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HENGDELI HOLDINGS LIMITED

亨得利控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3389)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2021	2020	YoY change
	<i>RMB'000</i>	<i>RMB'000</i>	
Revenue	992,962	1,219,856	-18.6
Gross profit/(loss)	113,867	(148,223)	176.8
Profit/(loss) for the year	20,210	(386,524)	105.2
Profit/(loss) attributable to equity shareholders	26,282	(383,076)	106.9

The board (the “Board”) of directors (the “Directors”) of Hengdeli Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2021 (hereinafter referred to as the “year” or “year under review”), which have been audited by the Company’s auditor, ZHONGHUI ANDA CPA LIMITED in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants and reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

(Expressed in Renminbi)

	Note	2021 RMB'000	2020 RMB'000
Revenue	3	992,962	1,219,856
Cost of sales		<u>(879,095)</u>	<u>(1,368,079)</u>
Gross profit/(loss)		113,867	(148,223)
Other revenue	4	44,584	47,796
Other net (loss)/gain	4	(3,761)	45,435
Distribution costs		(54,240)	(135,781)
Administrative expenses		<u>(129,374)</u>	<u>(156,073)</u>
Loss from operations		(28,924)	(346,846)
Share of profits of associates		50,997	–
Finance costs	5(a)	<u>(3,372)</u>	<u>(7,354)</u>
Profit/(loss) before taxation	5	18,701	(354,200)
Income tax credit/(expense)	6	<u>1,509</u>	<u>(32,324)</u>
Profit/(loss) for the year		<u>20,210</u>	<u>(386,524)</u>
Attributable to:			
Equity shareholders of the Company		26,282	(383,076)
Non-controlling interests		<u>(6,072)</u>	<u>(3,448)</u>
Profit/(loss) for the year		<u>20,210</u>	<u>(386,524)</u>
Earnings/(loss) per share	8		
Basic		<u>RMB0.006</u>	<u>RMB(0.082)</u>
Diluted		<u>RMB0.006</u>	<u>RMB(0.082)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME*For the year ended 31 December 2021*

(Expressed in Renminbi)

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit/(loss) for the year	20,210	(386,524)
Other comprehensive income for the year (after tax and reclassification adjustments)		
Items that may be reclassified subsequently to profit or loss:		
Release of exchange differences on disposal of subsidiaries	30	(1,282)
Exchange differences on translation of overseas subsidiaries' financial statements	(39,325)	(87,058)
Share of associates exchange differences on translating foreign operations	(747)	–
	(40,042)	(88,340)
Items that will not be reclassified subsequently to profit or loss:		
Equity investments at fair value through other comprehensive income – net movement in fair value reserves (non-recycling)	(60,485)	61,041
Exchange differences on translation of equity investments at fair value through other comprehensive income	(9,516)	(33,087)
Exchange differences on translation of the Company's financial statements	(28,876)	(80,096)
	(98,877)	(52,142)
Total comprehensive income for the year	(118,709)	(527,006)
Attributable to:		
Equity shareholders of the Company	(112,258)	(527,878)
Non-controlling interests	(6,451)	872
Total comprehensive income for the year	(118,709)	(527,006)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

(Expressed in Renminbi)

	<i>Note</i>	2021 RMB'000	2020 <i>RMB'000</i>
Non-current assets			
Investment properties		130,376	134,057
Property, plant and equipment		515,745	479,302
		646,121	613,359
Intangible assets		2,861	2,772
Goodwill	<i>9</i>	49,237	63,547
Interests in associates	<i>10</i>	51,407	–
Other investments	<i>11</i>	525,064	487,251
Prepayment and deposits		1,598	1,642
Deferred tax assets		323	52
		1,276,611	1,168,623
Current assets			
Inventories	<i>12</i>	597,505	653,106
Trade and other receivables	<i>13</i>	632,749	535,487
Loans to associates	<i>14</i>	77,951	–
Other investments	<i>11</i>	11,585	29,147
Current tax recoverable		178	235
Deposits with banks		273,796	226,880
Cash and cash equivalents	<i>15</i>	661,017	1,014,983
		2,254,781	2,459,838
Current liabilities			
Trade and other payables and contract liabilities	<i>16</i>	157,156	117,563
Bank loans	<i>17</i>	46,925	2,322
Lease liabilities		11,774	12,248
Current taxation		3,587	5,179
		219,442	137,312
Net current assets		2,035,339	2,322,526
Total assets less current liabilities		3,311,950	3,491,149

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*As at 31 December 2021*

(Expressed in Renminbi)

	<i>Note</i>	2021 RMB'000	2020 <i>RMB'000</i>
Non-current liabilities			
Bank loans	17	26,954	27,596
Lease liabilities		12,079	21,418
Deferred tax liabilities		454	2,325
		39,487	51,339
NET ASSETS			
		3,272,463	3,439,810
CAPITAL AND RESERVES			
Share capital	7(b)	21,516	22,337
Reserves		3,183,082	3,344,357
Total equity attributable to equity shareholders of the Company			
		3,204,598	3,366,694
Non-controlling interests			
		67,865	73,116
		3,272,463	3,439,810

NOTES

(Expressed in Renminbi unless otherwise indicated)

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The final results set out in this announcement do not constitute the consolidated financial statements of the Group for the year ended 31 December 2021 but are extracted therefrom.

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong, and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“the Exchange”).

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

- equity investments

The preparation of financial statements in conformity with HKFRSs requires management 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.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group.

- 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 Beyond 30 June 2021

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are retail and trading of watches and jewellery with comprehensive related customer services and maintenance, manufacturing of watch accessories, provision of shop design and decoration service and trading of iron ore.

Turnover represents the sales value of goods sold to customers, net of value added tax and deduction of any sales discounts and returns.

The Group's customer base is diversified and at the end of reporting period 33% and 65% of the Group's revenue come from the largest customer and top five customers respectively.

Further details regarding the Group's principal activities are disclosed in note 3(b).

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography (mainly in Mainland China, Hong Kong and Taiwan/Malaysia).

The Group has identified the following reportable segments:

- | | |
|----------------------------------|--|
| – High-end consuming accessories | – Manufacturing of watch accessories and shop design and decoration services business; |
| – Watches retail and trading | – Retail and trading of watches and jewellery business; |
| – Commodity trading | – Trading of iron ore. |

During the year, commodity trading business have become more significant in current year and this segment is separately reported with the comparative figures restated accordingly.

In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purpose of resource allocation and performance assessment, the Group's retail and trading business is separated into the two reportable segments on a geographical and products and services basis, as the divisional managers for each of these regions report directly to the senior executive team. This segment primarily derive their retail and trading revenue through their own trading network. No operating segments have been aggregated to form the reportable segments.

(i) **Segment results and assets**

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the profit or loss and assets attributable to each reportable segment on the following basis:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. However, other than reporting inter-segment sales, assistance provided by one segment to another, including sharing of assets, is not measured.

The measure used for reporting segment profit is "gross profit".

Segment assets represent inventories only, without eliminating the unrealised inter-segment profits.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2021 and 2020 is set out below.

	High-end consuming accessories		Watches retail and trading				Commodity trading		Total	
	PRC		Hong Kong		Taiwan/Malaysia		PRC			
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from										
external customers	550,933	428,048	114,968	501,403	-	175,764	327,061	114,641	992,962	1,219,856
Inter-segment revenue	110,063	72,578	-	-	-	34,692	-	-	110,063	107,270
Reportable segment revenue	<u>660,996</u>	<u>500,626</u>	<u>114,968</u>	<u>501,403</u>	<u>-</u>	<u>210,456</u>	<u>327,061</u>	<u>114,641</u>	<u>1,103,025</u>	<u>1,327,126</u>
Reportable segment gross profit/(loss)	<u>87,064</u>	<u>88,146</u>	<u>(24,048)</u>	<u>(286,028)</u>	<u>-</u>	<u>26,536</u>	<u>50,851</u>	<u>23,123</u>	<u>113,867</u>	<u>(148,223)</u>
Reportable segment assets	<u>136,174</u>	<u>101,821</u>	<u>304,040</u>	<u>450,751</u>	<u>-</u>	<u>174</u>	<u>157,291</u>	<u>100,360</u>	<u>597,505</u>	<u>653,106</u>

The high-end consuming accessories segment in PRC is mainly engaged in the manufacturing of watch accessories and shop design and decoration services business in PRC. During the year ended 31 December 2021, an impairment loss of RMB12,855,000 was recognised to provide against of the goodwill allocated to this segment (see note 9).

(ii) **Reconciliations of reportable segment revenues, profit or loss and assets**

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue		
Total revenue for reportable segments	1,103,025	1,327,126
Elimination of inter-segment revenue	<u>(110,063)</u>	<u>(107,270)</u>
Consolidated revenue	<u><u>992,962</u></u>	<u><u>1,219,856</u></u>
Profit/(loss)		
Total gross profit/(loss) for reportable segments	<u>113,867</u>	<u>(148,223)</u>
Other revenue	44,584	47,796
Other net (loss)/gain	(3,761)	45,435
Distribution costs	(54,240)	(135,781)
Administrative expenses	(129,374)	(156,073)
Share of profits of associates	50,997	–
Finance costs	<u>(3,372)</u>	<u>(7,354)</u>
Consolidated profit/(loss) before taxation	<u><u>18,701</u></u>	<u><u>(354,200)</u></u>
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Assets		
Assets for reportable segments (inventories)	597,505	653,106
Trade, other receivables, prepayment and deposits	634,347	537,129
Loans to associates	77,951	–
Current tax recoverable	178	235
Cash and cash equivalents	661,017	1,014,983
Deposits with banks	273,796	226,880
Investment properties	130,376	134,057
Property, plant and equipment	515,745	479,302
Intangible assets	2,861	2,772
Goodwill	49,237	63,547
Interests in associates	51,407	–
Other investments	536,649	516,398
Deferred tax assets	<u>323</u>	<u>52</u>
Consolidated total assets	<u><u>3,531,392</u></u>	<u><u>3,628,461</u></u>

(iii) Geographic information

The following table sets out information about the geographical locations of (i) the Group's revenue from external customers and (ii) the Group's investment properties, property, plant and equipment, intangible assets, goodwill, interests in associates, prepayment and deposits and other investments ("specified non-current assets"). The geographical locations of customers are based on the locations at which the services were provided or the goods delivered. The geographical locations of the specified non-current assets are based on the physical locations of the assets, in the case of property, plant and equipment, the locations of operations to which they are allocated, in the case of intangible assets and goodwill, and the locations of operations, in the case of prepayment and deposits and other investments.

The Group's businesses are mainly managed in three principal economic environments, Mainland China, Hong Kong and Taiwan/Malaysia.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue from external customers		
Mainland China	791,046	542,689
Hong Kong	201,916	501,403
Taiwan/Malaysia	–	175,764
Total	992,962	1,219,856
Specified non-current assets		
Mainland China	512,712	478,085
Hong Kong	665,705	591,430
Taiwan/Malaysia	97,871	99,056
Total	1,276,288	1,168,571

4. OTHER REVENUE AND NET (LOSS)/GAIN

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
(a) Other revenue		
Interest income	15,008	23,604
Dividend income from other investments	14,294	8,839
Rental income from investment properties	2,474	2,714
Rental income from operating leases, other than those relating to investment properties	929	607
Government grants	2,303	7,109
Others	9,576	4,923
	<u>44,584</u>	<u>47,796</u>

In 2021, the Group successfully applied for government grants that mainly relate to funding support and wage subsidy set up by the Chenzhou Government and the Hong Kong SAR Government respectively. The purpose of the funding support is to grant financial assistance to commercial entities who invest into its technical development district. Under the conditions of the wage subsidy, the Group is required to retain its local employees even if business is affected by the COVID-19 outbreak.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
(b) Other net (loss)/gain		
Impairment of goodwill (<i>note 9</i>)	(12,855)	–
Impairment of property, plant and equipment	–	(15,636)
Net foreign exchange gain	12,831	22,815
Net gain/(loss) on disposal of property, plant and equipment	61	(3,929)
Net loss on disposal of subsidiaries	(3,983)	(19,697)
Rental concession	–	17,691
Net realised gain on financial assets held for trading	4,829	2,827
Net gain on lease modifications	–	40,583
Fair value (loss)/gain on financial assets held for trading	(4,644)	781
	<u>(3,761)</u>	<u>45,435</u>

5. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
(a) Finance costs		
Interest on bank loans	2,237	3,830
Interest on lease liabilities	872	3,276
Bank charges	263	248
	<u>3,372</u>	<u>7,354</u>
(b) Staff costs		
Salaries, wages and other benefits	67,305	112,736
Contributions to defined contribution retirement plans	12,601	7,190
	<u>79,906</u>	<u>119,926</u>
(c) Other items		
Amortisation of intangible assets	749	936
Depreciation		
– Investment properties and property, plant and equipment	31,185	35,296
– Right-of-use assets	10,825	33,439
Impairment losses of		
– Trade receivables	4,701	2,407
– Other receivables	–	(1,147)
– Goodwill	12,855	–
– Property, plant and equipment	–	15,636
Expenses relating to short-term leases and leases of low-value assets	1,105	5,952
Variable lease payments not included in the measurement of lease liabilities	–	1,822
Auditors' remuneration	1,652	1,871
Cost of inventories [#]	<u>879,095</u>	<u>1,368,079</u>

[#] Cost of inventories includes RMB103,674,000 (2020: RMB81,680,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amounts are also included in the respective total amounts disclosed separately above or in note 5(b) for each type of expenses.

6. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax – Hong Kong Profits Tax		
Provision for the year	53	–
Over provision in respect of prior years	<u>(604)</u>	<u>(6,624)</u>
	----- (551)	----- (6,624)
Current tax – Overseas		
Provision for PRC Corporate Income Tax for the year	2,103	5,887
(Over)/under-provision in respect of prior years	<u>(920)</u>	<u>30</u>
	----- 1,183	----- 5,917
Deferred tax		
Origination and reversal of temporary differences	<u>(2,141)</u>	<u>33,031</u>
Total	<u><u>(1,509)</u></u>	<u><u>32,324</u></u>

(b) Reconciliation between tax (credit)/expense and accounting profit/(loss) at applicable tax rates:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit/(loss) before taxation	<u><u>18,701</u></u>	<u><u>(354,200)</u></u>
Notional tax on profit/(loss) before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	1,656	(59,202)
Tax effect of non-taxable income	(16,114)	(4,176)
Tax effect of non-deductible expenses	1,729	583
Over-provision in respect of prior years	(1,524)	(6,594)
Reversal of deferred tax assets recognised in prior years	–	32,539
Effect of tax losses not recognised	<u>12,744</u>	<u>69,174</u>
Actual tax (credit)/expense	<u><u>(1,509)</u></u>	<u><u>32,324</u></u>

Pursuant to the rules and regulations of the Cayman Islands, the Company is exempt from income tax in the Cayman Islands. In addition, subsidiaries located in jurisdictions other than Hong Kong, Mainland China, Taiwan and Malaysia are not subject to any income tax in these jurisdictions.

The provision for Hong Kong Profits Tax is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HKD2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision of the Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2020.

The applicable income tax rate of the Group's Mainland China subsidiaries is 25% (2020: 25%) for the year.

The provision for Taiwan Income Tax is calculated at 20% (2020: 20%) of the estimated assessable profits for the year.

The provision for Malaysia Income Tax is calculated at 24% (2020: 24%) of the estimated assessable profits for the year.

7. CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

The directors do not recommend or declare the payment of any dividend in respect of the years ended 31 December 2021 and 2020.

(b) Share capital

Authorised and issued share capital

	2021		2020	
	Number of shares	Amount HKD	Number of shares	Amount HKD
Authorised:				
Ordinary shares of HKD0.005 each	<u>10,000,000,000</u>	<u>50,000,000</u>	<u>10,000,000,000</u>	<u>50,000,000</u>
Issued and fully paid:				
At 1 January	4,662,666,959	23,313,334	4,662,666,959	23,313,334
Share repurchased	<u>(197,860,000)</u>	<u>(989,300)</u>	—	—
At 31 December	<u>4,464,806,959</u>	<u>22,324,034</u>	<u>4,662,666,959</u>	<u>23,313,334</u>
		equivalent RMB'000		equivalent RMB'000
		<u>21,516</u>		<u>22,337</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

8. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to equity shareholders of the Company of RMB26,282,000 (2020: loss of RMB383,076,000) and the weighted average of 4,488,419,156 ordinary shares (2020: 4,662,666,959 ordinary shares) in issue during the year, calculated as follows:

(i) Weighted average number of ordinary shares

	2021	2020
Issued ordinary shares at 1 January	4,662,666,959	4,662,666,959
Effect of shares repurchased	<u>(174,247,803)</u>	<u>–</u>
Weighted average number of ordinary shares at 31 December	<u>4,488,419,156</u>	<u>4,662,666,959</u>

(ii) Consolidated profit/(loss) attributable to ordinary equity shareholders of the Company

	2021 RMB'000	2020 RMB'000
Profit/(loss) attributable to equity shareholders of the Company	<u>26,282</u>	<u>(383,076)</u>

(iii) Earnings/(loss) per share

	2021	2020
Basic earnings/(loss) per share	<u>RMB0.006</u>	<u>RMB(0.082)</u>

(b) Diluted earnings/(loss) per share

There were no dilutive potential ordinary shares during the years ended 31 December 2021 and 2020, and therefore, diluted earnings/(loss) per share are the same as basic earnings/(loss) per share.

9. GOODWILL

	<i>RMB'000</i>
Cost:	
At 1 January 2020	258,051
Exchange adjustments	<u>(33,711)</u>
At 31 December 2020	----- 224,340
At 1 January 2021	224,340
Exchange adjustments	<u>(5,602)</u>
At 31 December 2021	----- 218,738
Accumulated impairment losses:	
At 1 January 2020	(191,549)
Exchange adjustments	<u>30,756</u>
At 31 December 2020	----- (160,793)
At 1 January 2021	(160,793)
Exchange adjustments	4,147
Impairment loss for the year	<u>(12,855)</u>
At 31 December 2021	----- (169,501)
Carrying amount:	
At 31 December 2021	<u>49,237</u>
At 31 December 2020	<u><u>63,547</u></u>

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units identified according to places of operations and reportable segments as follows:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
High-end-consuming accessories	<u>49,237</u>	<u>63,547</u>

High-end consuming accessories

At 31 December 2021, before impairment testing, goodwill of RMB42,407,000, RMB18,000,000 and RMB1,686,000 were allocated to Born Talent Limited, 上海亨冠裝飾工程管理有限公司 and 廣州市雅迪裝飾包裝有限公司 within the high-end consuming accessories segment respectively.

The recoverable amounts of the cash-generating units are determined based on value-in-use calculations. The key assumptions for the value-in-use calculations are the discount rate and revenue/gross profit growth rate. The Group prepares cash flow forecasts derived from the two years financial budgets and extrapolates cash flows for the following three years based on estimated annual average growth rates in sales ranging from (10%) to 30% (2020: 5% to 26%), growth rates in gross profit ratio ranging from (1%) to 8% (2020: 1% to 7%), at a discount rate from 11.1% to 12.5% (2020: 10.8% to 11.4%). Cash flows beyond five years period are projected using 3% (2020: 3%) growth rate. This rate does not exceed the average long-term growth rate for the relevant market. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments. The growth rates are determined by management based on the performance of the relevant cash-generating units and their estimated future development.

Due to changes in market condition, the Group has revised its cash flow forecasts for these CGUs. The carrying amount of the CGU of Born Talent Limited exceed its recoverable amount. As a result, an impairment loss against goodwill of RMB12,855,000 was recognised during the year.

10 INTERESTS IN ASSOCIATES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Unlisted corporate entities		
Share of net assets	<u>51,407</u>	<u>–</u>

The following table shows information of associates that are material to the Group. These associates are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the associates.

Name	Hengdeli Deyesion International Shipping Limited Hong Kong	Mark Ocean Limited Hong Kong
Principal place of business/country of incorporation	Hong Kong	Hong Kong
Principal activities	Engaged in provision of shipping services	Engaged in vessel holding
% of ownership interests/voting rights held by the Group	46%	46%
	2021 <i>RMB'000</i>	2021 <i>RMB'000</i>
At 31 December:		
Non-current assets	–	100,147
Current assets	218,887	16,075
Non-current liabilities	(63,737)	(105,662)
Current liabilities	<u>(58,720)</u>	<u>(110)</u>
Net assets	<u>96,430</u>	<u>10,450</u>
Group's share of net assets	<u>44,358</u>	<u>4,807</u>
Year ended 31 December:		
Revenue	1,253,289	19,608
Profit after tax	94,737	10,568
Other comprehensive income	<u>(1,461)</u>	<u>(163)</u>
Total comprehensive income	<u>93,276</u>	<u>10,405</u>

The following table shows, in aggregate, the Group's share of the amounts of all individually immaterial associates that are accounted for using the equity method.

	2021 RMB'000
At 31 December:	
Carrying amounts of interests	<u><u>2,242</u></u>
Year ended 31 December:	
Profit for the year	2,557
Other comprehensive income	<u>–</u>
Total comprehensive income	<u><u>2,557</u></u>
Dividends receivable from associates	<u><u>1,800</u></u>

11. OTHER INVESTMENTS

(a) Equity investments at fair value through other comprehensive income

	<i>Note</i>	31 December 2021 RMB'000	31 December 2020 RMB'000
Equity securities designated at FVOCI (non-recycling)			
– Listed securities	<i>(i)</i>	355,750	485,766
– Unlisted fund investments		169,314	–
– Unlisted securities		<u>–</u>	<u>1,485</u>
		<u><u>525,064</u></u>	<u><u>487,251</u></u>

Notes:

- (i) Financial assets at fair value through other comprehensive income (FVOCI) comprise equity securities which the Group intends to hold for strategic purposes, and which the Group has irrevocably elected at initial recognition to recognise in this category. RMB13,550,000 of dividends were received on these investments during the year (2020: RMB8,839,000).
- (ii) The value of the above investments was individually insignificant (individually less than 5% of the Group's total assets).

(b) Equity investments at fair value through profit or loss

	<i>Note</i>	31 December 2021 RMB'000	31 December 2020 RMB'000
Equity securities, at fair value			
– Listed securities	<i>(i)</i>	<u><u>11,585</u></u>	<u><u>29,147</u></u>

Notes:

- (i) During the year RMB744,000 of dividends were received on the equity investments at fair value through profit or loss (FVPL) (2020: nil).

12. INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Raw materials	17,225	12,503
Work in progress	37,200	36,865
Finished goods	543,080	603,738
	<u>597,505</u>	<u>653,106</u>

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Carrying amount of inventories sold	937,824	1,061,685
Write down of inventories	32,238	313,754
Reversal of write-down of inventories	(90,967)	(7,360)
	<u>879,095</u>	<u>1,368,079</u>

13. TRADE AND OTHER RECEIVABLES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Current assets		
Trade receivables, net of loss allowance	339,971	187,197
Other receivables, net of loss allowance	<u>233,586</u>	<u>264,399</u>
Financial assets measured at amortised cost	573,557	451,596
Prepayment and deposits	<u>59,192</u>	<u>83,891</u>
	<u>632,749</u>	<u>535,487</u>
Non-current assets		
Prepayment and deposits	<u>1,598</u>	<u>1,642</u>
	<u>634,347</u>	<u>537,129</u>

All of the trade and other receivables in current assets are expected to be recovered within one year.

Other receivables include advances to third parties of RMB158,310,000 (2020: RMB213,285,000), which are interest bearing at 6% per annum as at 31 December 2021 and are recoverable within one year. The advances to third parties are fully secured by collaterals obtained by the Group as at 31 December 2021.

Ageing analysis

The ageing analysis of trade receivables (net of loss allowance) at the end of the reporting period, based on the invoice date, is as follows:

	2021 RMB'000	2020 RMB'000
Within 3 months	271,248	168,318
Over 3 months but less than 12 months	65,791	6,215
Over 12 months	<u>2,932</u>	<u>12,664</u>
	<u>339,971</u>	<u>187,197</u>

Trade receivables are due within 30 to 180 days from the date of billing.

14. LOANS TO ASSOCIATES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Loans to associates	<u>77,951</u>	<u>–</u>

The loans to associates are unsecured, interest-free and are repayable on demand.

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cash at banks and on hand	<u>661,017</u>	<u>1,014,983</u>

16. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	31 December 2021 <i>RMB'000</i>	31 December 2020 <i>RMB'000</i>
Trade payables	99,981	55,292
Contract liabilities	3,282	10,222
Other payables and accrued expenses	<u>53,893</u>	<u>52,049</u>
	<u>157,156</u>	<u>117,563</u>

Ageing analysis

The ageing analysis of trade payables at the end of the reporting period, based on the invoice date, is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 1 month	48,049	23,289
Over 1 month but less than 3 months	43,585	10,258
Over 3 months but less than 12 months	8,199	8,076
Over 12 months	<u>148</u>	<u>13,669</u>
	<u>99,981</u>	<u>55,292</u>

17. BANK LOANS

As at 31 December 2021, the bank loans were repayable as follows:

	2021 RMB'000	2020 RMB'000
Within 1 year or on demand	<u>46,925</u>	<u>2,322</u>
After 1 year but within 2 years	4,606	4,636
After 2 years but within 5 years	13,819	13,908
After 5 years	<u>8,529</u>	<u>9,052</u>
	<u>26,954</u>	<u>27,596</u>
	<u>73,879</u>	<u>29,918</u>

As at 31 December 2021, the bank loans were secured as follows:

	2021 RMB'000	2020 RMB'000
Bank loans within one year or on demand Secured	<u>46,925</u>	<u>2,322</u>
Bank loans after one year Secured	<u>26,954</u>	<u>27,596</u>
	<u>73,879</u>	<u>29,918</u>

Certain secured bank loans are all drawn down under certain bank facilities secured by mortgages over certain land and buildings of the Group with aggregate carrying values of RMB194,937,000 (2020: RMB99,047,000).

As at 31 December 2021 and 2020, the banking facilities were not subject to the fulfilment of the covenants based on the lending arrangements with financial institutions.

MANAGEMENT DISCUSSION AND ANALYSIS

I. FINANCIAL REVIEW

The Group maintained a sound and stable financial position.

Revenue

For the year ended 31 December 2021, the Group recorded revenue of RMB992,962,000 (2020: RMB1,219,856,000), representing a year-on-year decrease of 18.6%; the revenue from high-end consuming accessories business amounted to RMB550,933,000 (2020: RMB428,048,000), representing a year-on-year increase of 28.7%; the revenue from commodity trading amounted to RMB327,061,000 (2020: RMB114,641,000), representing a year-on-year increase of 185.3%; the retail sales of watches retail and trading amounted to RMB114,968,000 (2020: RMB677,167,000), representing a year-on-year decrease of 83.0%.

Breakdown of revenue: (for the year ended 31 December 2021)

	2021		2020	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
High-end Consuming Accessories	550,933	55.5	428,048	35.1
Commodity Trading	327,061	32.9	114,641	9.4
Watches Retail and Trading Business	114,968	11.6	677,167	55.5
Total	992,962	100	1,219,856	100

Note: (1)The Company has fully terminated its watches retail business in the first half of 2021 and will not record revenue from the sales of watches retail in the future; (2) After the termination of watches retail business, the Company actively disposed of its inventory of watches through consignment sales and auctions, etc. The revenue from the disposal will be derecognised upon its completion, it is a non-recurring income.

Gross profit and gross profit margin

As of 31 December 2021, the Group's gross profit amounted to approximately RMB113,867,000 (2020: gross loss of RMB148,223,000), representing a year-on-year increase of 176.8%. Gross profit margin was approximately 11.5% (2020: gross loss margin of 12.2%), representing a year-on-year increase of 24 percentage points. The increase in gross profit and gross profit margin was mainly due to an increase in the revenue of commodity trading and the significant decrease in the inventory provisions of watches retail and trading business and other factors during the year.

Profit for the year

The Group made a net profit of RMB20,210,000 during the year (2020: loss of RMB386,524,000), representing a year-on-year increase of 105.2%. Profit attributable to equity shareholders amounted to RMB26,282,000 (2020: loss of RMB383,076,000), representing a year-on-year increase of 106.9%. The increase in profit for the year was mainly due to the improvement in gross profit, the significant drop in the inventory provisions and operating costs in watches retail and trading business, and gains from international shipping business, etc.

Financial status and net debt to equity ratio

The Group maintained a sound and stable financial position. As at 31 December 2021, the Group had total equity of RMB3,272,463,000 (2020: RMB3,439,810,000) and net current assets of RMB2,035,339,000 (2020: RMB2,322,526,000), with cash and cash equivalents and deposits with bank of RMB934,813,000 (2020: RMB1,241,863,000) and total bank loans of RMB73,879,000 (2020: RMB29,918,000). As at 31 December 2021, the bank loans bore interests at floating rates of 1.4% to 4% (2020: 1.40% to 1.75%), approximately 61% (2020: 0%) and 39% (2020: 100%) of bank loans were denominated in RMB and NTD, respectively. The maturity profile of bank loans is set out in note 17 to the accompanying financial statements. During the year under review, there was no sign of significant changes in the Group's demand for loans in a particular quarter.

As at 31 December 2021, the Group's total debt amounted to RMB73,879,000 (2020: RMB29,918,000). The net debt to equity ratio of the Group was zero (2020: zero) (Net debt is defined as total debt (which includes total interest-bearing borrowing) less cash and cash equivalents). It established a solid foundation for the further business expansion of the Group.

The Group adopts prudent treasury policies in financial and cash management, manages bank credit availability and monitors risks of credit cost centrally in various ways. The Group maintains a good partnership with a number of banks which provide financing facilities, and reviews its funding liquidity and financing needs regularly.

Foreign exchange risk

The Group's transactions are mainly denominated in HKD, RMB and NTD. During the year under review, the foreign exchange movements of such currencies were managed properly. Accordingly, the Group was not exposed to significant risks associated with foreign exchange fluctuations. The Group has not entered into foreign exchange hedging arrangements to manage foreign exchange risk but has been actively monitoring its foreign exchange risk.

Pledge of assets

As at 31 December 2021, the Group had land and buildings equivalent to RMB194,937,000 (2020: RMB99,047,000) pledged as security for mortgage.

Contingent liabilities

As at 31 December 2021, the Group had no material contingent liabilities (2020: nil).

Current assets

As at 31 December 2021, the current assets of the Group amounted to approximately RMB2,254,781,000 (2020: RMB2,459,838,000), comprising inventories of approximately RMB597,505,000 (2020: RMB653,106,000), trade and other receivables of approximately RMB632,749,000 (2020: RMB535,487,000), loans to associates of approximately RMB77,951,000 (2020: nil), cash and cash equivalents and deposits with banks of approximately RMB934,813,000 (2020: RMB1,241,863,000).

As at 31 December 2021, cash and cash equivalents of approximately 15% (2020: 14%), 67% (2020: 82%) and 18% (2020: 4%) were denominated in RMB, HKD and other currencies, respectively.

Current liabilities

As at 31 December 2021, the current liabilities of the Group amounted to approximately RMB219,442,000 (2020: RMB137,312,000), comprising bank loans of approximately RMB46,925,000 (2020: RMB2,322,000), trade and other payables of approximately RMB157,156,000 (2020: RMB117,563,000), lease liabilities of approximately RMB11,774,000 (2020: RMB12,248,000) and current taxation of approximately RMB3,587,000 (2020: RMB5,179,000).

Capital structure

The Company's capital structure is composed of issued share capital, reserves and accumulated profits. As at 31 December 2021, the issued share capital of the Company was 4,464,806,959 shares (2020: 4,662,666,959 shares), with reserves and accumulated profits of RMB3,183,082,000 (2020: RMB3,344,357,000) in total.

Significant investment, material acquisition and disposal

Except as disclosed in the notes to the financial statements, the Company has no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year under review.

Except as disclosed in the notes to the financial statements, the Company did not hold other significant investments during the year under review.

Final Dividend

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

II. BUSINESS REVIEW

During the year under review, the Group's business was primarily focused on the manufacturing of high-end consuming accessories, the building up of high-end consuming service platforms and international commodity trading.

High-end Consuming Accessories Service

The Group has a relatively mature industrial chain for watch accessories manufacturing, mainly covering from the manufacturing of watch accessories and packaging products to commercial space design, production and decoration. Companies are mainly located in Suzhou, Guangzhou and Dongguan.

The two companies, namely “Guangzhou Artdeco” and “Dongguan Born Talent”, mainly produce high-end watch boxes and watch accessories for various types of watches. After years of development, we have achieved great success in all aspects ranging from low-end products to high-end products, from simple processing to independent innovative designs, and from techniques of purely hand-made to basically automated.

“Suzhou Henge” is a commercial space integration service enterprise engaged in design, production, on-site installation and after-sales service, comprising the design and decoration for each types of counters, props and various stores.

During the year under review, the international market was ever-changing and unpredictable, while the market in Mainland China is relatively stable. Our three companies were facing greater difficulties and challenges as they targeted at both the domestic and international markets. As a result of our efforts, the overall revenue of high-end consuming accessories business was satisfactory, although the net profit recorded a decrease due to the surge of raw materials, logistics and labor costs.

After years of development, all companies under the Group have achieved ISO9000 quality management certification, which provides strong support for the manufacturing of high-quality products; the companies have earned a solid reputation in their respective fields, forming tight relationships, mutual trust and interest sharing with brand suppliers. A wide customer base covering China, Switzerland, the United States and other countries in the Asia Pacific region has been established. The application of advanced information management systems, such as the industry-leading ERP, BIM, and MES, provides practical guarantee for efficient and compliance corporate operation.

In 2022, the Group will adapt to market changes by further strengthening the industrial management and making adjustment for stabilization, as well as taking quality as the priority and driving growth by innovation to strengthen the enterprise. The Group will focus on the development in manufacturing of high-end accessories for renowned watches, and on engaging in deeper cooperation with brands and international counterparts in various ways, striving to become an indispensable independent segment in the global industrial ecological chain of high-end watch groups. The Group will continue to enhance the service standard of its integrated services for commercial space in both Mainland China and international markets. The Group will also embark on a limited number of diversified business activities to include the manufacturing of high-end consuming accessories in other high-end lifestyle products such as jewellery, cosmetics and mobile phones, and to expand its commercial space beautification services to include living space beautification services, so as to build momentum for future development.

International trade

During the year under review, the Group increased its investment in the current international commodity trading business in order to boost profitability and strengthen its foundation for future growth. During the year, the international trading business mainly covers the importation of iron ore and manganese ore to Mainland China. Despite the various challenges during the year, such as recurrence of global pandemic and changing business environment, the Group still recorded a good performance by closely monitoring the market trend and sticking to prudential operating strategy, with both revenue and profit increasing significantly as compared to the corresponding period of the previous year.

In 2022, the Group will keep monitoring the market closely and carrying out commodity trading activities as applicable and prudential in order to lay a solid foundation for the Group and its development.

International shipping

During the year under review, the Group made an attempt to conduct international shipping business to support our trading business, which mainly focused on global maritime transportation of dry bulk cargo, such as coal, iron ore, manganese ore and industrial salt. Its targeted customers included but not limited to well-known international mines and large-scale state-owned enterprises in China. Benefiting from the gradual recovery of global economy, the Group's shipping business achieved rapid growth and made considerable profits during the year, contributing to the Group's healthy survival and development. The Group will continue to monitor the marine transportation sector of China and provide existing customers with better quality service. In addition, the Group will also target the international market to explore new customers and new routes to enhance its market competitiveness, so as to achieve robust profit growth.

Retail Network

During the year under review, in accordance with the established strategy, the Group continued to close down the several remaining watch retail stores in Hong Kong and generally ended the operation of retail business of renowned watches.

III. OUTLOOK

At present, the COVID-19 pandemic is still spreading globally, and the world economy is still in high uncertainty. Due to such instability of pandemic and external environment, China's economy faces increased downward pressure. However, by virtue of its strong resilience and great potential of the economy of Mainland China, the favorable long-term fundamentals wouldn't change and the developing trend of the economy at a medium to high speed will continue.

In 2022, the Group will continue adhering to the principle of “seeking progress in a stable manner”, and expand steadily leveraging on the stable environment of economic development in Mainland China with its efforts focusing on expanding the development in the production of high-end accessories for renowned watches, and on engaging in deeper cooperation with brands and international counterparts in various ways, striving to become an indispensable independent segment in the global industrial ecological chain of high-end watch groups. The Group will continue to enhance the service standard of its integrated services for commercial space in Mainland China's and international markets. The Group will also embark on a limited number of diversified business activities to include the production of high-end product accessories in other high-end lifestyle products such as jewellery, cosmetics and mobile phones, and to expand its commercial space beautification services to include living space beautification services. Meanwhile, the Group will follow the market trend closely to further advance the development of its international trading business, and carry out more activities relating to international trading associated business. The Group aims to keep exploring new profit models to achieve a new breakthrough in corporate development.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there are no important events affecting the Company and its subsidiaries which have occurred since the end of the year under review.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Tuesday, 10 May 2022 to Friday, 13 May 2022 (both days inclusive) to confirm the members on the register of members who are eligible to attend and vote at the general meeting. In order to establish entitlements to attending and voting at the general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 6 May 2022.

PURCHASE, SALE OR REPURCHASE OF SECURITIES

During the year under review, the Company repurchased a total of 197,860,000 (2020: nil) listed shares on the Exchange by way of acquisition from the market. The total consideration paid was approximately HKD60,038,000, including related expenses. The details are as follows:

Date of repurchase of shares	Number of shares repurchased	Highest price per share paid (HKD)	Lowest price per share paid (HKD)	Approximate aggregate consideration (excluding related expenses) (HKD)
12 January 2021	7,200,000	0.30	0.295	2,129,700
13 January 2021	16,300,000	0.30	0.29	4,830,760
14 January 2021	16,700,000	0.305	0.295	4,968,140
15 January 2021	17,000,000	0.30	0.29	5,021,800
18 January 2021	20,300,000	0.30	0.29	5,957,500
19 January 2021	17,600,000	0.305	0.295	5,275,800
20 January 2021	15,600,000	0.305	0.295	4,671,940
21 January 2021	13,200,000	0.305	0.30	4,023,000
29 March 2021	11,644,000	0.305	0.305	3,551,420
30 March 2021	16,008,000	0.31	0.30	4,882,500
31 March 2021	15,000,000	0.31	0.305	4,576,760
1 April 2021	16,008,000	0.31	0.305	4,942,900
7 April 2021	<u>15,300,000</u>	<u>0.315</u>	<u>0.31</u>	<u>4,743,060</u>

All the above repurchased shares had been cancelled on 28 January 2021 and 15 April 2021, respectively.

As of 31 December 2021, the issued share capital of the Company was 4,464,806,959 shares (2020: 4,662,666,959 shares).

AUDIT COMMITTEE AND THE SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The Company has established an audit committee in compliance with the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange of Hong Kong Limited (the “Exchange”). The audit committee comprises three independent non-executive Directors, namely, Messrs. Cai Jianmin (Chairman), Wong Kam Fai, William and Liu Xueling, who are responsible for reviewing the accounting principles and practices adopted by the Company as well as significant or unusual items, internal controls, financial reporting, risk management and control matters, which included a review on the audited annual results for the year ended 31 December 2020 and the interim report for 2021. According to the terms of reference of the audit committee adopted and implemented by the Company, the audit committee is responsible for reviewing the accounting principles and practices adopted by the Company as well as significant or unusual items, internal controls, financial reporting matters and duties of risk management and control.

During the year, the audit committee of the Company held meetings on 23 March and 26 August 2021 to review the annual report and interim financial reports of the Group respectively. All members of the committee namely, Messrs. Cai Jianmin, Wong Kam Fai, William and Liu Xueling, attended the meetings.

The final results of the Company for the year ended 31 December 2021 have been reviewed by the audit committee of the Company. The financial figures in this announcement of the Group’s results for the year ended 31 December 2021 have been agreed by the Group’s auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year.

REMUNERATION COMMITTEE

The Company has established a remuneration committee in compliance with the Listing Rules. During the year under review, the remuneration committee comprises three Directors including Messrs. Liu Xueling (Chairman) and Cai Jianmin, being independent non-executive Directors, and Mr. Zhang Yuping, Chairman and executive Director of the Group. The primary duties of the remuneration committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management of the Group.

The remuneration committee held two meetings during the year to review matters related to the remuneration structure of the Directors and senior management of the Company and the remuneration of Chief Executive Officer, respectively. All members, namely Messrs. Liu Xueling, Cai Jianmin and Zhang Yuping, attended the meeting.

According to the terms of reference of the remuneration committee adopted by the Company, the remuneration committee acts as a consultant regarding the remuneration matters of the Directors and senior management of the Company, while the Board retains the ultimate power to approve the remuneration of the Directors and senior management.

NOMINATION COMMITTEE

The Company has established a nomination committee in compliance with the Listing Rules. During the year under review, the nomination committee comprises three Directors, including Mr. Zhang Yuping (Chairman), executive Director and Chairman of the Group, and Messrs. Cai Jianmin and Liu Xueling, being independent non-executive Directors. The Company has adopted and implemented the terms of reference of the nomination committee. The nomination committee is mainly responsible for making recommendations to the Board on the appointment of Directors and succession of the Board.

The nomination committee held two meetings during the year to review matters related to the retirement by rotation and re-election of Directors of the Company as well as the nomination of Chief Executive Officer. All members of the nomination committee (namely Messrs. Zhang Yuping, Cai Jianmin, and Liu Xueling) attended the meeting.

CORPORATE GOVERNANCE

Since its establishment, the Company has been committed to maintaining a high standard of corporate governance practice to ensure transparency of the Group's management, so that the long term development of our shareholders, customers, employees as well as the Group can be safeguarded. The Company has established the Board, an audit committee, a remuneration committee and a nomination committee that are up to the requirements as being diligent, accountable and professional. ZHONGHUI ANDA CPA Limited has been appointed as the Group's external auditors.

Compliance with the Corporate Governance Code

The Company has adopted the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules. The Directors are of the opinion that the Company complied with the Corporate Governance Code during the year under review. In order to further enhance the corporate governance of the Group and comply with the provision C.2.1 of the Corporate Governance Code, Mr. Zhang Yuping, the Chairman of the Board, has stepped down from his role as the Chief Executive Officer of the Group on 21 April 2021. Meanwhile, Mr. Cheung Wing Lun Tony has been appointed as the Chief Executive Officer of the Group. After this appointment took effect, the Company no longer deviated from the code provision C.2.1. The Board believes that the Company has achieved adequate balance of power and been able to guarantee scientific decision-making.

Composition of the Board

To maintain high-level independence and objectivity in decision making, and supervise the management of the Group in a comprehensive and equitable manner, the Board of the Group comprises three executive Directors (Messrs. Zhang Yuping (Chairman of the Group), Huang Yonghua and Lee Shu Chung, Stan), one non-executive Director (Mr. Shi Zhongyang) and three independent non-executive Directors (Messrs. Cai Jianmin, Wong Kam Fai, William and Liu Xueling).

To ensure that the Board operates in an independent and accountable manner, the three executive Directors have been assigned with different responsibilities. Mr. Zhang Yuping, the Chairman, is in charge of the Group's overall management and strategic development, while Mr. Lee Shu Chung, Stan is in charge of the overall business operation of the Group, and Mr. Huang Yonghua is responsible for coordination and supervision.

The three independent non-executive Directors have professional expertise and extensive experience in the areas of accounting, economics, law, computing control and management, and business administration, respectively, and can adequately act for the benefits of our shareholders. Their terms of office are as follows:

Cai Jianmin: 26/9/2020-25/9/2023;

Wong Kam Fai, William: 26/9/2020-25/9/2023;

Liu Xueling: 01/6/2019-31/5/2022.

Mr. Shi Zhongyang, a non-executive Director of the Company, has professional expertise and extensive experience in the areas of law and business management. He will supervise the Company's daily operation, and provide corresponding opinions and recommendations in a timely manner, which is beneficial to the standardised operation of the Company and safeguarding the interests of our shareholders. His term of office is: 15/2/2021-14/2/2024.

Duties of the Board

The Board of the Company is accountable to the general meeting and performs the following major duties: reporting duties to the general meetings; executing the resolutions of the general meetings; determining investment and profit distribution proposals of the Company; formulating plans as to the increase or decrease of the registered capital of the Company; preparing plans in respect of the split-up, consolidation, alteration and dissolution of the Company; appointing and dismissing the general manager of the Company and determining his or her remuneration.

In respect of the corporate governance functions, during the year under review, the Board discharged corporate governance duties in accordance with its terms of reference, or to be specific, the following corporate governance duties during the year under review:

- reviewing policies and practices on corporate governance;
- reviewing and monitoring the training and continuous professional development of the Directors and senior management;
- reviewing and monitoring the Company's policies and practices on compliance with the legal and regulatory requirements;
- reviewing and monitoring the code of conduct applicable to the Directors and employees; and
- reviewing the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

Members of the Board are provided with appropriate and sufficient information in a timely manner for their understanding of the latest developments of the Group, which is helpful in the discharge of their duties.

The management of the Company is accountable to the Board and performs the following major duties: reporting to the Board, executing the resolutions of the Board, and completing all the tasks assigned by the Board.

Risk Management and Internal Control

The Group has established effective risk management and internal control systems to provide reasonable (though not absolute) assurance against material misstatement or loss and to manage (rather than eliminate) risks of failing to achieve business objectives. The Board is responsible for the risk management and internal control systems and reviewing their effectiveness.

In order to safeguard the interests of our shareholders, the Group has established an enterprise risk management framework to provide top-down and bottom-up approaches to identify, assess, mitigate and monitor key risks in a proactive and structured manner. The Group has established departments dedicated to the supervision and control of financial and operational risks, including an internal audit department. Such departments formulate annual internal audit plans and are responsible for performing daily and special internal control procedures in aspects relating to business operation, financial reporting and compliance control and in accordance with the targets set by the senior management, which includes conducting audits and examination of all aspects and at all departments once or twice a year, so as to enhance internal control and ensure the sound development of the Company. Such departments will report the audit and examination results to the audit committee and the Board for them to assess the effectiveness of the internal control and risk management of the Company, any significant failures or weaknesses in internal control, and to take necessary actions promptly to remedy any significant failures or weaknesses. If necessary, such departments will follow up regularly on remedial actions in response to significant internal control failures or weaknesses.

The Company has established a disclosure mechanism regarding the procedures of proper information disclosure to ensure that inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

The audit committee and the Board have reviewed the effectiveness of the internal control systems of the Group and completed the annual review on the risk management and internal control systems (including their effectiveness). Based on the reviews made by independent auditors and the Group's self-assessment of the risk management and internal control systems of the Group, the Group believes that, these systems are effective and adequate. However, the Group will continue to review the effectiveness of these systems as well as further improve the internal administration and control systems of the Company if required.

ATTENDANCE OF THE DIRECTORS AT THE MEETINGS

In 2021, a total of five Board meetings and an annual general meeting were held by the Company. The attendance of the Directors at the meetings was as follows:

Name	Frequency of attendance at the Board meetings	Rate of attendance	Remarks	Frequency of attendance at the annual general meeting	Rate of attendance	Remarks
Zhang Yuping	4	80%	Abstained	1	100%	
Huang Yonghua	5	100%		1	100%	
Lee Shu Chung, Stan	5	100%		1	100%	
Cai Jianmin	5	100%		0	0	Personal leave
Shi Zhongyang	3	60%	By proxy 2 times	0	0	By proxy
Wong Kam Fai, William	4	80%	Personal leave	1	100%	
Liu Xueling	5	100%		1	100%	

Members of the Board are provided with appropriate and sufficient information in a timely manner for their understanding of the latest developments of the Group, which is helpful in the discharge of their duties.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Every newly appointed Director will be given an introductory session so as to ensure that he/she will gain appropriate understanding of the Group's business and his/her duties and responsibilities under the Listing Rules and the relevant statutory and regulatory requirements. The Company provides regular updates on the business development of the Group. The Directors are continually updated on the latest development regarding the Listing Rules and other applicable statutory requirements to ensure compliance with and upkeep of good corporate governance practices.

The Directors are committed to complying with the requirements under the Corporate Governance Code on Directors' training so as to ensure that their contribution to the Board remains informed and relevant. During the year under review, the Directors of the Company attended relevant training in accordance with the Listing Rules and provided the relevant training records to the Company. According to the records, details of Directors' attendance at the training sessions during the year under review are as follows:

Name	Updates on corporate governance, laws and regulations		Accounting/financial/management and other professional expertise	
	Material reading	Seminar/training attending	Material reading	Seminar/training attending
Zhang Yuping	✓	✓	✓	✓
Huang Yonghua	✓	✓	✓	✓
Lee Shu Chung, Stan	✓	✓	✓	✓
Shi Zhongyang	✓	✓	✓	✓
Cai Jianmin	✓	✓	✓	✓
Wong Kam Fai, William	✓	✓	✓	✓
Liu Xueling	✓	✓	✓	✓

INDEPENDENCE OF THE BOARD

The Board has received confirmation from all the independent non-executive Directors regarding their independence made in accordance with Rule 3.13 of the Listing Rules. The Board considers that all the incumbent independent non-executive Directors have met the requirements of the guidelines set out in Rule 3.13 of the Listing Rules and remained independent.

SECURITIES TRANSACTIONS BY DIRECTORS

The Board had adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the Company's code for securities transactions by its Directors. After making specific enquiries with all the Directors, the Company has confirmed that during the year under review, all of them had complied with the standard as required by the above code.

By Order of the Board
Zhang Yuping
Chairman

Hong Kong, 22 March 2022

As at the date of this announcement, the executive Directors are Mr. Zhang Yuping (Chairman), Mr. Huang Yonghua and Mr. Lee Shu Chung, Stan; the non-executive Director is Mr. Shi Zhongyang; and the independent non-executive Directors are Mr. Cai Jianmin, Mr. Wong Kam Fai, William and Mr. Liu Xueling.