new and amended HKFRSs have been issued but are not yet effective, and have not been applied early by the Group.

| | | Effective for annual reporting periods beginning on or after |
|---|---|---|
| HKFRS 17 | Insurance Contracts and the related Amendments | 1 January 2023 |
| Amendment to AG 5 | Accounting Guideline 5 Merger Accounting for Common Control Combinations (Revised) | 1 January 2022 |
| Amendment to HKFRS 16 | Covid-19-Related Rent Concessions Beyond 30 June 2021 | 1 April 2021 |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework | 1 January 2022 |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) | 1 January 2023 |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies | 1 January 2023 |
| Amendments to HKAS 8 | Definition of Accounting Estimates | 1 January 2023 |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction | 1 January 2023 |
| Amendments to HKAS 16 | Property, Plant and Equipment – Proceeds before Intended Use | 1 January 2022 |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract | 1 January 2022 |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2018-2020 | 1 January 2022 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

The Group has already commenced an assessment of the related impact of adopting the above new and revised HKFRSs that have been issued but are not yet effective. So far, it has been preliminarily concluded that the above new and amendments to HKFRSs will be adopted at the respective effective dates and the adoption of them is unlikely to have a significant impact on the consolidated financial statements of the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

4.1 Basis of consolidation and subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries comprising the Group for the year.

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee; exposure, or rights, to variable returns from the investee; and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses, if any.

The cost of right-of-use assets is determined in accordance with Note 4.6.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use.

Depreciation is provided on the straight-line method, based on the estimated economic useful life of the individual asset, as follows:

| | |
|---------------------------------------|---------------------|
| Right-of-use assets – office premises | Over the lease term |
| Leasehold improvements | 3 years |
| Motor vehicles | 4 years |
| Computer and office equipment | 3 years |

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

4.3 Associates

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

An investment in an associate is accounted for in the consolidated financial statements under the equity method, less any impairment losses, unless it is classified as held for sale. Adjustments are made to bring into line any dissimilar accounting policies that may exist. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 Associates (Continued)

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to zero and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated income statement. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in the consolidated income statement. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5.

4.4 Financial instruments

Financial assets

The Group's financial assets include trade and other receivables, time deposit and bank balances and cash, all of which are classified and accounted for as debt instruments. Financial assets are recognised on the trade date.

Debt instruments that are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are held to collect the contractual cash flows are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment losses. Any changes in their value are recognised in profit or loss.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial assets.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 Financial instruments (Continued)

Impairment of financial assets

The Group recognises loss allowances for expected credit loss (“ECL”) on the financial assets measured at amortised cost. The Group measures loss allowances at an amount equal to lifetime ECL as all its financial assets carried at amortised cost are current assets. For trade receivables, the Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which requires the use of the lifetime expected losses provision for all trade receivables.

When estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls which is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.

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.

At each reporting date, the Group assesses on a forward looking basis whether financial assets carried at amortised cost is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- (a) significant financial difficulty of the borrower or issuer;
- (b) a breach of contract such as a default or past due event; and
- (c) it is becoming probable that the debtor will enter bankruptcy.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

The gross carrying amount of a financial assets is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to write off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 Financial instruments (Continued)

Financial liabilities

The Group's financial liabilities include trade and other payables. Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest method. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled, or expires.

4.5 Impairment of non-financial assets

Where an indication of impairment exists, the recoverable amount of the asset is estimated. An asset's recoverable amount is the higher of the value in use of the asset or cash-generating unit to which it belongs and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised in the profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of the impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. The reversal of the impairment loss is credited to the profit or loss in the year in which it arises.

4.6 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Such determination is made on an evaluation of the substance of the arrangement, regardless of whether the arrangements take the legal form of a lease.

Assets leased to the Group

Leases are initially recognised as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Leases (Continued)

Assets leased to the Group (Continued)

Assets leased to the Group and the corresponding liabilities are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

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

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the incremental borrowing rate of respective entities. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentive received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less.

The Group presents right-of-use assets in property, plant and equipment, the same line item within which the corresponding underlying assets would be presented if they were owned.

4.7 Cash and cash equivalents

Cash and cash equivalents comprise bank balances and cash and have a short maturity of generally within three months when acquired.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.8 Revenue recognition

Revenues are recognised when or as the control of the goods or services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

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

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

The principal activities of the Group are provision of event management services and design and production services. In respect of both of these principal activities, the Group recognises revenue at a point in time.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

Provision of event management services

The types of events that event management services relate to include a variety of cultural, artistic, recreational and corporate promotional events.

The services provided by the Group cover scopes of design, planning, promotion, coordination and management of an event for customers. Based on the customers' objectives, the Group forms the theme of the event for customers and visualise concepts with a detailed implementation plan. The Group will continue to modify the preliminary plans until the customers are satisfied with the plans and have no further comments.

Revenue is recognised at a point in time at the end of contract period or when the acknowledgement is signed by the customer after it is satisfied with the services, where appropriate. At that stage, the Group has enforceable right to payment for the whole transaction price and the collection of the consideration is considered probable.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.8 Revenue recognition (Continued)

Provision of design and production services

Design and production services include design and the production of various sketches graphics, other marketing materials.

The Group offers design, writing and editorial as well as animated media work services to the customers. The Group uses expertise and knowledge to transform and express customers' ideas in different forms. The Group also designs and edits contents of webpages and various social media platforms to meet customers' marketing objectives. The Group will continue to modify the design until the customers are satisfied with the design and have no further comment.

Revenue is recognised at a point in time at the end of contract period or when the acknowledgement is signed by the customer after it is satisfied with the services, where appropriate. At that stage, the Group has enforceable right to payment for the whole transaction price and the collection of the consideration is considered probable.

Interest income

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

4.9 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate.

Government grants relating to income is presented in gross under "Other income and gains" in the consolidated statement of comprehensive income.

4.10 Income taxes

Income tax represents the sum of current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the company operates.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 Income taxes (Continued)

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investment in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investment in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax is calculated, without discounting, at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.11 Employee benefit

(i) Short-term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

(ii) Defined contribution retirement plan obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefit 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 and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The employees of the subsidiaries within the Group which operate in the PRC are required to participate in the central pension scheme operated by the local municipal government. These PRC subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme as specified by the local municipal government. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the central pension scheme.

There were no forfeited contributions utilised by or available for the Group to reduce existing level of contributions for each of the years.

4.12 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.13 Foreign currency

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. 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 each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items or on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the group entities are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the year. The resulting currency translation differences are recognised in other comprehensive income and accumulated separately in equity in the translation reserve.

For the purpose of the consolidated statement of cash flows, the cash flows of the group entities are translated into RMB by using the exchange rates approximating the foreign exchange rate ruling at the dates of the cash flows.

4.14 Related parties

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

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Company;

or

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.14 Related parties (Continued)

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Company.

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

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

4.15 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors of the Company for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors of the Company are determined following the Group's major operations.

The measurement policies the Group uses for reporting segment results under HKFRS 8 "Operating Segments" are the same as those used in its financial statements prepared under HKFRSs.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires the directors of the Company to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing 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.

Judgements

In the process of applying the Group's accounting policies, the directors of the Company have made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

Revenue recognition

The principal activities of the Group are provision of event management and design and production services. The services encompass a wide spectrum of coverage, including design and planning, project management, on-site supervision, writing and editorial works and animated media works.

The end products created by the services or the services provided are unique, specified to each customer and involved high personal preference. Therefore, before the acceptance of the end products/services by the customer, it is uncertain that the Group would have the right to receive consideration from the customers. As such, the management considers that revenue cannot be recognised based on the stage of completion as none of the criteria for recognising revenue over time is met. In the light of the relatively short duration of each project, the directors of the Company have determined that it is appropriate that recognition of revenue takes place at the end of contract or upon the acknowledgement of the customers that they are satisfied with the end products/services, where appropriate, at which point in time the control of the end products are delivered to the customers. At that stage, the Group has enforceable right to payment for the whole transaction price and the collection of the consideration is considered probable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty

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

Provision for ECL on trade receivables

The Group determines the provision for ECL on trade receivables resulting from the inability of the customers/debtors to make the required payments. A considerable amount of estimate and judgement is required in assessing the ultimate realisation of these receivables which is based on the ageing of the receivable balance and historical write-off and settlement experience, and taking into account forward-looking information that is reasonable and supportable available without undue costs or effort. If the financial conditions of customers/debtors deteriorate, additional allowance for expected credit loss may be required.

Further details are disclosed in Note 16.

Provision for income taxes

The Group is subject to income taxes in jurisdictions in which the Group operates. Significant judgement is required in determining the tax liabilities to be recognised. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises provisions for tax based on estimates of the taxes that are likely to become due. The Group believes that its provision for tax is adequate for the reporting period based on its assessment of many factors including past experience and interpretations of tax law. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

6. SEGMENT INFORMATION

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is defined on the basis of the internal management reporting information that is provided to and regularly reviewed by the executive directors of the Company, who are the chief operating decision makers, in order to allocate resources and assess performance of the segment. During the year, the executive directors of the Company regularly review the consolidated financial position, revenue from provision of event management services and design and production services and results of the Group for the purposes of allocating resources and assessing performance of the Group as a whole.

Therefore, the directors of the Company consider the Group has one single operating segment during the year which is provision of event management services and design and production services.

Geographical information

The Company is an investment holding company and the principal place of the Group's operation is in the PRC. For the purpose of segment information disclosures under HKFRS 8, the Group regards the PRC as its country of domicile.

As at 31 December 2021 and 2020, the Group operated within one geographical area because all of its revenue was generated in the PRC and all of its long-term assets were located in the PRC. Accordingly, no geographical information is presented.

Information about major customers

For the year ended 31 December 2021, revenue from major customers who contributed more than 10% of the total revenue of the Group is as follow:

| | 2021 RMB'000 | 2020 RMB'000 |
|------------|-----------------|-----------------|
| Customer A | 8,280 | N/A (Note) |
| Customer B | N/A (Note) | 4,690 |
| Customer C | 3,111 | N/A (Note) |

Note: Revenue from customer B for the year ended 31 December 2021 and revenue from customer A and C for the year ended 31 December 2020 contributed less than 10% of the total revenue of the Group for the respective year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

7. REVENUE AND OTHER INCOME AND GAINS

All revenue are recognised at a point in time. An analysis of the Group's revenue by services and other income and gains during the year is as follows:

| | 2021 RMB'000 | 2020 RMB'000 |
|--------------------------------------|-----------------|-----------------|
| Revenue | | |
| <i>By type of services</i> | | |
| Event management services | 10,175 | 6,978 |
| Design and production services | 20,008 | 15,083 |
| | 30,183 | 22,061 |
| Other income and gains | | |
| Exchange gain, net | – | 160 |
| Interest income | 313 | 426 |
| Government subsidies (<i>Note</i>) | 9 | 47 |
| Others | – | 248 |
| | 322 | 881 |

Note: The government subsidies recognised for the year ended 31 December 2021 were the approved subsidies from the Government of the People's Republic of China which aims to retain employment.

The government subsidies recognised for the year ended 31 December 2020 were the approved subsidies from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme as promulgated by the Government of the Hong Kong Special Administrative Region of the People's Republic of China.

There are no unfulfilled conditions or other contingencies attached to these subsidies during both years.

All of the Group's unsatisfied performance obligations for contracts with customers are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

8. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax is arrived at after charging/(crediting):

| | 2021 RMB'000 | 2020 RMB'000 |
|--|-----------------|-----------------|
| Auditor's remuneration | 398 | 390 |
| Provision for/(reversal of) ECL on trade receivables, net | 84 | (363) |
| Expense relating to short-term leases | 295 | 184 |
| Impairment loss on amount due from an associate | 337 | – |
| Project costs | | |
| – Event and marketing materials expenses | 3,269 | 1,570 |
| – Printing charges | 237 | 178 |
| – Stage services and venue decoration expenses | 2,178 | 1,783 |
| – Advertising and promotional expenses | 3,098 | 2,489 |
| – Video and animation production costs | 965 | 1,744 |
| – Applications and software development expenses | 2,483 | 1,581 |
| – Other project costs | 176 | 129 |
| | 12,406 | 9,474 |
| Employee benefits expense (including directors' emoluments) <i>(Note 10(a))</i> | | |
| – Salaries, allowances and benefits in kind | 10,407 | 9,289 |
| – Discretionary bonus | 1,250 | 868 |
| – Retirement benefit scheme contributions | 976 | 150 |
| | 12,633 | 10,307 |

9. FINANCE COSTS

| | 2021 RMB'000 | 2020 RMB'000 |
|--|-----------------|-----------------|
| Interest expense for lease liabilities | – | 6 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

10. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT

(a) Directors and chief executive emoluments

Pursuant to the GEM Listing Rules, Section 383(1)(a), (b), (c) and (f) of the Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, details of emoluments paid by the Group to the directors of the Company are as follows:

| | Directors' fees RMB'000 | Salaries, allowances and benefits in kind RMB'000 (Note (i)) | Retirement benefit scheme contributions RMB'000 | Total RMB'000 |
|---|----------------------------|--|--|------------------|
| Year ended 31 December 2021 | | | | |
| Executive directors | | | | |
| Ms. Song Ruiqing ("Ms. Song") (Note (ii)) | – | 844 | 38 | 882 |
| Mr. Zhou Yang ("Mr. Zhou") (Note (iii)) | – | 700 | 38 | 738 |
| Independent non-executive directors | | | | |
| Mr. Ho Yau Kwok | 149 | – | – | 149 |
| Mr. Yip Koon Shing | 149 | – | – | 149 |
| Mr. Wong Kin Yip | 149 | – | – | 149 |
| | 447 | 1,544 | 76 | 2,067 |
| Year ended 31 December 2020 | | | | |
| Executive directors | | | | |
| Ms. Song (Note (ii)) | – | 833 | 35 | 868 |
| Mr. Zhou (Note (iii)) | – | 689 | 35 | 724 |
| Independent non-executive directors | | | | |
| Mr. Ho Yau Kwok | 156 | – | – | 156 |
| Mr. Yip Koon Shing | 156 | – | – | 156 |
| Mr. Wong Kin Yip | 156 | – | – | 156 |
| | 468 | 1,522 | 70 | 2,060 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

10. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT (Continued)

(a) Directors and chief executive emoluments (Continued)

Notes:

- (i) Salaries, allowances and benefits in kind of the executive directors of the Company are generally emoluments paid in respect of the directors' other services in connection with the management of the affairs of the subsidiaries of the Company.
- (ii) Ms. Song is the chief executive officer of the Company.
- (iii) Mr. Zhou is the chairman of the Board of Directors of the Company.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2020: Nil).

During the year, no emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group, or as compensation for loss of office (2020: Nil).

(b) Five highest paid individuals' emoluments

Of the five individuals with the highest emoluments in the Group, two (2020: two) were directors of the Company. The emolument of the remaining three (2020: three) non-director individuals, in the salary band of Nil to HK\$1,000,000, was as follows:

| | 2021 RMB'000 | 2020 RMB'000 |
|---|-----------------|-----------------|
| Salaries, allowances and benefits in kind | 1,446 | 1,449 |
| Discretionary bonus | 110 | 209 |
| Retirement benefit scheme contributions | 91 | 22 |
| | 1,647 | 1,680 |

During the year, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2020: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

10. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT (Continued)

(c) Senior management emolument

The number of senior management (excluding the directors of the Company) whose remuneration fell within the following bands is as follows:

| | 2021 | 2020 |
|----------------------|------|------|
| Nil to HK\$1,000,000 | 3 | 3 |

11. INCOME TAX EXPENSE

| | 2021 RMB'000 | 2020 RMB'000 |
|---|-----------------|-----------------|
| Income tax expense comprise: | | |
| Current tax - The PRC Enterprise Income Tax ("EIT") | | |
| – current year | 1,451 | 639 |
| – under-provision in respect of prior years | 45 | – |
| | 1,496 | 639 |
| Deferred tax | | |
| – current year (Note 19) | (21) | (193) |
| Income tax expense | 1,475 | 446 |

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax under these jurisdictions during the year (2020: Nil).

Hong Kong corporates are mainly subject to Hong Kong Profits Tax rate of 16.5% (2020: 16.5%). No Hong Kong Profits Tax has been provided for the year in the consolidated financial statements as the Group has no assessable profits derived in Hong Kong during the year (2020: Nil).

The Group is subject to income tax on an entity basis on profits arising in or derived from the PRC in which members of the Group are domiciled and operated. Except for two PRC subsidiaries that are qualified for the simplified tax rate of 2.5% (2020: 2.5%) on the gross revenue, the PRC EIT has been provided at the rate of 25% (2020: 25%) on the taxable profits of the Group's PRC subsidiaries during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

11. INCOME TAX EXPENSE (Continued)

The income tax expense for the year can be reconciled to the profit/(loss) before income tax per the consolidated statement of comprehensive income as follows:

| | 2021 RMB'000 | 2020 RMB'000 |
|--|-----------------|-----------------|
| Profit/(loss) before income tax | 707 | (1,366) |
| Tax calculated at the domestic rate at 25% (2020: 25%) | 177 | (374) |
| Effect of different tax rates of entities in other jurisdictions | 315 | 372 |
| Tax effect of non-taxable income | – | (8) |
| Tax effect of non-deductible expenses | 854 | 482 |
| Tax effect of temporary difference not recognised | 109 | – |
| Tax reduction | (25) | (26) |
| Under-provision in respect of prior years | 45 | – |
| Income tax expense | 1,475 | 446 |

12. DIVIDENDS

No dividend has been paid or declared by the Company during the year (2020: Nil). The directors of the Company do not recommend the payment of a final dividend for the year (2020: Nil).

13. LOSS PER SHARE

| | 2021 | 2020 |
|---|---------|---------|
| Loss for the year attributable to the owners of the Company (RMB'000) | (768) | (1,812) |
| Weighted average number of ordinary shares (in thousand) | 800,000 | 800,000 |

Diluted loss per share were same as the basic loss per share as there were no dilutive potential ordinary shares in existence during the years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

14. PROPERTY, PLANT AND EQUIPMENT

| | Right-of-use asset – office premises RMB'000 | Leasehold improvements RMB'000 | Motor vehicles RMB'000 | Computer and office equipment RMB'000 | Total RMB'000 |
|--|---|--------------------------------------|------------------------------|--|------------------|
| Cost | | | | | |
| As at 1 January 2020 | 223 | 266 | 1,115 | 515 | 2,119 |
| Additions | – | 389 | – | 516 | 905 |
| Written off | (223) | – | – | – | (223) |
| As at 31 December 2020 and 1 January 2021 | – | 655 | 1,115 | 1,031 | 2,801 |
| Additions | – | 297 | – | – | 297 |
| As at 31 December 2021 | – | 952 | 1,115 | 1,031 | 3,098 |
| Accumulated depreciation | | | | | |
| As at 1 January 2020 | 112 | 8 | 946 | 497 | 1,563 |
| Charge for the year | 111 | 154 | 106 | 101 | 472 |
| Written off | (223) | – | – | – | (223) |
| As at 31 December 2020 and 1 January 2021 | – | 162 | 1,052 | 598 | 1,812 |
| Charge for the year | – | 304 | 63 | 173 | 540 |
| As at 31 December 2021 | – | 466 | 1,115 | 771 | 2,352 |
| Net carrying amount | | | | | |
| As at 31 December 2020 | – | 493 | 63 | 433 | 989 |
| As at 31 December 2021 | – | 486 | – | 260 | 746 |

During the year ended 31 December 2020, the lease agreement in relation to the office premises expired. Accordingly, the relevant fully-depreciated right-of-use asset was written off and no gain or loss was recognised upon the written off.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

15. INTEREST IN AN ASSOCIATE

| | 2021 RMB'000 | 2020 RMB'000 |
|--------------------------------|-----------------|-----------------|
| Share of net assets | – | – |
| Less: Provision for impairment | – | – |
| | – | – |

Particulars of the associate is as follows:-

| Name | Particulars of issued shares held | Place of incorporation/operation | Percentage of ownership interest attributable to the Group | | Principal activity |
|--|-----------------------------------|----------------------------------|--|------|--|
| | | | 2021 | 2020 | |
| Lionheart Media (Asia) Limited (Formerly known as OTC International Limited) (" Lionheart HK ") | Ordinary shares | Hong Kong | 30% | N/A | Provision of media production and artiste services |

As at 31 December 2020, the Group owned 1,000 shares, representing 100% equity interest, of Lionheart HK. On 5 February 2021, Lionheart HK allotted 2,000 and 7,000 ordinary shares to Orange Tour Cultural Investment Limited ("**OTC Investment**") and Lionheart Media Group Limited ("**Lionheart**"), respectively, according to a cooperative agreement entered into by OTC Investment, a wholly-owned subsidiary of the Company, with Lionheart, dated 5 December 2020. Immediately after this allotment, 30% and 70% equity interest in Lionheart HK were held by the Group and Lionheart, respectively. Upon the completion of the share allotment, Lionheart HK ceased to be a subsidiary of the Group and became an associate of the Group. This transaction is accounted for as a deemed disposal while there was no material gain or loss resulted from such deemed disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

15. INTEREST IN AN ASSOCIATE (Continued)

The associate is accounted for using the equity method in these consolidated financial statements. The following table illustrates the financial information of the Group's associate that are not individually material:

| | 2021 RMB'000 | 2020 RMB'000 |
|---|-----------------|-----------------|
| Share of the associates' loss for the year | (3) | – |
| Share of the associates' total comprehensive loss | (3) | – |
| Carrying amount of the Group's interest in the associate (Note) | – | – |

Note: As at 31 December 2021, the Group's share of losses is RMB47,000 which exceeds its interest in the associate. The Group's interest was reduced to zero and recognition of further losses was discontinued.

16. TRADE AND OTHER RECEIVABLES

| | 2021 RMB'000 | 2020 RMB'000 |
|--------------------------------------|-----------------|-----------------|
| Trade receivables, gross | 9,613 | 13,651 |
| Less: Provision for ECL | (863) | (779) |
| Trade receivables, net | 8,750 | 12,872 |
| Prepayments | 249 | 277 |
| Trade prepayments | 1,365 | 5,859 |
| Deposit and other receivables (Note) | 177 | 4,189 |
| | 10,541 | 23,197 |

Note: Included in deposit and other receivables, the gross amount due from an associate of RMB337,000 is unsecured, interest-free and repayable on demand.

At 31 December 2021, in respect of the unsatisfactory performance of the associate, the management considers the amount due from the associate is not recoverable and therefore full impairment of approximately RMB337,000 (2020: Nil) was recognised for the year.

The credit period for trade receivables is normally 90 days (2020: 90 days) from the invoice date for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

16. TRADE AND OTHER RECEIVABLES (Continued)

The ageing analysis of the trade receivables, based on due date, is as follows:

| | Current RMB'000 | Past due within 1 month RMB'000 | Past due over 1 month but within 3 months RMB'000 | Past due over 3 months but within 6 months RMB'000 | Past due over 6 months but within 1 year RMB'000 | Past due over 1 year RMB'000 | Total RMB'000 |
|-------------------------------|--------------------|--|--|---|---|---------------------------------------|------------------|
| As at 31 December 2021 | | | | | | | |
| <i>ECL rate</i> | 6% | 1% | 8% | 7% | 18% | 23% | |
| Gross carrying amount | 5,462 | 728 | 418 | 240 | 2,739 | 26 | 9,613 |
| Provision for ECL | (321) | (4) | (35) | (16) | (481) | (6) | (863) |
| | 5,141 | 724 | 383 | 224 | 2,258 | 20 | 8,750 |
| As at 31 December 2020 | | | | | | | |
| <i>ECL rate</i> | 5% | 4% | 5% | 4% | 9% | 1% | |
| Gross carrying amount | 8,916 | 629 | 241 | 741 | 2,496 | 628 | 13,651 |
| Provision for ECL | (472) | (26) | (11) | (29) | (232) | (9) | (779) |
| | 8,444 | 603 | 230 | 712 | 2,264 | 619 | 12,872 |

The trade receivables related to a wide range of customers. The Group does not hold any collateral over these balances.

The ageing analysis of the trade receivables based on invoice date, net of provision for ECL, is as follows:

| | 2021 RMB'000 | 2020 RMB'000 |
|-----------------------------------|-----------------|-----------------|
| Within 1 month | 3,270 | 7,308 |
| Over 1 month but within 3 months | 1,871 | 1,136 |
| Over 3 months but within 6 months | 1,107 | 833 |
| Over 6 months but within 1 year | 978 | 1,000 |
| Over 1 year | 1,524 | 2,595 |
| | 8,750 | 12,872 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

16. TRADE AND OTHER RECEIVABLES (Continued)

Movements in the provision for ECL on trade receivables are as follows:

| | 2021 RMB'000 | 2020 RMB'000 |
|---|-----------------|-----------------|
| At the beginning of the year | 779 | 1,142 |
| (Provision for)/reversal of ECL on trade receivables, net | 84 | (363) |
| At the end of the year | 863 | 779 |

The Group carries out impairment reviews of its trade receivables using a lifetime ECL model. To measure the ECL, trade receivables have been grouped based on share credit risk characteristics. The estimated ECL loss rates are estimated based on the ageing of the receivable balance and historical write-off and settlement experience, and taking into account forward-looking information that is reasonable and supportable available without undue costs or effort. The grouping is regularly reviewed by the management of the Company to ensure relevant information about specific debtors is updated. The Group has identified the gross domestic product and unemployment rate in the PRC to be the most relevant factors, and accordingly, adjusts the historical loss rates based on expected changes in these factors.

As at 31 December 2021, the Group determined there is provision for ECL on trade receivables of approximately RMB863,000 (2020: RMB779,000).

Provision for ECL on trade receivables amounting to approximately RMB84,000 (2020: Reversal of ECL of approximately RMB363,000) have been recognised under "provision for/(reversal of) expected credit loss on trade receivables, net" in the consolidated statement of comprehensive income for the year.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

17. TIME DEPOSIT AND BANK BALANCES AND CASH

- (a) Time deposit represents fixed deposit with original maturity more than three months.

As at 31 December 2020, time deposit denominated in RMB of RMB35,000,000 with original maturity more than three months, carried an interest rate at 1.43% per annum. As at 31 December 2021, there was no such time deposit held by the Group.

- (b) Bank balances and cash represent cash in banks and on hand.

The Group's bank balances carry interest at prevailing market rates ranging from 0.001% to 0.30% per annum for the year (2020: 0.001% to 0.35% per annum).

As at 31 December 2021, bank balances of the Group with an aggregate balance of RMB92,099,000 (2020: together with time deposit, balance of RMB66,339,000) denominated in RMB and deposited with banks in the PRC. RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

The time deposit and bank balances are deposited with creditworthy banks with no recent history of default.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

18. TRADE AND OTHER PAYABLES

| | 2021 RMB'000 | 2020 RMB'000 |
|----------------------------|-----------------|-----------------|
| Trade payables | 1,588 | 871 |
| Accruals and other payable | 13,097 | 11,329 |
| Other tax payables | 407 | 586 |
| Contract liabilities | – | 401 |
| | 15,092 | 13,187 |

The credit period granted by suppliers of the Group is ranging from 30 to 120 days (2020: 30 to 120 days) for the year. The ageing analysis of the trade payables based on invoice date is as follows:

| | 2021 RMB'000 | 2020 RMB'000 |
|----------------------------------|-----------------|-----------------|
| Within 1 month | 120 | 800 |
| Over 1 month but within 3 months | 455 | – |
| Over 3 months but within 1 year | 800 | – |
| Over 1 year | 213 | 71 |
| | 1,588 | 871 |

The Group requests an upfront payment, ranging from 20% to 50% (2020: 20% to 50%) of the contract sum, upon signing of the service contract, in general. Contract liabilities, representing receipt in advance from customers, are separately presented. The movement of contract liabilities during the year is as follows:

| | 2021 RMB'000 | 2020 RMB'000 |
|---|-----------------|-----------------|
| As at 1 January | 401 | 733 |
| Revenue recognised that was included in the contract liabilities at beginning of the year | (401) | (712) |
| Increase due to receipts in advance from customers, excluding amounts recognised as revenue during the year | – | 380 |
| As at 31 December | – | 401 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

19. DEFERRED TAX ASSETS

Movement in deferred tax assets during the year is as follows:

| | ECL on trade receivables RMB'000 |
|---|--|
| As at 1 January 2020 | – |
| Credited to profit or loss (<i>Note 11</i>) | <u>193</u> |
| As at 31 December 2020 and 1 January 2021 | 193 |
| Credited to profit or loss (<i>Note 11</i>) | <u>21</u> |
| As at 31 December 2021 | <u>214</u> |

Pursuant to the EIT Law, 10% withholding tax is imposed on dividends declared in respect of profits earned to non-PRC tax resident investors for the companies established in the PRC. For qualified investors incorporated in Hong Kong, a treaty rate of 5% will be applicable. No deferred tax liability has been recorded on certain temporary differences of approximately RMB43,677,000 (2020: RMB41,125,000) relating to the undistributed earnings of foreign subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

The Group has no other material deferred tax not provided in the consolidated financial statements, as there were no other material temporary differences at the end of the reporting period.

20. SHARE CAPITAL

| | Number of ordinary shares | Amount RMB'000 |
|--|------------------------------|-------------------|
| Ordinary shares of United States dollar (“US\$”) 0.001 each | | |
| Authorised | | |
| As at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021 | <u>2,000,000,000</u> | <u>14,158</u> |
| Issued and fully paid: | | |
| As at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021 | <u>800,000,000</u> | <u>5,616</u> |

21. RESERVES

Details of the movements on the Group's reserves are as set out in the consolidated statement of changes in equity.

Share premium

The share premium account of the Group includes the premium arising from the issue of shares pursuant to the share offering net of listing expenses and the Capitalisation Issue.

Statutory reserve

As stipulated by the relevant laws in the PRC, the PRC subsidiaries are required to maintain a statutory reserve fund. The minimum transfer to statutory reserve is 10% of profit after tax of the PRC subsidiaries according to the PRC subsidiaries' statutory financial statements. No appropriation is required if the balance of the statutory reserve has reached 50% of the registered capital of the PRC subsidiaries. The statutory reserves can be used to make up losses or for conversion into capital.

Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the Company and certain subsidiaries whose functional currencies are different from that of the presentation currency.

Other reserve

The other reserve comprises:

- (a) the deemed contribution from the Controlling Shareholders (as defined in Note 29) upon acquisition of the non-controlling interest;
- (b) the excess contribution consideration paid by a pre-IPO investor for the subscription of the additional registered capital over the nominal amount of the registered capital; and
- (c) the difference between the nominal value of the aggregate share capital of the subsidiaries acquired pursuant to the group reorganisation to rationalise the structure of the Group, over the nominal value of the shares of the Company issued in exchange for the subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

22. INTERESTS IN SUBSIDIARIES

As at the date when these consolidated financial statements are authorised for issue, the Company has direct and indirect interests in the following subsidiaries, all of which are companies with limited liability. The particulars of which are set out as follows:

| Name of the subsidiary | Place and date of incorporation/ establishment | Particulars of issued and fully paid-up capital/ share capital/ registered capital | Attributable equity interest to the Group | | Principal activities and place of operation |
|---|--|--|---|------|--|
| | | | As at 31 December 2021 | 2020 | |
| Directly held: | | | | | |
| Orange Tour (BVI) Limited | The BVI 6 April 2018 | US\$1,000 (2020: US\$1,000) | 100% | 100% | Investment holding |
| OTC Investment | The BVI 14 October 2020 | US\$1,000 (2020: US\$1,000) | 100% | 100% | Investment holding |
| Indirectly held: | | | | | |
| Orange Tour HK Company Limited | Hong Kong 5 February 2018 | HK\$1,000 (2020: HK\$1,000) | 100% | 100% | Investment holding |
| Yixing Tianxi Cultural Media Co., Ltd.* (宜興天熙文化傳媒有限公司) | The PRC 20 June 2018 | HK\$20,500,000 (2020: HK\$20,500,000) | 100% | 100% | Investment holding |
| Wuxi Orange Tour Cultural and Creative Co., Ltd.* (無錫旅橙文化創意有限公司) | The PRC 30 May 2014 | RMB40,000,000 (2020: RMB40,000,000) | 100% | 100% | Provision of event management services and design and production services in the PRC |
| Yixing Orange Tour Cultural and Creative Co., Ltd.* (宜興旅橙文化創意有限公司) | The PRC 13 November 2014 | RMB2,000,000 (2020: RMB2,000,000) | 100% | 100% | Provision of event management services and design and production services in the PRC |
| Lionheart HK (Note) | Hong Kong 29 October 2020 | HK\$10,000 (2020: HK\$1,000) | N/A | 100% | Provision of media production and artiste services |

* The English name of the subsidiaries established in the PRC represent management's best effort at translating the Chinese name of such subsidiaries as no English name has been registered.

Note: Lionheart HK has ceased to be a subsidiary of the Group and became an associate of the Group during the year. Further details are set out in Note 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

23. COMMITMENTS

Lease commitments

The Group had commitments for short-term lease which fall due as follows:

| | 2021 RMB'000 | 2020 RMB'000 |
|---------------|-----------------|-----------------|
| Within 1 year | – | 289 |

The operating lease commitments as at 31 December 2020 are set out above as there were two short-term leases recognised.

Loan commitments

Pursuant to the cooperative agreement with Lionheart, OTC Investment will provide a revolving loan facilities up to HK\$3,000,000, which is interest-bearing of 10% per annum, to Lionheart HK. The loan would have to be repaid in 12 months after drawing. As at 31 December 2021, the Group had unused loan facilities commitments of HK\$3,000,000.

24. RELATED PARTY TRANSACTIONS

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

(a) Balances with a related party

| | 2021 RMB'000 | 2020 RMB'000 |
|---|-----------------|-----------------|
| Amount due from an associate (included in trade and other receivables) (Note 16) | 337 | – |
| Less: Impairment loss | (337) | – |
| | – | – |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

24. RELATED PARTY TRANSACTIONS (Continued)

(b) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the directors of the Company. Key management personnel remuneration are as follows:

| | 2021 RMB'000 | 2020 RMB'000 |
|---|-----------------|-----------------|
| Directors' fee | 447 | 468 |
| Salaries, allowances and benefits in kind | 2,930 | 2,917 |
| Discretionary bonus | 100 | 149 |
| Retirement benefit scheme contributions | 167 | 92 |
| | 3,644 | 3,626 |

25. CASH FLOW INFORMATION

Reconciliation of liabilities from financing activities

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

| | Lease liabilities RMB'000 |
|--|------------------------------|
| As at 1 January 2020 | 114 |
| Changes from financing cash flows during the year ended 31 December 2020: | |
| Payment of capital element of lease liabilities | (114) |
| Payment of interest element of lease liabilities | (6) |
| Total changes from financing cash flows | (120) |
| Other change: | |
| Interest expense for lease liabilities (Note 9) | 6 |
| As at 31 December 2020, 1 January 2021 and 31 December 2021 | - |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group is exposed to a variety of risks including credit risk and liquidity risk through its use of financial instruments in its ordinary course of operations.

The Group does not have any written risk management policies and guidelines. The directors of the Company monitor the financial risk management and take such measures as considered necessary from time to time to minimise such financial risks. There has been no change to the Group's exposure or the manner in which it manages and measures the risk.

(a) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of the reporting period, 70% (2020: 13%) and 30% (2020: 85%) of the total bank deposits (including time deposit and bank balances) were placed in two financial institutions respectively with good standing in the PRC.

The carrying amount of trade and other receivables represent the Group's maximum exposure to credit risk in relation to its financial assets. No other financial assets carry a significant exposure to credit risk.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent.

As at 31 December 2021, the Group has a certain concentration of credit risk as 26% of gross trade receivables was due from the Group's five largest customers. As at 31 December 2020, the Group had a certain concentration of credit risk as 35% of gross trade receivables was due from the Group's largest customer while 43% of gross trade receivables was due from the Group's five largest customers.

(b) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was matured either within one year or on demand.

(c) Fair values of financial instruments

All financial assets and liabilities are carried at amount not materially different from their fair values as at 31 December 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

27. FINANCIAL INSTRUMENTS BY CATEGORY

| | 2021 RMB'000 | 2020 RMB'000 |
|---------------------------------------|-----------------|-----------------|
| Financial assets | | |
| Financial assets at amortised cost | | |
| – Trade and other receivables | 8,927 | 17,061 |
| – Time deposit | – | 35,000 |
| – Bank balances and cash | 92,874 | 43,494 |
| | 101,801 | 95,555 |
| Financial liability | | |
| Financial liability at amortised cost | | |
| – Trade and other payables | 14,232 | 12,200 |
| | 14,232 | 12,200 |

28. CAPITAL RISK MANAGEMENT

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the shareholders, return capital to the shareholders, issue new shares or sell assets to reduce debts. No changes in the objectives, policies or processes for managing capital were made during the year.

The capital structure of the Group consists of equity of the Company, comprising share capital and reserves disclosed in the consolidated statement of changes in equity.

29. THE IMMEDIATE HOLDING COMPANY, ULTIMATE HOLDING COMPANY AND ULTIMATE CONTROLLING PARTIES

In the opinion of the directors of the Company, the immediate holding company and ultimate holding company of the Company is QY Investment Holding Limited, a company incorporated in the BVI. Mr. Zhou and Ms. Song, being the controlling shareholders of QY Investment Holdings Limited (the "**Controlling Shareholders**"), are the ultimate controlling parties of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | 2021 RMB'000 | 2020 RMB'000 |
|-------------------------------|-----------------|-----------------|
| ASSETS AND LIABILITIES | | |
| Non-current asset | | |
| Investment in subsidiaries | 12 | 12 |
| Current assets | | |
| Prepayments | 215 | 221 |
| Amount due from a subsidiary | 14,144 | 16,846 |
| Bank balances and cash | 105 | 108 |
| | 14,464 | 17,175 |
| Current liabilities | | |
| Accruals and other payables | 1,438 | 613 |
| Amounts due to subsidiaries | 274 | 12 |
| | 1,712 | 625 |
| Net current assets | 12,752 | 16,550 |
| Net assets | 12,764 | 16,562 |
| CAPITAL AND RESERVES | | |
| Share capital | 5,616 | 5,616 |
| Reserves | 7,148 | 10,946 |
| Total equity | 12,764 | 16,562 |

The statement of financial position of the Company was approved and authorised for issue by the Board of Directors on 25 March 2022 and is signed on its behalf by:

Zhou Yang
Executive Director

Song Ruiqing
Executive Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Details of the changes in the Company's individual components of reserves between the beginning and the end of the year are set out below:

| | Share premium RMB'000 (Note 21) | Translation reserve RMB'000 (Note 21) | Accumulated losses RMB'000 | Total reserves RMB'000 |
|--|--|--|----------------------------------|------------------------------|
| Balance at 1 January 2020 | 34,420 | (698) | (17,141) | 16,581 |
| Loss for the year | - | - | (4,368) | (4,368) |
| Other comprehensive loss | | | | |
| Exchange differences arising on translation | - | (1,267) | - | (1,267) |
| Total comprehensive loss for the year | - | (1,267) | (4,368) | (5,635) |
| Balance at 31 December 2020 and 1 January 2021 | 34,420 | (1,965) | (21,509) | 10,946 |
| Loss for the year | - | - | (3,362) | (3,362) |
| Other comprehensive loss | | | | |
| Exchange differences arising on translation | - | (436) | - | (436) |
| Total comprehensive loss for the year | - | (436) | (3,362) | (3,798) |
| Balance at 31 December 2021 | 34,420 | (2,401) | (24,871) | 7,148 |