Smart Globe Holdings Limited

竣球控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1481

2021 ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

Registered Office
Windward 3
Regatta Office Park
P.O. Box 1350
Grand Cayman KY1–1108
Cayman Islands

Principal Place of Business in Hong Kong
Unit 8, 17th Floor, Kodak House II
39 Healthy Street East
North Point, Hong Kong

Principal Place of Business in the People's Republic of China ("PRC")
Heyuan Hi-Tech Development Zone
Heyuan, Guangdong Province
PRC

Company Secretary
Mr. Cheung Sum Chin

Authorised Representatives
Mr. Lam Tak Ling Derek
Mr. Chan Yee Yeung

Compliance Officer
Ms. Tse Yuen Shan Ivy

Board of Directors
Executive Directors
Mr. Lam Tak Ling Derek *(Chairman)*
Mr. Chan Yee Yeung
Ms. Tse Yuen Shan Ivy
Mr. Chen Di (appointed with effect from 22 November 2021; resigned with effect from 21 January 2022)

Independent Non-Executive Directors
Mr. Li Chun Hung
Mr. Ong Chor Wei
Mr. Yam Kam Kwong, *JP*

Audit Committee
Mr. Li Chun Hung *(Chairperson)*
Mr. Ong Chor Wei
Mr. Yam Kam Kwong, *JP*

Remuneration Committee
Mr. Ong Chor Wei *(Chairperson)*
Ms. Tse Yuen Shan Ivy
Mr. Li Chun Hung
Mr. Yam Kam Kwong, *JP*

Nomination Committee
Mr. Lam Tak Ling Derek *(Chairperson)*
Mr. Li Chun Hung
Mr. Ong Chor Wei
Mr. Yam Kam Kwong, *JP*

Cayman Islands Share Registrar and Transfer Office
OcorianTrust (Cayman) Limited
Windward 3
Regatta Office Park
P.O. Box 1350
Grand Cayman KY1–1108
Cayman Islands

Hong Kong Share Registrar and Transfer Office
Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Company's Websites
http://www.smartglobehk.com

Legal Advisers
Deacons
5th Floor
Alexandra House
18 Charter Road
Central, Hong Kong

Auditor
Baker Tilly Hong Kong Limited
2nd Floor, 625 King's Road
North Point,
Hong Kong

Stock code
1481

Dear Shareholders,

On behalf of the Board (the “**Board**”) of directors (the “**Directors**”), of Smart Globe Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”), I am pleased to present to you our annual results for the year ended 31 December 2021 (“**FY21**”).

Over a year since the Group transferred its listing to the Main Board (the “**Main Board**”) operated by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the Group is dedicated to attract a wider range of private and institutional investors despite a cautious investment stance they took in face of macroeconomic uncertainties. In order to fill our existing and potential investors with greater confidence in the Group, we devoted unwavering efforts to further forwarding our business by diversifying our product portfolio as well as customer base.

During FY21, the Group is suffering from the challenges from keen competition in the industry. The Group delivered a below-par financial performance in view of the 2019 novel coronavirus “COVID-19” during the year under review. Facing all these challenges, the Group took strategic moves trying to lower the gross profit margin to capture more market shares. With increased labor cost and raw material cost, mainly paper cost, the Group recorded a decrease in net profit despite an increase in revenue. The Group also strove to extend its geographical market coverage with a view to obtain bigger market presence in the industry. While deepening its business root in the Greater China market through increased marketing activities, the Group has reached out to a global base of customers with its cost-effective and quality-guaranteed services. The United States, United Kingdom and Netherlands markets contributed 25.5%, 11.1% and 3.0% respectively to the Group’s total revenue.

As far as we are concerned, in response to challenging external operating environment and intensified internal competition, the printing industry is expected to undergo consolidation in the coming years. The Group, leveraging on its reputation in delivering one-stop quality services, is well positioned to maximise its brand value and claim a larger market share.

Lastly, on behalf of the Board, I would like to take this opportunity to thank the Group's management and employees for their dedicated contributions and unwavering commitment to deliver the best service to our customers over the years. My appreciation also goes to all shareholders, business associates, partners and valued customers for their generous support and confidence in the Company, and to the Board members for their leadership and guidance. I look forward to your commitment and continued support as we continue to generate satisfactory returns to our shareholders.

Yours faithfully,
Mr. Lam Tak Ling Derek
Chairman
Smart Globe Holdings Limited

25 March 2022

OVERVIEW

In view of the uncertain global economy, the Group will strive to launch various credit controls, and further tighten the control over operating expenses, while streamlining production control and improving manufacturing efficiency with technology advanced machinery to minimise the labour cost and maximise the facility utilisation rate.

Business Review

As one of the leading printing service providers, the Group is engaged in its core business of printing books products, and novelty and packaging products. It provides a full suite of services from pre-press to printing to finishing services, as well as producing customised and value added printing products.

For FY21, the Group recorded an increase in its total revenue by approximately 32.0% to approximately HK$167.9 million from approximately HK$127.2 million for FY20. This was mainly due to the increase in sale in the book product segment in the United States ("**U.S.**") and Hong Kong ("**HK**"). Profit of the Group was approximately HK$1.6 million, representing a decrease of approximately 89.7% from approximately HK$16.0 million in FY20 which is mainly attributable to (i) increase in wages of factory workers during FY21; (ii) increase in paper cost at the beginning and throughout FY21; (iii) change in pricing strategy to capture more market shares during FY21 as the Group used a more competitive price with lower gross profit margin to attract more customer orders; and (iv) an increase in selling and distribution cost and administrative expenses.

During FY21, approximately 92.9% of total revenue was contributed by the book products segment amounting to approximately HK$155.9 million (FY20: approximately HK$105.7 million). This segment's revenue increased during the year due to the increase in customer orders received from HK and U.S.

As a strategy to maintain competitiveness in the current operating environment, the Group continue to extend its geographical reach of customers during FY21. Revenues were generated from areas such as U.S., the PRC (including HK), the United Kingdoms and the Netherlands, representing 25.5%, 48.6%, 11.1% and 3.0% of our total revenue, respectively.

Outlook

In the year ahead, the Group will continue to explore and capture new business opportunities for potential growth by enhancing our marketing strategy to expand our quality customer base and promote our one-stop printing services to existing and potential customers as well as the Group will strive to further tighten control over its operating expenses and streamline the production processes.

Meanwhile, by leveraging its leading one-stop printing platform, the Group will continue to invest in enhancing its capabilities to improve the overall production efficiency and prepare for any opportunity and potential growth in the future.

The Group will also cautiously explore viable investment and acquisition opportunities that can enhance value of the shareholders of the Company ("**Shareholders**").

Financial Review

Revenue

The revenue increased by approximately 32.0% from approximately HK$127.2 million for FY20 to approximately HK$167.9 million for FY21. This was mainly due to the effect of more orders received from customers based in HK and U.S.

Gross profit margin

The overall gross profit margin decreased from approximately 36.1% in FY20 to approximately 15.8% in FY21. The decrease in gross profit margin was mainly attributable to (i) increase in wages of factory workers during FY21; (ii) increase in paper cost at the beginning and throughout FY21; and (iii) change in pricing strategy to capture more market shares during FY21 as the Group used a more competitive price with lower gross profit margin to attract more customer orders.

Other income

The other income decreased by 35.0% from approximately HK$0.7 million in FY20 to approximately HK$0.5 million in FY21. The decrease was mainly due to the decrease in receipt of government grants of HK$0.2 million in FY21 as other income.

Reversal of allowance for credit losses on trade receivables, net

The amount increased by more than 100.0% from approximately HK$0.2 million in FY20 to approximately HK$0.9 million in FY21. The increase was mainly due to the increase recovery of trade receivables that were considered irrecoverable in FY21.

Other gains and losses

The other gains and losses decreased by 64.6% from other losses of approximately HK$0.7 million in FY20 to approximately HK$0.2 million in FY21. Such variance is mainly due to the decrease in exchange loss of approximately HK$0.4 million in FY21.

Selling and distribution costs

The distribution costs increased by approximately 35.3% from approximately HK$7.0 million in FY20 to approximately HK$9.5 million in FY21. This was mainly due to the increase of approximately HK$1.7 million in transportation and freight charges resulting from higher sales volume during the year under review.

Administrative expenses

The administrative expenses increased by approximately 15.0% from approximately HK$13.1 million in FY20 to approximately HK$15.0 million in FY21. The increase is mainly due to the increase of office expenses, repair and maintenance expenses, depreciation expenses and PRC other taxes.

Finance costs

The finance costs increased more than 100.0% from approximately HK$0.1 million in FY20 to approximately HK$0.3 million in FY21. This was mainly due to the increase in interest expense on lease liabilities incurred during the year under review.

Income tax expense

The income tax expense decreased by approximately 72.8% from approximately HK$4.2 million in FY20 to approximately HK$1.1 million in FY21. It was mainly due to the decrease in assessable profit that is subject to HK profits tax.

Tax on overseas profits has been calculated on the estimated assessable profits for FY21 at the rates of tax prevailing in the countries in which the Group operates.

Profit for the year

As a result of the above factors, profit for FY21 stood at approximately HK$1.6 million (FY20: approximately HK$16.0 million).

The above financial data were chosen to be presented in this report as they represent a material financial impact on the financial statements of the Group for FY20 and/or FY21. The Board believes that by presenting the changes of these financial data, they can effectively explain the financial performance of the Group for FY21.

FUTURE DEVELOPMENT AND PROSPECTS

In the year ahead, the Group will continue to utilise its growth potential. The Group will continue to explore new business opportunities for existing products in different markets so as to promote a diversified quality customer base by implementing strategic initiatives and enhancing marketing efforts. In addition, the Group will strive to tighten control over its operating expenses and streamline the production processes.

Meanwhile, by leveraging its leading one-stop printing platform, the Group will continue to enhance its capabilities. Improved production efficiency and the enhancement of manufacturing flexibility are expected to add a competitive advantage to the Group and hence may generate more sales orders from both existing and new customers.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for FY21. For FY20, a final dividend of HK$0.5 cent per share, amounting to an aggregate of HK$5.0 million, has been proposed by the Directors and approved by Shareholders at the annual general meeting of the Company held on 7 May 2021.

CAPITAL STRUCTURE

There has been no change in the capital structure of the Company during FY21. The share capital of the Group only comprises of ordinary shares.

As at 31 December 2021, the Company's issued share capital was HK$10,000,000 and the number of its issued ordinary shares was 1,000,000,000 of HK$0.01 each.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations with shareholders' equity and cash generated from operations.

The Group maintained bank deposits, bank balances and cash amounting to approximately HK$32.5 million as at 31 December 2021 (31 December 2020: approximately HK$50.8 million), decreased by approximately 36.1% as compared with that as at 31 December 2020. The functional currency of the Company is HK dollar. As at 31 December 2021, 86.6% of the Group's cash and bank balances was denominated in HK dollar (31 December 2020: 67.9%) and the remaining 13.4% (31 December 2020: 32.1%) in other currencies, mainly Euros.

The Group's non-current assets increased to approximately HK$45.9 million as at 31 December 2021 (31 December 2020: approximately HK$44.2 million), primarily due to the net effect of depreciation of property, plant and equipment and addition of property, plant and equipment.

As at 31 December 2021, the Group's current assets amounted to approximately HK$113.4 million, mainly comprised of inventories of approximately HK$36.2 million (31 December 2020: approximately HK$22.8 million), trade and other receivables of approximately HK$42.4 million (31 December 2020: approximately HK$43.6 million), tax receivable of approximately HK$2.3 million (31 December 2020: nil) and bank balance and cash of approximately HK$32.5 million (31 December 2020: approximately HK$50.8 million).

As at 31 December 2021, the Group's current liabilities amounted to approximately HK$23.6 million, mainly comprised of trade and other payables of approximately HK$20.8 million (31 December 2020: approximately HK$19.7 million), contract liabilities of approximately HK$0.1 million (31 December 2020: nil), taxation payable of approximately HK$0.5 million (31 December 2020: approximately HK$0.8 million), lease liabilities of approximately HK$2.2 million (31 December 2020: approximately HK$2.4 million).

As at 31 December 2021, the net current assets of the Group decreased by approximately HK$4.6 million or approximately 4.9% to approximately HK$89.8 million (31 December 2020: approximately HK$94.4 million).

The Group had lease liabilities of approximately HK$4.0 million as at 31 December 2021 (31 December 2020: approximately HK$6.3 million).

The Group's gearing ratio, which is total interest-bearing liabilities divided by total equity was approximately 3.0% as at 31 December 2021 (31 December 2020: approximately 4.7%). The Group's current ratio (calculated on the basis of the Group's current assets over current liabilities) stood at approximately 4.8 as at 31 December 2021 (2020: approximately 5.1).

TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period under review. To manage the Group's liquidity risk, the management monitors the Group's liquidity position and maintains sufficient cash and cash equivalents within the Group, as well as ensuring the availability of funding through an adequate amount of committed credit facilities and the ability to settle the payables of the Group.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

As its revenue is mainly denominated in United States dollars ("**US$**") and Hong Kong dollars ("**HK$**"), and HK$ is pegged to US$, the Group's exposure to fluctuations in exchange rate in relation to the Group's revenue is relatively low.

The Group is also exposed to foreign exchange risks as the Group's production is mainly in the PRC. The appreciation of Renminbi ("**RMB**") may lead to an increase of our cost of production. During FY21, the Group has not entered into any financial instrument for hedging purposes nor other hedging instruments to hedge against foreign exchange rate risks. The Group will keep on reviewing and monitoring the exchange fluctuation between RMB and HK$, and will consider entering into hedging arrangement as and when appropriate.

CAPITAL EXPENDITURE

During FY21, the Group had acquired plant and equipment at approximately HK$8.1 million (FY20: HK$4.3 million).

CAPITAL COMMITMENTS

As at 31 December 2021, the Group had no significant capital commitments (FY20: Nil).

CONTINGENT LIABILITIES

As at 31 December 2021, the Group had no material contingent liabilities (FY20: Nil).

MATERIAL INVESTMENTS

The Group had not made or held any significant investments during FY21 (FY20: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in "Future Plans and Use of Proceeds" of the prospectus of the Company, the Group did not have other plans for material investments or capital assets.

CHARGE ON GROUP'S ASSETS

As at 31 December 2021, the Group did not have any charge on its assets (FY20: Nil).

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE

During FY21, the Group had not made any significant acquisition or disposal of subsidiaries, associates or joint venture.

EMPLOYEES' INFORMATION AND EMOLUMENT POLICIES

Employees of the Group

Our employees are based in Hong Kong and Heyuan, Guangdong Province, the PRC. As at 31 December 2021, there were 334 (2020: 326) employees in the Group. The total staff costs, including directors' emoluments, amounted to approximately HK$53.9 million for FY21 (FY20: approximately HK$24.5 million). Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical insurance, and grants discretionary incentive bonuses to eligible staff based on their performance and contributions to the Group.

Employees of Heyuan Factory

The workers working at our production site located at Heyuan Hi-Tech Development Zone, Heyuan, Guangdong Province, the PRC ("**Heyuan Factory**") are employed by the Heyuan Factory. As at 31 December 2021, there were 332 (2020: 315) employees in the He Yuan Factory.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the securities of the Company during FY21.

UPDATE ON DIRECTORS' INFORMATION

The change in the information of the Directors which are required to be disclosed pursuant to Rule 13.51(B)(1) of the Listing Rules are set out below:

Mr. Ong Chor Wei, an independent non-executive Director, was appointed as an non-executive director of GBA Holdings Limited (stock code: 261) on 3 January 2022.

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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Lam Tak Ling Derek (Mr. Lam), aged 51, is the chairman of the Board and was appointed as an executive Director on 5 May 2017. Mr. Lam is primarily responsible for overall strategic planning and overseeing the general management of the Group. Mr. Lam has more than 20 years of experience in the printing industry. During the period from July 1994 to July 2012, he worked in a company principally engaged in the printing of books, as a sales director. He joined the Group as a sales and marketing manager in August 2012 and has been a director of CP Printing since August 2014.

Mr. Chan Yee Yeung (Mr. Chan), aged 48, is the chief operations officer of the Group and was appointed as an executive Director on 5 May 2017. Mr. Chan is primarily responsible for overseeing the manufacturing activities of the Group. Mr. Chan has more than 20 years of experience in the printing industry. He worked in a company principally engaged in the manufacturing and exporting of paper products, as a production controller from August 1996 to August 2000. He then worked in a company principally engaged in the manufacturing and sales of personalized products, as a coordinator from September 2000 to May 2001, and in a printing service provider, as a project management consultant manager from June 2001 to September 2014. He joined the Group as a production manager and a director of CP Printing in August 2014.

Ms. Tse Yuen Shan Ivy (Ms. Tse), aged 49, is the general manager of the Group and was appointed as an executive Director on 5 May 2017. Ms. Tse is primarily responsible for overseeing the procurement activities as well as administrative, human resources and logistics matters of the Group. Ms. Tse has more than 19 years of experience in the printing industry. She worked in a company principally engaged in the provision of exhibition services, as a project secretary from May 1997 to July 1998. She then worked in a company principally engaged in the manufacturing and exporting of paper products, as a production controller from November 1998 to March 2001, and in a printing service provider, as a general manager from May 2001 to March 2012. She established the Group in 2012 and served as a director of CP Printing from March 2012 to August 2014 and as our general manager from March 2012 to September 2014. She then served as a director in a printing service provider from September 2014 to November 2015. She re-joined the Group as a general manager in November 2015 and has been a director of CP Printing since April 2017.

Independent non-executive Directors

Mr. Li Chun Hung (Mr. Li), aged 60, was appointed as an independent non-executive Director on 4 December 2017. He is a certified public accountant in Hong Kong and has over 20 years of experience in professional accounting. Mr. Li is a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of International Accountants, a member of the Institute of Certified Management Accountants, a fellow member of the Taxation Institute of Hong Kong, a member of the Society of Chinese Accountants and Auditors as well as a member of the Chartered Institute of Arbitrators.

Mr. Ong Chor Wei (Mr. Ong), aged 52, was appointed as an independent non-executive Director on 4 December 2017. He is a certified public accountant in Hong Kong and has extensive experience in finance and accounting. Mr. Ong has been an associate of the Institute of Chartered Accountants in England and Wales and an associate of the Hong Kong Institute of Certified Public Accountants since December 1993 and October 1995, respectively.

Mr. Yam Kam Kwong (Mr. Yam), *JP*, aged 70, was appointed as an independent non-executive Director on 4 December 2017. He is a qualified solicitor in Hong Kong and has more than 30 years of experience in legal services. Mr. Yam was also qualified as a solicitor in England & Wales in October 1986, a solicitor and barrister in Australia in February 1989, a solicitor and barrister in the Republic of Singapore in March 1995, as well as a solicitor in New South Wales in November 1995.

Senior Management

Mr. Cheung Sum Chin (Mr. Cheung), aged 36, is the financial controller and company secretary of the Group. He is primarily responsible for overseeing our accounting and finance department as well as the company secretarial matters. Mr. Cheung was an assistant manager in an audit firm where he advised clients in areas of finance, audit and tax. Mr. Cheung graduated from university in accounting in 2011. Mr. Cheung is a member of the Hong Kong Institute of Certified Public Accountants.

FINANCIAL HIGHLIGHTS

Earnings per share (HK cents)

Earnings per ordinary share based on profit attributable to owners of the Group

	2021	2020
(i) Based on weighted average number of ordinary shares	**HK 0.16 cents**	HK 1.60 cents
(ii) On a fully diluted basis	**Not applicable**	Not applicable

The calculation of basic earnings per share is based on the profit of the Company of approximately HK$1,649,000 for FY21 (2020: approximately HK$16,001,000) and on the weighted average number of 1,000,000,000 (2020: 1,000,000,000) ordinary shares in issue during FY21.

Diluted earnings per share for the years ended 31 December 2021 and 2020 are not presented as there is no dilutive potential ordinary share.

Revenue (HK$'000)

	Year ended 31 December				
	2017	2018	2019	2020	**2021**
Revenue	150,367	123,812	132,194	127,213	**167,899**

Net profit (loss) for the year (HK$'000)

	Year ended 31 December				
	2017	2018	2019	2020	**2021**
Profit (loss) for the year attributable to owners of the Company	(177)	17,838	23,142	16,001	**1,649**

ABOUT THE ESG REPORT

Smart Globe Holdings Limited ("**Smart Globe**") is delighted to present its environmental, social and governance report (the "**ESG Report**") for the financial year ended 31 December 2021. This ESG Report herein focuses on providing an overview of the environmental and social aspects of the Company and its subsidiaries (the "**Group**"), and outlines how we seek to continually improve our operational strategy in regard to our environment and society in order to cope with the global standards of sustainability.

The Group believes that prudent management of environmental and social issues is one of the key factors in long-term success under this rapidly changing world. To better understand the risks and opportunities for environmental protection, the Group closely follows with the requirements and expectations of regulatory authorities through an efficient operation management, well-established policies and procedures as well as higher standard of energy efficient measures and waste treatment. The Group believes that our expertise, capabilities and ownership patterns can be part of the solution to some of the challenges the Group is facing.

In order to carry out the Group's sustainability strategy from top to bottom, the Board of Directors (the "**Board**") of the Company has ultimate responsibility for ensuring the effectiveness of the Group's environmental, social and governance policies. The Board has established certain dedicated teams to manage the environmental, social and governance issues within each business division of the Group. Designated staff has been assigned to enforce and supervise the implementation of the relevant policies.

Smart Globe is committed to the implementation of sustainable development and social corporate responsibility. While the Group is actively developing and expanding our business, the Group also takes environmental, social and moral needs into serious consideration so as to strike a balance and unity between the profitability, environmental and social impacts. The Group also pays great attention to stakeholders including but not limited to customers, investors, environment, suppliers, employees and government to establish a good relationship through better understand and respond to their expectations. As a result, the Group will continue to maintain close contact with the stakeholders to meet the expectations and needs of the stakeholders with an aim to continuously improve our environmental, social and governance strategies to create an efficient and diversified business.

During the process of the preparation of this ESG Report, the Group has conducted thorough review and evaluation of the existing Group's policies and practices. Unless otherwise stated, this Report covers the data and information from its factory located in Heyuan, Guang Dong Province, PRC. (the "**Heyuan Factory**") and its Hong Kong office.

Report Scope and Boundary

The Report is prepared in accordance with the selected global, local and industrial standards and best practices, which include, but not limited to, the Environmental, Social and Governance Reporting Guide ("**Guide**") as set out in Appendix 27 to the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and any applicable accounting and financial reporting standards in Hong Kong.

In order to comply with the disclosure obligations of "comply or explain" provisions, this Report has outlined the overall Group's performance in environmental protection, human resources, operating practice and community involvement for the financial year, from 1 January 2021 to 31 December 2021 ("**Reporting Period**").

This Report was approved by the board of directors (the "**Board**") on 25 March 2022. For details on the Group's corporate governance, please refer to "Corporate Governance Report" on pages 35 to 47 of the Group's Annual Report.

Information and Feedback

For details in relation to our financial performance and corporate governance, please visit our website on http://www.smartglobehk.com/and/or see our Annual Report for the year ended 31 December 2021. The Group also treasure your feedback and comments on our sustainability performance, please send your feedback and other sustainability enquires to our Customer Service at sales@cpprinting.com.hk.

ESG MANAGEMENT

Statement of the board

As a responsible corporate citizen, the Group acknowledges that prudent environmental and societal management is of great importance to sustainable economic growth. The Report summarizes the strategy, practice and vision of the Group in respect of issues related to ESG, and conveys the Group's devotion for sustainability. To address the global concern about climate change, the Group has also considered the climate-related issues and incorporated them into the Report. All potential and actual risks that may have impact on the Group's businesses will be covered and evaluated in the annual enterprise risk assessment.

The Group has established a governance structure to enhance its management of ESG issues. The Board has an overall responsibility for overseeing the Group's ESG-related risks and opportunities, establishing and adopting the ESG-related strategies and targets of the Group, reviewing the Group's performance annually against the targets, and revising the strategies as appropriate if significant variance from the target is identified. In order to exert governance over the ESG issues, the Group has set up an ESG Working Group that comprises of members from middle to senior management and it serves as a supportive role to the Board in implementing the ESG-related strategies and targets, conducting materiality assessments of ESG issues and prioritise them, and promote the implementation of respective measures. Under the authority of the Board, the ESG Working Group assists in collecting ESG data from respective functional department, monitoring the implementation of the measures, and investigation of deviation from the targets, and liaise with the respective functional department to take prompt rectification actions. The ESG Working Group reports to the Board about the ESG performance of the Group and the effectiveness of the ESG management system on a semi-annual basis.

The Board will continue to review the progress based on the set goals and targets, and improve the Group's sustainable development.

Governance structure

Board	• The Board is responsible for the overall decision-making, oversees the formulation, administration, and assessment of the ESG system.
ESG Working Group	• The ESG Working Group is responsible for assisting the Board in managing and monitoring the ESG matters on a daily basis.
Functional Department	• Functional department is responsible for the execution of implemented measures to achieve the set strategies and targets.

OUR STAKEHOLDERS

The Group strongly believes that our stakeholders play a crucial role in sustaining the success of our business. The Group is actively searching for every opportunity to understand and engage our stakeholders to ensure that improvement can be implemented to our products and services.

Stakeholders	Probable Points of Concern	Communication and Responses
HKEX	Compliance with listing rules, and timely and accurate announcements.	Meetings, training, workshops, programs, website updates, and announcements.
Government	Compliance with laws and regulations, preventing tax evasion, and social welfare.	Interaction and visits, government inspections, tax returns and other information.
Investors	Corporate governance, business strategies and performance, and investment returns.	Organizing briefing sessions and seminars, interviews, shareholders' meetings, issue of financial reports or operation reports for investors, media and analysis.
Media & Public	Corporate governance, environmental protection, and human rights.	Issue of newsletters on the Company's website.
Customers	Service quality, service delivery schedule, reasonable prices, service value, and personal data protection.	After-sales services.

Stakeholders	Probable Points of Concern	Communication and Responses
Employees	Rights and benefits of employees, compensation, training and development, work hours, and working environment.	Conducting union activities, training, interviews with employees, internal memos, and employee suggestion boxes.
Community	Community environment, employment opportunities, community development, and social welfare.	Developing community activities, employee voluntary activities, and community welfare subsidies and donations.

MATERIALITY ASSESSMENT

The Group has identified ESG issue that have potential or actual impact on its sustainable development from various sources, such as issues identified in previous ESG report, internal policies, industry trends and the Sustainability Accounting Standards Board's Materiality Map[i]. The ESG issues have been analyzed with reference to an array of factors, including the Group's overall strategy, development, and goals and targets. The Group has conducted a materiality assessment to rate the identified ESG issues that are pertinent to its business and stakeholders, and their respective level of impact.

The material ESG issues are considered as those which have or may have a significant impact on:

- the office and factory located in Hong Kong and the PRC;
- the current and future environment and/or society;
- the Group's financial and/or operational performance; and
- the stakeholders' assessments, decisions and actions.

ENVIRONMENTAL

Overview

The Group places great emphasis on the impact of commercial activities on the environment and natural resources. Our production can be broadly divided into pre-press, printing and post-press processes. Pre-press activities generally involve a series of steps such as color proofing, imposition and plate-making. The Group conduct our printing process with our multiple-color printing presses ranging from 2-colour to 8-colour capacities for products of various color specifications. Post-press process typically includes folding, collating, sewing, trimming, binding and other finishing operations. During the production, the Group consume papers, dyes and some packaging materials. Being a responsible printing service provider, the Group integrates the concept of environmental protection into our internal management and daily operation activities and successfully passes the ISO 14001 environmental management certification to achieve the goal of environmental sustainability. To present a comprehensive emission overview, we compared the emission figures and relevant intensities of the Reporting Year to the year ended 31 December 2020 ("**Last Year**").

i Sustainability Accounting Standards Board's Materiality Map, https://materiality.sasb.org/

During the Reporting Period, the Group has fully complied with all applicable requirements as set up by the laws and regulations regarding air and greenhouse gas emission including but not limited to "Law of the People's Republic of China on Environmental Protection (中華人民共和國環境保護法)", "Law of the People's Republic of China on the Pollution Prevention and Control on Water Pollution (中華人民共和國水污染防治法)", "Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法)" and "Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution (中華人民共和國固體廢物污染環境防治法)".

Emissions

During the Group's daily operations, goods delivery is one of the major activities that generate air pollutant. As at the Reporting Period, the air emission data with regard to vehicle emission is as follows:

Year ended 31 December	**2021**	2020
NOx emission *(in g)* [ii]	**15,390.15**	21,222.30
SOx emission *(in g)* [ii]	**97.02**	277.54
PM emission *(in g)* [ii]	**1,474.67**	2,033.50

The Group targets to maintain the level of air emission not greater than that of financial year 2021 in the coming three years.

Greenhouse Gas Emission

Greenhouse gases generated from human activities is one of the significant drivers of global warming which affect the living of present and future generation. Therefore, the Group is highly concerned about the importance of monitoring and mitigating the greenhouse gas emission in our operations. As mentioned, the vehicle fuel combustion and cooking stoves gas consumption are the major activities that generate direct emissions from operations. In addition, indirect greenhouse gases emission is mainly resulted from the purchase of electricity within the Group.

In order to reduce the impact of greenhouse gases emission, greening plays a vital role in creating a more environmentally friendly working environment. The greenhouse gases emission generated from the mobile combustion of vehicle fuel is shown as follow:

Year ended 31 December	**2021**	2020
CO_2 emission (Scope 1 only) *(in tonnes)*	**15.576**	44.557
CH_4 emission (Scope 1 only) *(in tonnes)*	**0.028**	0.080
N_2O emission (Scope 1 only) *(in tonnes)*	**2.261**	6.467

ii In 2021, the vehicle used by the Group is 1 light goods vehicle that consumes unleaded gasoline as the major fuel.

On the other hand, the following is the greenhouse gases generated through the purchase of electricity used to support the equipment in the operation.

Year ended 31 December	2021	2020
Electricity consumption *(in kWh)*	**12,217,173**	10,005,249
Electricity consumption intensity *(kWh/m² floor area)*	**448.65**	367.42
Carbon emission (Scope 2 only)[iii] *(tonnes CO_2-e)*	**7,457.03**	8,046.42
Carbon intensity *(tonnes CO_2-e/m² floor area)*	**0.27**	0.30

The Group aims to reduce 10% electricity consumption in the next 3 years ended 31 December 2022 to 2024 in order to facilitate environmentally friendly working environment.

Waste Management

During the Reporting Period, the Group has fully complied with all applicable requirements as set up by the laws and regulations regarding generation of hazardous waste and non-hazardous waste including but not limited to "Law of the People's Republic of China on Environmental Protection (中華人民共和國環境保護法)" and the Law of China on Prevention and Control of Environmental Pollution by Solid Waste (中國固體廢物污染環境防治法).

In order to prevent hazardous wastes from polluting the environment and strengthen the management of hazardous wastes, the Group formulated a "Hazardous wastes management policy 危險廢物污染規範管理制度" in accordance with "Law of the People's Republic of China on Environmental Protection (中華人民共和國環境保護法)". The Group prohibits any dumping of hazardous wastes into the environment; hazardous waste is separately collected, stored, transferred and disposed against non-hazardous waste; hazardous waste is stored in special container with clear label. The hazardous waste generated during our operation such as organic solvent waste (HW06), waste mineral oils (HW08), waste dyes and paints (HW12) are hazardous wastes stated on the National Catalogue of Hazardous Waste (國家危險廢物名錄). The Group has contracted a waste collection company listed in the "Construction Program for Hazardous Waste and Medical Waste Treatment Facilities in China" to handle those hazardous waste in accordance with the laws and regulations (全國危險廢物和醫療廢物處置設施建設規則).

iii The Group are accounting for Scope 2 carbon emission (indirect emission from consumption of purchased electricity) only. According to the emission factor of China's regional grid reference line released by Ministry of Ecology and Environment of the People's Republic of China, the emission coefficient of the southern regional power grid in Guangdong is 0.6101 kg/kwh in 2021. While the emission coefficient of HK Electric is 0.71 according to HK Electric Sustainability Report 2020.

Year ended 31 December	2021	2020
Total Hazardous Waste Consumed *(in tonnes)* [iv]	**43.16**	9.61
Total Non-hazardous Waste Consumed *(in tonnes)* [v]	**332.18**	322.14
Total Gross Floor Area *(m^2)*	**27,034.1**	27,034.1
Intensity of Hazardous Waste Consumed *(tonnes/m^2)*	**0.00160**	0.00036
Intensity of Non-hazardous Waste Consumed *(tonnes/m^2)*	**0.01229**	0.01192

In order to reduce the waste generation, the Group put effort to reduce the usage of waste at source. Our employees are receiving daily briefing before starting their work, they are fully understood with the job nature and requirements so that it gives less chance of making unnecessary wastage of raw materials as well as hazardous materials.

The Group adopted measure as mentioned above, with an aim to maintain or reduce non-hazardous waste intensity in the next reporting year on the basis of this Reporting Year.

Packaging

The Group has engaged in packaging business especially in paper-based packaging. Packaging is specially designed based on the type of end products due to specific quality and safety requirement as requested by clients. The following is the usage of packaging materials during the Reporting Period:

Year ended 31 December	2021	2020
Total Packaging Material Used *(in tonnes)*	**1,468.72**	948.25
Total Gross Floor Area *(in m^2)*	**27,034.10**	27,034.10
Intensity *(tonnes/m^2)*	**0.05**	0.04

Energy Efficiency

The Group treasures the use of electricity. Through the implementation of a variety of measures established in "Electricity and water saving management policy 節約用電用水管理規定", the Group are committed to achieve electricity conservation under the principal of saving, purifying and recycling:

- Air-conditioners are permitted to switch on only when the air temperature is above 28-degrees Celsius and should be turned off 30 minutes before office hour;
- Electronic equipment with Grade 1 energy efficiency labelling is preferential when acquisition requisition is made;
- All electronic equipment are switched off when they are not in operation;
- Lighting facilities are recommended to be turned off during lunch time, and the last employee who leave the office or factory must ensure that all lights are switched off.

iv Total hazardous waste includes organic solvent waste (HW06), waste mineral oils (HW08), waste dyes and paints (HW12), containers and cleansing sundries that contain or taint with hazardous wastes (HW49) and waste activated carbon (HW49).

v Total non-hazardous waste includes wrapping paper, paper core barrel and plastic tape.

Please refer to the section headed "Greenhouse Gas Emission" for information regarding the Group's electricity consumption during the Reporting Period.

The Group believes that by establishing the above "Electricity and water saving management policy 節約用電用水管理規定", it will be effective in raising the awareness of employees' energy saving initiatives and reduce energy consumption in the long run.

Water Management

The Group has complied with the "Prevention and Control of Water Pollution Law (水污染防治法)" with an aim to prevent and control water pollution, protect and improve the environment and make sure the safety of drinking water. During the Reporting Period, we have no issue in sourcing water that is fit for purpose.

The Group treasures the preciousness of water resources. Through the implementation of a variety of measures established in "Electricity and water saving management policy 節約用電用水管理規定", the Group are committed to achieve water conservation under the principal of saving, purifying and recycling:

- Any water wastage phenomenon is prohibited;
- Water used for washing hand or fruit is used to flush the toilet;
- Any water leakage, breakage or other potential damage of water pipes are regularly inspected and identified;
- Meter reading is checked constantly for revealing any hidden leakage phenomena;
- Water-saving education and ideas of water-saving are continuously promoted among our employees.

The Group believes that by establishing the above "Electricity and water saving management policy 節約用電用水管理規定", it will be effective in raising the awareness of employees' water conservation initiatives and reduce water consumption in the long run.

During the Reporting Period, the water consumption condition is shown as follow:

Year ended 31 December	**2021**	2020
Water Consumption *(in m^3)*	**166,907.40**	181,834.00
Gross Floor Area *(in m^2)*	**27,034.10**	27,034.10
Intensity *(m^3/m^2)*	**6.129293345**	6.677438664

The Group aims at maintaining or reducing total water consumption to 6.0 m3/m2 per intensity in the next reporting year.

Environmental Protection

As a printing service provider, there is no significant consumption of natural resources and therefore the Group's activities do not have any significant impact on the environment. However, the Group is concerned about the natural resources consumed along the supply chain and it endeavours to select vendors that are environmentally and socially conscious. Details of vendor selection criteria are set out in the section headed "Supply Chain Management" below.

Climate Change

The Group has considered the potential climate-related risks and opportunities in respect of the recommendations of the Task Force on Climate-related Financial Disclosures, in which potential physical risk and transition risk from climate change may pose adverse financial impacts on the Group's businesses. Acute physical risk can arise from extreme weather conditions such as flooding and storms and chronic physical risk can arise from sustained high temperature, while transition risk may result from the change in environmental-related regulations or change in customer preferences.

Upon evaluation of the potential acute physical risk that may cause disruption to our manufacturing and supply network, our office and production plant do not locate in high-risk flood areas and that we maintain a large supplier base so we can source from alternate suppliers in the event of our suppliers being affected by extreme weather conditions, and hence it is a remote risk. While sustained high temperature may result in an elevation of electricity consumption, the Group has adopted energy conservation measures in managing such risk, which is detailed in the above subsection headed "Energy Efficiency". As for the potential transition risk, the Group continues to monitor the regulatory environment and has experienced expertise in designing and manufacturing products that meet customers' demand and expectations, our commitment to quality has enabled us to obtain relevant ISO standards, and thus the risk is relatively low.

It is expected that potential extreme weather condition, sustained high temperature, change in environmental-related regulations and customer preference do not have a material impact on the Group's operations. Nevertheless, the Group continues to monitor the climate-related risks and implemented relevant measures to minimize our exposure to physical and transition risks.

SOCIAL

Employment

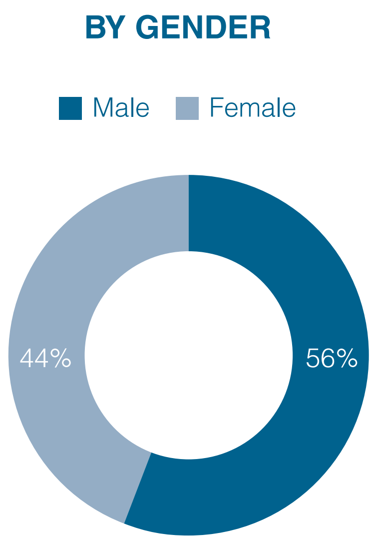
The Group has put a lot of effort to make sure that the Group has strictly complied with a series of labor laws in People's Republic of China and Hong Kong including but not limited to "Labor Contract Law of the People's Republic of China (中華人民共和國勞動合同法)", "Labor Law of the People's Republic of China (中華人民共和國勞動法)" and the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). With reference to those laws and regulations, the Group has established "Employment policy招聘制度", "Remuneration calculation and compensation policy 工資計算與補償政策" and "Anti-discrimination policy 反歧視政策" to ensure the employment protection with regard to compensation and dismissal, recruitment and promotion, working hours and rest periods, equal opportunity, diversity and anti-discrimination, and other benefits and welfare.

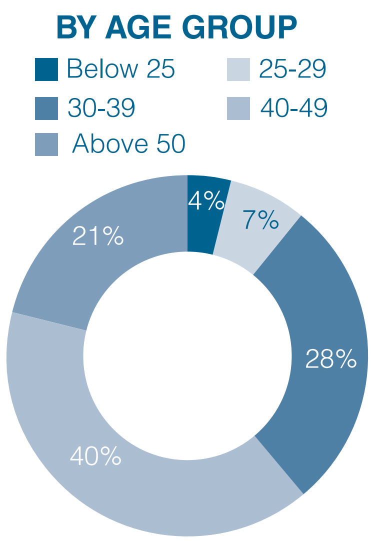
The Group believes that employees are the key asset and important component to business success, so the Group pay attention to personal growth of every employee and has set up various channels of communication with employees to enhance employees' sense of belonging to the Group. The Group are committed to improve human resources policies and workplace facilities so as to guarantee employees' health and safety at all time.

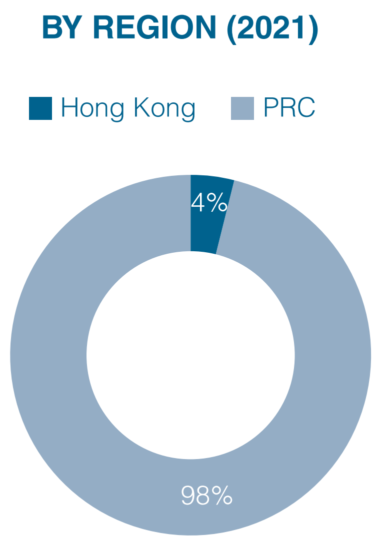
The Team

The Group believes that a diversified and cohesive team is indispensable to the success of business. The Group strives to ensure that the recruitment process is fair and without any discrimination.

As of 31 December 2021, the Group had a total of 334 full time employees. The breakdowns of the Group's workforce by gender, age group and region are as follows:







During the Reporting Period, the employee turnover across the Group was 24%, the details are as follows:

KPI B1.2

Employee Turnover Rates	
By Gender	
Male	20%
Female	28%
By Age Group	
< 25	43%
25–29	42%
<30	33%
30–50	16%
> 50	14%
By Region	
PRC	24%
HK	8%

Occupational Health and Safety

During the Reporting Period, the Group has complied with the "Production Safety Law of the PRC (中華人民共和國生產法)", the "Labor Law of the PRC", the "Labor Contract Law of the PRC" and other relevant laws and regulations which stipulate requirements to maintain safe production conditions and to protect the occupational health of employees. The Group has been carrying out regular health examination for employees engaging in potential occupational hazards, educate employees on occupational safety and sanitation, prevent accidents at work and reduce occupational hazards. In order to strengthen the Group's occupational safety, improve working conditions and protect the personal interests of employees, the Group developed a "Production safety management policy 安全生產管理制度".

Within the "Production safety management policy 安全生產管理制度", it defines the role and responsibilities of safety managers with regard to the implementation of all types of safety education, safety inspection and safety risk; the safety manager should closely monitor the daily operations and make sure that all staff working in the factory are complied with those safety measures; employees should be punctual and attentive in all safety training and fire drill.

Furthermore, the Group has implemented safety measures at our production sites and established guidelines for work safety and occupational health safety including fire safety, warehouse safety, electricity safety, work-related injuries and emergency and evacuation procedures to minimize the risk of injury of employees. The Group maintain a general register with the records of accidents and dangerous occurrences. The Group has installed appropriate fire safety equipment with regular fire drills to provide fire prevention training to our staff. The Group also conduct training sessions for production staff on accident prevention and management. The Group has been awarded quality standard certification of ISO 45001 in respect of the occupational health and safety of our working environment.

During the Reporting Period, there were 9 work-related injury cases and no fatal cases reported within the Group. In these 9 cases, a total of 139 working days were lost because our Group promised to provide sufficient days of sick leave due to work injury to our employees. The increase of work-related injury is due to the Group has purchased the new machines and equipment and it takes time for the employees to familiarize the usage of the new machines and equipment.

Development and Training

The Group provides a series of training to our employees classified as orientation training, on-job training and specialized training, each of them caters for employees' personal growth and job requirements. Orientation training includes briefing on the Group's Code of Conduct and Environmental, Health and Safety training. On-job training would be provided to employees on various aspects including advanced knowledge and skills on machines operations, machinery and equipment safety training, training on gas safety in confined space for technicians and PPE training for factory employees. Specialized training is tailor made for selected employees such as ISO system training for system auditors.

In particular, all of our factory employees are well-trained for their upcoming job nature and requirements as they are required to attend briefing session conducted by their seniors who explain about operations techniques and precautions measures to be taken. Those daily briefings are crucial in preventing operation accidents from happening, reduce unqualified products that leads to wastage and ensure the quality of the final outputs to enhance customers' satisfaction.

During the Reporting Period, the percentage of employees trained are as follows:

KPI B3.1

Development and Training Indicators	
By Gender	
Male	55%
Female	45%
By Employee Category	
Entry level	34%
Middle level	44%
Management level	22%

The average training hours completed per employee are shown as follow:

KPI B3.2

Development and Training Indicators	
Average hours of training per employee by gender	
Male	0.66
Female	0.74
Average hours of training per employee by employment category	
Entry level	0.85
Middle level	0.49
Management level	0.87

Labor Standard

During the Reporting Period, the Group has strictly complied with a series of labor laws in People's Republic of China and Hong Kong including but not limited to "Labor Contract Law of the People's Republic of China (中華人民共和國勞動合同法)", "Labor Law of the People's Republic of China (中華人民共和國勞動法)" and the Employment Ordinance (Chapter 57 of the Laws of Hong Kong).

With the aim to protect the children of their childhood, prevent inappropriate physical and manual work for children and protect the free labor rights and employees' rights and interests, the Group stipulated "Child labor policy 童工和未成年工政策" and "Anti-forced labor policy 自由勞動與反對使用囚工政策" which have strict requirements on the recruitment process. Upon receipt of the candidate's resume, the Human Resources Department will conduct a thorough background check to ensure whether the personal data stated on the application form is true. During the job interview, the Group carefully examine and verify the applicant's original identity card and make detailed inquiries to applicants to ensure that the Group does not employ child labor and forced labor.

The Group strictly prohibit the uses of forced labor and child labor. If management discovers irregular employment of child labor or forced labor, the Group will immediately terminate the contract, ascertain the causes of such irregular employment and accountabilities of relevant recruitment staff to eliminate such practices. During the Reporting Period, the Group did not employ child labor and forced labor.

Supply Chain Management

The Group has established a “Purchase quotation process 採購部報價流程” to closely monitor the performance for the supplier to ensure the quality of raw materials. The Group believes that supply chain management can maximize customer value and achieve sustainable competitive advantages. The Group’s goal is to maintain a long-term strategic partnership with suppliers with high renown, high-quality service and strong sense of social responsibility. The Group also regularly review the suppliers’ performance and obtain relevant licenses in order to better control and guarantee the quality of their products and services.

As a printing service provider, the raw materials used by the Group in its ordinary business are mainly papers. The Group endeavors to work with FSC/CoC certified paper suppliers to ensure that the paper purchased and used in the production of printing products are matched with all applicable environmental protection and social responsibility requirements. On the other hand, the Group also obtained the FSC/CoC certificate of relevant papers in order to promote and support the used of FSC recycled paper, paperboard and printed paper products along the supply chain.

There were a total of 25 and 154 approved suppliers located in Hong Kong and PRC respectively during the Reporting Period. The Group has performed the annual evaluation to the suppliers in order to assess the suppliers have complied with the standards of the Group.

Product Quality Assurance

The Group has regularly entrusted chemical inspection companies to conduct chemical analysis of the ink and paper used in the production process. Those reports are reviewed by quality control department so as to ensure the standard of the ink and paper and avoid affecting the quality of subsequent printing process.

In order to effectively control unqualified products and prevent the unintended use and shipment of unqualified products, “Unqualified products control procedures 不合格控制程序” is specially formulated. Quality control department would initiate a corrective and preventive procedures to report unqualified samples selected from the production line with clear explanations of the problems so as to notify relevant production line to implement corrective measures such as full inspection, qualified goods selection, reproduction or scrap. Those corrective measures adopted by the production lines are recorded in the corrective and preventive report for future reference and to avoid recurrence of similar mistakes.

Besides, the Group has formulated “Improvement procedures 持續改進程序” with an aim to establish a sound improvement system to investigate and analyze the causes of potential and unqualified items, and take timely measures to prevent potential or unqualified recurrence or occurrence, so that the quality of products and services can be controlled and continuously improved.

In the event of product failure with quality issue which is not caused by improper use by the customers, the Group would recall the products and provide replacement to customers if the issue is caused by the Group according to the Group's investigation. Warehouse will count the total number of the returned products and the Group's Production Material Control (PMC) team will investigate the incidents and issue a report to the manager of Quality Control Department that outlines the responsible department for the product failure, the problem analyzed, and the corrective actions identified and implemented.

There was no product sold or shipped subject to recalls for safety or health reasons during the Reporting Period.

Our Products and Service

During the Reporting Period, the Group has complied with the "Regulations on the Administration of Printing Industry (印刷業管理條例)" promulgated by the State Council and obtains relevant license for printing operations. During the Reporting Period, the Group also strictly followed the "Interim Provisions on the Qualifications of Printing Operations (印刷業經營者資格條件暫行規定)" promulgated by the General Administration of Press and Publication (the "**GAPP**") which specifies the qualifications required for the enterprises engaged in printing operations. According to this regulation, enterprises undertaking decoration and packaging printing shall have fixed production and operation place suitable for operation of printing. The Group integrates the concept of environmental protection into our internal management and daily operation activities and is honored with the ISO 14001 environmental management certification to achieve the goal of environmental sustainability.

In relation to export products, the Group strictly follows the requirements and corporate with the statutory authorities concerning the relevant laws and regulations which are set out in "Regulations for the Implementation of the Law of PRC on Import and Export Commodity Inspection (中華人民共和國進出商品檢驗法實施條例)" and coordinate with the compulsory inspection of our products regarding the quality, quantity, packaging and requirements for safety, hygiene, health, environmental protection and anti-fraud protection.

The Group works to create a good client experience by providing quality products and services that suit customers' needs. We welcome feedback from our customers and provide them with various ways of solving their issues. During the Reporting Period, 8 cases of the number of products and service-related complaints were received, all complaints have been timely solved.

Data Privacy

In order to build customer trust and loyalty, the Group has established measures to reduce the risk of employees leaking confidential information to outsiders.

The Group restricts the use of customers' personal data for any purposes other than what have been stated in the customer contracts. If any employee who has been discovered of misappropriating customers' private data, the Group will take disciplinary action against the employee concerned and reserve its right to legal action. Moreover, non-disclosure agreements are signed by the employees of the Group to ensure that they are aware of their legally binding obligations of protecting confidential information of the Group.

Intellectual Property Rights

The Group closely monitors the behavior of the employees to avoid any misappropriation of clients' intellectual properties. The Group has established "Customers' property control procedure 客戶提供財產控制程序" to protect the property provided by the customers. For instance, Production Material Control (PMC) team is responsible for the confirmation and acceptance of relevant materials and incoming samples provided by customers. Warehouse is responsible for the storage and protection of customers' property. Security check is carried out whenever vehicles and employees leave the factory area to avoid theft cases.

Apart from protecting client' intellectual properties from infringement or defamation, the Group would make sure that the materials brought by the clients has not infringed others' intellectual properties. If the Group has reasons to suspect that the client is not the owner of the intellectual properties, PMC team would request the clients to provide declaration form to make sure that the clients has been duly authorized to use the intellectual properties. During the Reporting Period, the Group has not been exposed to any litigation claims regarding infringement of intellectual property rights.

During the Reporting Period, the Group complied with all laws and regulations related to intellectual property rights in Hong Kong and the PRC that have a significant impact on it, including but not limited to the Copyright Ordinance (Cap. 528 of the Laws of Hong Kong), "Trademark Law of the People's Republic of China (中華人民共和國商標法)" and "Copyright Law of the People's Republic of China (中華人民共和國著作權法)".

Anti-corruption

During the Reporting Period, the Group observed the "Criminal Law of the People's Republic of China (中華人民共和國刑法)", "Anti-Money Laundering Law of the People's Republic of China (中華人民共和國反洗錢法)" and the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong). Employees are strictly prohibited from engaging in illegal activities, including but not limited to bribery, fraud and misappropriation. Upon employment, all employees are requested to sign an "Anti-bribery & corruption commitment 反賄賂反腐敗承諾書" and promise to reject and not engaged in any commercial bribery and corruption related activities.

The Group has a whistle-blowing policy in place to encourage employees to report any suspicious fraudulent activities. The Group intends to protect the whistle-blower from common concerns such as confidentiality and potential retaliation. Therefore, the employee(s) reporting in good faith under this procedure shall be assured of the protection against unfair termination or victimization, even if the reports are subsequently proved to be unsubstantiated.

The Group will actively combat any money laundering using public or private accounts and ensure that there are no corruption and bribery within the Group. If employees want to report any suspicious corruption cases, they can report to the relevant management by telephone, e-mail or letter.

During the Reporting Period, the Group has provided anti-corruption training to the staffs and no corruption and money laundering cases were noted or reported.

Community Investment

The Group understands that development of the enterprise depends on the support from the communities. Meanwhile, the Group has also shown the spirit of serving the communities where the Group operates and has been actively involved in community investment. The Group encourages our employees to participate and contribute to the society as a sustainable business is dependent on the stability and well-being of our community.

During the Reporting Period, the Group made the donation of HK$80,000 to Aberdeen Kai-Fong Welfare Association Social Service Centre, for supporting the welfare and social services to elderly people, children, youth and families who live in Southern District of Hong Kong, which was carried out by the Aberdeen Kai-Fong Welfare Association Social Service.

HKEX ESG REPORTING GUIDE CONTENT INDEX

Part A: Environmental

ESG Aspects	Related Section(s)	Remarks
A1. Emissions		
Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	*Overview, Emissions, Greenhouse Gas Emission, Waste Management*	
KPI A1.1 The types of emissions and respective emission data.	*Emissions*	
KPI A1.2 Greenhouse gas emission in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	*Greenhouse Gas Emission*	
KPI A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	*Waste Management*	
KPI A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	*Waste Management*	
KPI A1.5 Description of measures to mitigate emissions and results achieved.	*Greenhouse Gas Emission*	
KPI A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	*Waste Management*	

ESG Aspects	Related Section(s)	Remarks
A2. Use of Resources		
Policies on the efficient use of resources, including energy, water and other raw materials.	*Energy Efficiency, Water Management, Supply Chain Management*	
KPI A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	*Greenhouse Gas Emission*	
KPI A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	*Water Management*	
KPI A2.3 Description of energy use efficiency initiatives and results achieved.	*Energy Efficiency*	
KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	*Water Management*	
KPI A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	*Packaging*	
A3. The Environmental and Natural Resources		
Policies on minimizing the issuer's significant impact on the environment and natural resources.	*Energy Efficiency, Water Management*	
KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	*Environmental Protection*	
A4. Climate Change		
Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	*Climate Change*	
KPI A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	*Climate Change*	

Part B. Social

ESG Aspects	Related Section(s)	Remarks
B1. Employment		
Information on the policies and compliance with laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	*Employment*	
KPI B1.1 Total workforce by gender, employment type, age group and geographical region.	*The Team*	
KPI B1.2 Employment turnover rate by gender, age group and geographical region.	*The Team*	
B2. Health and Safety		
Information on the policies and compliance with laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	*Occupational Health and Safety*	
KPI B2.1 Number and rate of work-related fatalities.	*Occupational Health and Safety*	
KPI B2.2 Lost days due to work injury.	*Occupational Health and Safety*	
KPI B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.	*Occupational Health and Safety*	
B3. Development and Training		
Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	*Development and Training*	
KPI B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	*Development and Training*	
KPI B3.2 The average training hours completed per employee by gender and employee category.	*Development and Training*	

ESG Aspects	Related Section(s)	Remarks
B4. Labour Standards		
Information on the policies and compliance with laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	*Labour Standards*	
KPI B4.1 Description of measures to review employment practices to avoid child and forced labour.	*Labour Standards*	
KPI B4.2 Description of steps taken to eliminate such practices when discovered.	*Labour Standards*	
B5. Supply Chain Management		
Policies on managing environmental and social risks of the supply chain.	*Supply Chain Management*	
KPI B5.1 Number of suppliers by geographical region.	*Supply Chain Management*	
KPI B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	*Supply Chain Management*	
KPI B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	*Supply Chain Management*	
KPI B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	*Supply Chain Management*	
B6. Product Responsibility		
Information on the policies and compliance with laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and method of redress.	*Product Quality Assurance, Our Products and Service*	
KPI B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	*Product Quality Assurance*	
KPI B6.2 Number of products and service-related complaints received and how they are dealt with.	*Our Products and Service*	
KPI B6.3 Description of practices relating to observing and protecting intellectual property rights.	*Intellectual Property Rights*	

ESG Aspects	Related Section(s)	Remarks
KPI B6.4 Description of quality assurance process and recall procedures.	*Product Quality Assurance*	
KPI B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored.	*Data Privacy*	
B7. Anti-corruption		
Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	*Anti-corruption*	
KPI B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	*Anti-corruption*	
KPI B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	*Anti-corruption*	
KPI B7.3 Description of anti-corruption training provided to directors and staff.	*Anti-corruption*	
B8. Community investment		
Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure that its activities take into consideration the communities' interests.	*Community Investment*	
KPI B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	*Community Investment*	
KPI B8.2 Resources contributed (e.g. money or time) to the focus area.	*Community Investment*	

Pursuant to Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), the Board is pleased to present this corporate governance report for FY21. This report highlights the key corporate governance practices of the Company.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance to safeguard the interests of its Shareholders and enhance its corporate value. The Company's corporate governance practices are based on the principles, code provisions and certain recommended best practices as set out in the Corporate Governance Code and Corporate Governance Report in Appendix to the Listing Rules (the "**CG Code**"). The CG Code and code provisions specified below refer to the CG Code and code provisions prior to their amendments effective on 1 January 2022.

During FY21, the Company has complied with the code provisions in the CG Code, except the following deviations:

(1) Code Provision A.4.1 of the CG Code provides that non-executive directors should be appointed for a specific term, subject to re-election. All independent non-executive directors of the Company are not appointed for specific terms, but they are subject to retirement by rotations and re-elections at the annual general meeting of the Company in accordance with the articles of associations of the Company (the "**Articles of Association**").

(2) Code Provision A.2.1 of the CG Code provides that the roles of chairman and chief executive officer should not be performed by the same individual. Mr. Lam Tak Ling Derek is currently performing the roles of chairman and chief executive officer of the Company. Taking into account Mr. Lam's strong expertise in the printing industry, the Board considered that the roles of chairman and chief executive officer being performed by Mr. Lam enables more effective and efficient overall business planning, decision making and implementation thereof by the Group. In order to maintain good corporate governance and fully comply with such code provision, the Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately.

The Board will continue to monitor and renew the Company's corporate governance practices to ensure compliance with the CG Code.

The Board conducted reviews of the system of internal controls of the Group to ensure an effective and adequate internal control system is in place. The Board also conducted meetings to discuss financial, operational and risk management control.

BOARD OF DIRECTORS

Board responsibilities and Delegation

The Company is governed by the Board, which is responsible for overseeing the overall strategy and development of the Company, as well as continuously monitoring and improving the internal control policies of the Group and evaluating the financial performance of the Group. The Board sets the overall strategies and directions for the Group with a view to developing its business and enhancing the Shareholders' value. The independent non-executive Directors serve the relevant function of bringing independent judgement on the development, performance and risk management of the Group through their contributions in board meetings. They are also serving on the Audit Committee, Remuneration Committee and Nomination Committee.

The Board has adopted a set of guidelines on matters that require its approval to achieve a clear division of the responsibilities of the Board and the management. Matters requiring the Board's approval include, among others, review of overall policies and objectives for corporate contributions and approval of corporate plan of the Company and any significant changes thereto, investment plans which would involve significant commitments of financial, technological or human resources, or would involve significant risks for the Company, significant sales, transfers, or other dispositions of property or assets, significant changes in policies of broad application, major organisational changes, approval of annual reports, and review of semi-annual and quarterly financial and operating results, other matters relating to the Company's business which in the judgment of the management are of such significance as to merit the Board's consideration, and adoption of such policies and the taking of such other actions as the Board deems to be in the best interests of the Company.

Minutes of Board meetings and Board committees meetings are kept by duly appointed secretaries of the respective meetings. All Directors have unrestricted access to Board papers and related materials and are provided with adequate information on a timely manner, which enable the Board to make an informed decision on matters placed before it.

The Company has arranged appropriate insurance cover in respect of possible legal actions against its Directors and senior officers.

Responsibilities and Delegation

The Board is accountable to the Shareholders for the development of the Group with the goal of maximising Shareholders' value in the long run. The Board also takes the responsibility for the overall strategies and policies of the Group, approves and monitors the strategic plans, investment and funding decisions, and reviews the Group's financial and operational performance and internal controls. The Group's day-to-day operations and administration are overseen by the executive Directors and the management.

The Board is responsible for setting the strategic direction and policies of the Group and supervising the management of the Company. Some functions including the monitoring and approval of material transactions, matters involving a conflict of interest for a substantial Shareholder or Director, the approval of interim and annual results, declaration of interim dividends and proposal of final dividends and other disclosures to the public or regulators are reserved by the Board for consideration and approval. Matters not specifically reserved to the Board and necessary for the daily management and operation of the Company are delegated to the executive Directors and the management of the Company.

Directors' Training

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company would provide a comprehensive induction package covering the summary of the operations and business, constitutional documents, the latest published financial reports of the Company, "A Guide on Directors' Duties" issued by the Companies Registry of Hong Kong and the Guidelines for Directors and the Guide for independent non-executive Directors published by the Hong Kong Institute of Directors to each newly appointed Director to ensure that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules and other regulatory requirements.

The Company Secretary reports from time to time the latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime to the Directors with written materials, as well as organising seminars on the professional knowledge and latest development of regulatory requirements related to directors' duties and responsibilities.

Pursuant to the requirements of the CG Code, all Directors should provide their records of continuous professional development to the Company. According to the records provided by the Directors, the training received by each of them during FY21 is summarised as follows:

	Training received *Notes*
Executive Directors	
Mr. Lam Tak Ling Derek	(1)(2)
Mr. Chan Yee Yeung	(1)(2)
Ms. Tse Yuen Shan Ivy	(1)(2)
Independent non-executive Directors	
Mr. Li Chung Hung	(1)(2)
Mr. Ong Chor Wei	(1)(2)
Mr. Yam Kam Kwong	(1)(2)

Notes:

(1) Reading articles/other materials in relation to legal and regulatory changes which are relevant for the Directors in discharging their duties.

(2) Participation in seminars/conferences/courses/workshops on subjects relating to directors' duties, and financial, legal and corporate governance matters.

All Directors as disclosed above confirmed that they have complied with Code Provision A.6.5 of the CG Code on directors' continuous professional development during FY21.

CONTINUOUS 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 our Directors to attend relevant training courses to receive the latest news and knowledge regarding corporate governance.

During FY21, the Company has encouraged all Directors to attend at least one training course on the updates of the Listing Rules concerning good corporate governance practices. The Company will, if necessary, provide timely and regular trainings to the Directors to ensure that they are kept abreast with the latest requirements under the Listing Rules. The Group has also adopted a policy to reimburse the Directors for any relevant training costs and expenses incurred concerning corporate governance and internal control.

Board Composition

The Board currently comprises three executive Directors and three independent non-executive Directors. The individual attendance records of each Director at the Board and Committees' meetings during FY21 are set out as follows:

	Meeting attended/Meetings held:					
Name of Director	Board meeting	Audit Committee meeting	Nomination Committee meeting	Remuneration Committee meeting	Annual general meeting	Extraordinary general meeting
Lam Tak Ling Derek	6/6	—	—	—	1/1	—
Chan Yee Yeung	6/6	—	—	—	0/1	—
Tse Yuen Shan Ivy	6/6	—	1/1	1/1	1/1	—
Chen Di	2/2	—	—	—	—	—
Li Chun Hung	6/6	4/4	1/1	1/1	1/1	—
Ong Chor Wei	6/6	4/4	1/1	1/1	1/1	—
Yam Kam Kwong	6/6	4/4	1/1	1/1	1/1	—

During FY2021, Mr. Lam Tak Ling Derek was appointed as the chairman of the nomination committee with effect from 31 December 2021 and Ms. Tse Yuen Shan Ivy was no longer the chairman of the nomination committee with effect from 31 December 2021. Furthermore, Mr. Chen Di was appointed with effect from 22 November 2021 and resigned with effect from 21 January 2022, the number of board meetings held only include the period for his tenure.

In compliance with the Listing Rules, the Company has appointed a sufficient number of independent non-executive Directors with at least one of them having appropriate professional qualifications or accounting or related financial management expertise. The Company has received an annual confirmation from each independent non-executive Director confirming his independence pursuant to the Listing Rules. The Company considers all of the independent non-executive Directors to be independent. The independent non-executive Directors and executive Directors ensure that the Board prepares its financial and other mandatory reports in strict compliance with the relevant standards, rules and regulations, and that appropriate systems are in place to protect the interests of the Company and its Shareholders.

Each independent non-executive Director is not appointed for a specific term but is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association. All independent non-executive Directors had attended the annual general meeting held on 7 May 2021.

The biographical details of the Directors are set out in the paragraph headed "Biographies Of Directors And Senior Management" in the section headed "Management Discussion And Analysis" of this Report. To the best knowledge of the Company, there are no financial, business, family or other material/relevant relationships between the Board members.

The Board has maintained a balance of skills and experiences appropriate for the requirements of the businesses of the Group. Its composition represents a mixture of management, accounts and finance, marketing, manufacturing and procurement with comprehensive experience in and exposure to diversified businesses. It is the opinion of the Directors that the Board has the necessary skills and experience appropriate for discharging their duties as Directors in the best interest of the Company.

BOARD COMPOSITION AND DIVERSITY POLICY

The Company has adopted the board diversity policy. The policy sets out the approach to achieve diversity in the Board that should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Group's business and compliance with policies. The composition and diversity policies of the Board is reviewed annually and regularly. The Board should ensure that its changes in composition will not result in any undue interference. The Board members should possess appropriate professionalism, experience and trustworthiness in performing duties and functions. The Board would diversify its members according to the Company's situations and need. While participating in nomination and recommendation of director candidates during the year, each member of the Board may consider a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, or professional experience in achieving diversity for the benefit of the Company's various business development and management. The Board is to review the policy concerning diversity of Board members, and to disclose the policy or a summary of the policy in the, including any quantitative targets and standards and its progress with policy implementation.

During FY21, the Board has reviewed the diversity of the Board and considered the Board composition and diversity policy appropriate.

CHAIRMAN AND CHIEF EXECUTIVES

The Board considered that it was important for the Chairman to have extensive experience in the field of printing industry, which is the most important business sector of the Group. The Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately.

EXECUTIVE DIRECTORS

The executive Directors namely Mr. Lam Tak Ling Derek, Mr. Chan Yee Yeung, Ms. Tse Yuen Shan Ivy are responsible for evaluating new potential business opportunities and investment opportunities and formulating and implementing business strategies to enhance the revenue growth of the Company. The management is responsible for implementing the business strategies formulated by the executive directors. There is no material relationship between the Board members.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Chun Hung is an independent non-executive Director of the Company. He has entered into a letter of appointment with the Company with no specific term of appointment but is subject to rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association.

Mr. Ong Chor Wei is an independent non-executive Director of the Company. He has entered into a letter of appointment with the Company with no specific term of appointment but is subject to rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association.

Mr. Yam Kam Kwong is an independent non-executive Director of the Company. He has entered into a letter of appointment with the Company with no specific term of appointment but is subject to rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association.

DIRECTORS' APPOINTMENT AND RE-ELECTION

The appointment of a new Director is made on the recommendation of the nomination committee ("**Nomination Committee**") of the Company or by the Shareholders in general meetings. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Pursuant to article 108(a) of the Articles of Association, at each annual general meeting of the Company, one-third of the Directors for the time being shall retire from office by rotation and all such retiring Directors being eligible, will offer themselves for re-election. Details of the Directors to be retired by rotation and, where applicable, subject to re-election at the forthcoming annual general meeting of the Company will be contained in the circular to be despatched to the Shareholders in due course. None of the Directors who are being proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with the Company which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standards of dealings set out in the Listing Rules as the code of conduct for securities transactions by the Directors in respect of the shares of the Company (the "**Code of Conduct**"). Having made specific enquiries with the Directors, all Directors have confirmed that they have complied with the required standards set out in the Code of Conduct during the year ended 31 December 2021.

COMMITTEES

As part of the corporate governance practices, the Board has established the Remuneration Committee, Nomination Committee and Audit Committee. The compositions of all the committees are set out below. The terms of reference of all committees are established in accordance with the principles set out in the CG Code.

REMUNERATION COMMITTEE

The Company established a Remuneration committee on 4 December 2017 with written terms of reference. The Remuneration Committee currently comprises one executive Director and three independent non-executive Directors, namely Ms. Tse Yuen Shan Ivy, Mr. Ong Chor Wei (Chairperson), Mr. Li Chun Hung and Mr. Yam Kam Kwong.

The primary duties of the Remuneration Committee are formulating remuneration policies, making recommendations to the Board on the remuneration packages of all Directors and senior management, and to review and approve the management's remuneration with reference to the Board's Corporate goals and objective.

NOMINATION COMMITTEE

The Company established a Nomination Committee on 4 December 2017 with written terms of reference. The Nomination Committee currently comprises one executive Director and three independent non-executive Directors, namely Mr. Lam Tak Ling Derek (Chairperson), Mr. Li Chung Hung, Mr. Ong Chor Wei and Mr. Yam Kam Kwong.

The primary duties of the Nomination Committee are reviewing the structure, size and composition of the Board, formulating relevant procedures for nomination of Directors, identifying qualified individuals to become members of the Board and making recommendations to the Board on the appointment or re-appointment of Directors.

The Nomination Committee has in place a nomination policy setting out the selection criteria and nomination procedures of Directors.

Selection Criteria

In assessing the suitability of a proposed candidate, the Nomination Committee would consider the certain factors such as the proposed candidate's reputation for integrity, accomplishment and experience in the industry which the Group operates, commitment in respect of available time and relevant interest and diversity in all its aspects as set out in the Board Diversity Policy adopted by the Company from time to time. These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

Nomination Procedure

Proposed candidates will be asked to submit the necessary personal information, together with their written consent to be appointed as a director and to the public disclosure of their personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election as a director. The Nomination Committee may request candidates to provide additional information and documents, if considered necessary.

The Committee Secretary of the Nomination Committee shall call a meeting of the Nomination Committee, and invite nominations of candidates from Board members if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by Board members. For filling a casual vacancy and/or as an addition to the Board, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

AUDIT COMMITTEE

The Company established an Audit Committee on 4 December 2017 with written terms of reference in compliance with the Listing Rules. The Audit Committee currently comprises all the three independent non-executive Directors, namely Mr. Li Chung Hung (Chairperson), Mr. Ong Chor Wei and Mr. Yam Kam Kwong.

The Audit Committee should review the annual and half-year results of the Group for FY21. The Audit Committee has reviewed the annual and half-year results of the Group for FY21. The Audit Committee considered that the relevant consolidated financial statements have been prepared in compliance with the applicable accounting principles and requirements of the Stock Exchange and disclosures have been properly made.

The primary duties of the Audit Committee are to review the internal control policies annually, the financial reporting systems and procedures of the Group, to review consolidated financial statements and reports of the Group, and to review the terms of engagement and scope of audit work of the external auditors.

The Audit Committee, from time to time, will also conduct interviews with the Chairman and CEO and executive Directors for the effectiveness of internal controls and any potential enhancement to the internal control policies because of changes in rules and regulations as well as new developments in existing and new businesses.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of accounts for each financial period which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing these accounts for FY21, the Directors have selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent and reasonable. As at 31 December 2021, the Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern, and accordingly prepared the accounts on the going concern basis. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

EXTERNAL AUDITORS AND THEIR REMUNERATION

Deloitte Touche Tohmatsu ("Deloitte") has resigned as the auditor of the Company with effect from 13 July 2021 after taking into account the level of audit fees and its available internal resources in the light of its current work flows. Baker Tilly Hong Kong Limited ("**BT**") was appointed as the auditor of the Company with effect from 14 July 2021 to fill the casual vacancy following the resignation of Deloitte and to hold office until the conclusion of the next annual general meeting of the Company.

BT has conducted audit of the financial results of the Group for FY21. The statement of BT in respect of their reporting responsibilities on the consolidated financial statements for the Financial Year is set out in the Independent Auditor's Report included in the Report.

Details of the fee paid or payable to BT for FY21 are as follows:

	HK$'000
2021 annual audit	786
Non-audit related service	14
	800

A resolution will be proposed at the forthcoming annual general meeting for the re-appointment of BT as the independent auditor of the Company.

INTERNAL CONTROL

The Board is responsible for maintaining a sound and effective internal control system in order to safeguard the interests of the Shareholders and the assets of the Group against unauthorised use or disposition, ensuring maintenance of proper books and records for the provision of reliable financial information, and ensuring compliance with the relevant rules and regulations.

The Audit Committee reviewed the overall effectiveness of the risk management and internal control systems and reported its findings and made recommendations to the Board. The Directors have conducted a review of the effectiveness of the Group's risk management and internal control systems for FY21. The Board would continue to assess the effectiveness of internal controls by considering the reviews performed by the Audit Committee and executive management.

RISK MANAGEMENT AND INTERNAL CONTROLS

Risk Management and Internal Control Systems

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness. The Company's risk management and internal control systems are designed to manage and mitigate risks, rather than eliminate risks, of failure to achieve the business objectives of the Company and can only provide reasonable and not absolute assurance against material misstatement or loss. We have employed a bottom-up approach for identification, assessment and mitigation of risk at all business unit levels and across functional areas.

Main Features of Risk Management and Internal Control Systems

The key elements of the Company's risk management and internal control systems include keeping track of and documentation of identified risks, the assessment and evaluation of risks, the development and continuous updating of responsive procedures, and the ongoing testing of internal control procedures to ensure their effectiveness.

An ongoing risk management approach is adopted by the Company for identifying and assessing the key inherent risks that affect the achievements of its objectives.

Process used to identify, evaluate and manage significant risks

During the process of risk assessment, the Board captures and identifies the key inherent risks that affect the achievements of its objectives by performing the followings:

- understanding organisational objectives and business processes;
- determining the risk appetite and establishing the risk assessment criteria;
- identifying the risks associated with achieving or not achieving the objectives and assessing the likelihood and potential impact of particular risks; and
- monitoring and evaluating the risks and the arrangements in place to address them.

The Board reviews the effectiveness of the risk management and internal control systems on a yearly basis by considering factors including but not limited to the followings:

- the changes since the last annual review in the nature and extent of significant risks, and the Group's ability to respond to changes in its business and the external environment;
- the scope and quality of managements' monitoring of risk and of the internal control system, and where applicable, the work of its internal audit function and other third party consultants;
- the extent and frequency of the communication of the results of the monitoring to the Board or the audit committee;
- the incidence of significant control failings or weakness that has been identified at any time during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have a material impact on the Group's financial performance or condition; and
- the effectiveness of the Group's processes relating to financial reporting and Listing Rules compliance given the Group's business and scale of operations and in order to adapt the most cost-effective method of conducting periodic revenues of the Group's internal controls, the Board has engaged an independent consultant, BT Corporate Governance Limited ("**BTCGL**") to execute the internal control function. BTCGP has conducted an internal control review of the effectiveness of the Group's financial reporting procedures, systems and control for the period from 1 January 2021 to 31 December 2021 in accordance with the requirements under Code Provision C.2 of the Corporate Governance Code, according to the scope of review agreed and approved by the Audit Committee.

BTCGP responded to the Audit Committee and the Audit Committee was satisfied that there had been no major deficiency noted in the areas of the Group's risk management and internal control systems being reviewed after implementation of the recommendations on the internal control defects reported by BTCGP. The Audit Committee reviews annually the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures and has access to information necessary to fulfil its duties and responsibilities with respect to risk assessment and risk management. The Board has conducted a review of the risk management and internal control during the year under review. Accordingly, the Audit Committee and the Board considered the risk management and internal control systems to be effective and have been implemented with adequate resources during the year.

In the coming year, the Audit Committee continues to monitor the implementation and follow-up action on those suggestions and recommendations made by BTCGP as part of its follow-up review on the internal control and risk prevention measures.

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

The Board has already established a policy on the procedures and internal controls for the handling and dissemination of inside information. The policy stipulated the duty and responsibility of inside information announcement, restriction on sharing non-public information, handling of rumours, unintentional selective disclosure, exemption and waiver to the disclosure of inside information, and also compliance and reporting procedures. Every member of the senior management of the Company must take all reasonable measures to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Company from time to time. They must promptly bring any possible leakage or divulgence of inside information to the attention of the financial controller, who will notify the Board accordingly for taking the appropriate action promptly. For any material violation of this policy, the Board will decide, or designate appropriate persons to decide, the course of actions for rectifying the problem and avoiding recurrence.

COMPANY SECRETARY

Mr. Cheung Sum Chin ("**Mr. Cheung**") was appointed as the Company Secretary on 10 July 2017. Mr. Cheung has adequate knowledge on the Company to discharge his duty as the Company Secretary. Mr. Cheung is also responsible for advising the Board on corporate governance matters. In compliance with the Listing Rules, Mr. Cheung confirmed that he has taken no less than 15 hours of relevant professional training during FY21.

CORPORATE GOVERNANCE FUNCTIONS

The Board as a whole is responsible for performing the corporate governance duties including:

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

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

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

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

(e) to communicate with various level of staff to ascertain the implementation of policies and procedures on corporate governance; and

(f) to review the Company's compliance with the code and disclosure requirement.

CONVENING AN EXTRAORDINARY GENERAL MEETING BY SHAREHOLDERS

Pursuant to article 64 of the Articles of Association, any one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings of the Company shall at all times have the right, by requisition in writing to the Board or the Company Secretary, to require an extraordinary general meetings to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself/themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

THE PROCEDURES BY WHICH ENQUIRES MAY BE PUT TO THE BOARD AND SUFFICIENT CONTACT DETAILS TO ENABLE THESE ENQUIRIES TO BE PROPERLY TREATED

Shareholders may send their enquiries and concerns to the principal place of business of the Company in Hong Kong at Flat 8, 17/F., Kodak House II, 39 Healthy Street East, North Point, Hong Kong, by post or by fax to (852) 8148 6756, for the attention of the Company Secretary and the Company Secretary will direct all enquiries and concerns to the Board.

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

There are no provisions allowing Shareholders to move new resolutions at the general meetings under the Company Law (Revised) of Cayman Islands. However, Shareholders are welcome to suggest proposals relating to the operations, strategy and/or management of the group to be discussed at shareholders' meeting. Proposal shall be sent to the Board by written requisition.

INVESTOR RELATIONS

The Company establishes different communication channels with investors to update them with the latest business development and financial performance including the publication of interim and annual reports, the publish and posting of notices, announcements and circulars on the Stock Exchange website and the Company's website in order to maintain a high level of transparency.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to make the best investment decisions.

The disclosure of the Group's information in a reasonable and timely manner by the Board is to facilitate the Shareholders as well as the investors to have a better understanding in relation to the business performance, operations and strategies of the Group.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

There had been no significant changes in the constitutional documents of the Company during FY21.

USE OF IPO PROCEEDS

On 28 December 2017, the Company's shares were listed (the "**Listing**") on GEM and 250,000,000 new shares of HK$0.01 each were issued at HK$0.25 and transfer to Main Board on 11 December 2020. The net proceeds from the Listing were approximately HK$36.4 million after payment of transaction costs and listing expenses. As disclosed in the Company's announcement dated 21 September 2018, the Board has resolved to reallocate the remaining balance of the net proceeds. In the light of the current market condition, the Company considers that the demand for novelty and packaging products is high and the packaging production segment represents great potential to generate stable revenue to the Group despite the uncertainty in the economy due to the trade conflicts between China and the United States. Therefore, the Board has resolved to allocate most of the remaining net proceeds to the purchasing of machinery for upgrading our production equipment to enhance level of automation and production efficiency with an aim to expand the packaging production capacity of the Group. For further details, please refer to the announcement of the Company dated 21 September 2018. As at the date of this report, utilisation of the net proceeds from the Listing is as follows:

	Revised utilization as disclosed in the announcement dated 21 September 2018 *HK$'000*	**Utilisation** *HK$'000*	**Balance** *HK$'000*
Expansion of production capacity	20,399	20,399	—
Loan repayment	10,933	10,933	—
Expansion of sale and distribution network	1,466	1,466	—
General working capital	3,644	3,644	—

The directors have pleasure in presenting to the Shareholders their annual report and the audited consolidated financial statements of the Group for 2021.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Its subsidiaries are principally engaged in production, distribution and printing of books, novelty and packaging products. Details of the principal activities of the subsidiaries are set out in note 28 to the consolidated financial statements. There were no significant changes to the Group's principal activities during the current year.

BUSINESS REVIEW

A review of the Company's business, a discussion and analysis of the Group's performance during the year under review, the material factors underlying its results and financial position, and the future development of the Company's business have been set out in the Chairman's Statement and the Management Discussion and Analysis of this annual report. These discussions form part of this "Directors' Report".

The financial risk management objectives and policies of the Group are shown in note 24 to the consolidated financial statements.

An analysis of the Group's performance during FY21 using key financial performance indicators is set out in the Five-Year Financial Summary on page 116 of this annual report.

(A) Environmental policies and performance

The Board is aware that addressing environmental concerns is an important issue for contributing to the continuous development of society (along with the business activities of the Company).

An environmental policy and manual of procedures have been effective upon Listing which demonstrates the Group's commitment to environmental protection. All staff, subcontractors and suppliers are required to diligently implement the policy and the manual, which will be reviewed regularly in light of the Group's experience, feedback from staff, business development, current legislations and regulations.

(B) Compliance with laws and regulations

To the best knowledge and belief of the Directors, the Group's operation in Hong Kong has complied with the applicable laws and regulations in all material respects during the year ended 31 December 2021, and up to the date of this report.

(C) Key relationships with employees, customers and suppliers

The Directors are of the view that the Company has maintained good relationship with its employees, customers, suppliers and bankers.

RESULTS AND APPROPRIATIONS

The results of the Group for FY21 are set out in the consolidated statement of profit and loss and other comprehensive income on page 62.

The Directors do not recommend the payment of dividend for FY21. For FY20, the Board recommended the payment of a final dividend of HK$0.5 cent per share which was paid on 6 June 2021 to the Shareholders whose names appeared on the Company's register of members at the close of business on 14 May 2021 (Friday) and was approved by the Shareholders at the annual general meeting of the Company held on 7 May 2021 (Friday).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining entitlement to attend and vote at the forthcoming annual general meeting of the Company to be held on 13 May 2022 (Friday) (the "**AGM**"), the register of members of the Company will be closed from 10 May 2022 (Tuesday) to 13 May 2022 (Friday), both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the AGM, all transfer of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 pm. on 6 May 2022 (Friday).

ANNUAL GENERAL MEETING

The AGM will be held on 13 May 2022 (Friday). A notice convening the meeting will be issued and sent to the Shareholders in due course.

RESERVES

Movements in the reserves of the Group and of the Company during FY21 are set out in the consolidated statement of changes in equity on page 65 and note 27 to the consolidated financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in plant and equipment during the year under review are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 20 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2021 amounted to approximately HK$14,056,000, as calculated in accordance with the Companies Law of the Cayman Islands.

DIVIDEND POLICY

The Company strives for generating steady returns to the Shareholders. It is the policy of the Company, in considering the payment of dividends, to allow the Shareholders to participate in the Company's profits whilst retaining adequate reserves for the Group's future growth. The dividend payout ratio shall be determined by the Board at its absolute discretion after taking into account of, among others, the following factors: (i) the Group's financial performance; (ii) retained earnings and distributable reserves of the Company and each of the subsidiaries of the Group; (iii) the Group's working capital requirements, capital expenditure requirements and future expansion plans; and (iv) the Group's liquidity position; and other factors that the Board deems relevant. There is no assurance that dividends will be paid in any particular amount for any given period.

SHARE OPTION SCHEME

The Company has a share option scheme (the "**Scheme**") which was adopted pursuant to a resolution of the Shareholders passed on 4 December 2017. The purpose of the Scheme is to attract, retain and motivate talented eligible participants (as defined below), to strive for future developments and expansion of the Group. The Scheme shall be an incentive to encourage the participants to perform their best in achieving the goals of the Group and allow the participants to enjoy the results of the Group attained through their efforts and contributions.

The Scheme became effective on 4 December 2017 and, unless otherwise cancelled or amended, will remain in force for 10 years from the adoption of the Scheme.

Under the Scheme, the Directors may at their absolute discretion and subject to the terms of the Scheme, grant options to any eligible participants. Eligible participants refer to (i) any executive director or manager of or other employee holding an executive, managerial, supervisory or similar position in any member of the Group (an "**Employee**"), any proposed Employee, any full-time or part-time Employee, or a person for the time being seconded to work full-time or part-time for any member of the Group (an "**Executive**"); (ii) any director or proposed director (including an independent non-executive director) of any member of the Group; (iii) a consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (iv) a person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group; or a close associate (as defined under the Listing Rules) of any of the foregoing persons.

Under the Scheme, the maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the shares in issue upon the date of which the shares are listed and permitted to be dealt in the Stock Exchange. The 10% limit may be refreshed at any time by approval of the Company's shareholders provided that the total number of Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other share options schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit. The aggregate number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the Company's shares in issue from time to time. No options may be granted under the Scheme or any other share options schemes of the Company if this will result in the limit being exceeded.

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) under the Scheme in any 12-month period up to and including the date of grant must not exceed 1% of the issued share capital of the Company for the time being. Where any further grant of options to a participant under the Scheme would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by shareholders of the Company in general meeting with such participant and his associates abstaining from voting.

A nominal consideration of HK$1 is payable on acceptance of the grant of an option with a remittance in favour of the Company within such time as may be specified in the offer of grant of the option.

The exercise price shall be a price solely determined by the Directors of the Company and notified to a participant and shall be at least the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of the Company's share on the date of grant of the option.

No share options under the share option scheme were granted or exercised during the year under review nor remained outstanding as at 31 December 2021.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the securities of the Company during FY21.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2021 are set out in note 28 to the consolidated financial statements.

DIRECTORS

The directors who have held office during the year under review and up to the date of this Report are as follows:

Executive Directors

Lam Tak Ling Derek
Chan Yee Yeung
Tse Yuen Shan Ivy
Chex Di (appointed on 22 November 2021 and resigned on 21 January 2022)

Independent non-executive Directors

Li Chun Hung
Ong Chor Wei
Yam Kam Kong, *JP*

DIRECTORS' SERVICE CONTRACTS

The Company has entered into a service contract with each of our executive Directors, and a letter of appointment with each of our independent non-executive Directors. Each service contract of the executive Directors is for a fixed term of three years commencing from 28 December 2020, and shall thereafter continue on a month to month basis unless terminated by either party by giving the other party a three month's prior written notice. Pursuant to the letters of appointment of our independent non-executive Directors, each of them is not appointed for a specific term but is subject to retirement by rotation and re-election in accordance with the Articles of Association and the CG Code. Each of the independent non-executive director's appointment can also be terminated by either party giving the other party at least three months' notice in writing.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2021, the interests of the Directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Listing Rules, were as follows:

Long positions

Ordinary shares of HK$0.01 each (the "Shares") of the Company

Name of director	Capacity	Number of ordinary shares held	Percentage of the share capital of the Company
Lam Tak Ling Derek	Held by controlled corporation *(note 1)*	675,000,000	67.5%
Chan Yee Yeung	Held by controlled corporation *(note 1)*	675,000,000	67.5%
Tse Yuen Shan Ivy	Held by controlled corporation *(note 2)*	75,000,000	7.5%

Notes:

(1) The Company is directly owned as to 67.5% by Master Sage Limited ("**Master Sage**"). Master Sage is directly owned as to 50% and 50% by Mr. Lam and Mr. Chan, respectively. By virtue of the SFO, each of Mr. Lam and Mr. Chan is deemed to be interested in the Shares held by Master Sage.

(2) The Company is directly owned as to 7.5% by Fortune Corner Holdings Limited ("**Fortune Corner**"). Fortune Corner is directly wholly owned by Ms. Tse. By virtue of the SFO, Ms. Tse is deemed to be interested in the Shares held by Fortune Corner.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations as at 31 December 2021.

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

As at 31 December 2021, the following shareholders and persons (not being a Director or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholders	Capacity	Number of Shares held	Percentage of the issued share capital of the Company
Master Sage	Beneficial owner	675,000,000	67.5%
Fortune Corner	Beneficial owner	75,000,000	7.5%

Other than disclosed above, as at 31 December 2021, the Directors are not aware of any other persons who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and recorded in the register required to be kept by the Company under section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year under review was the Company, or any of its holding companies or subsidiary, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Please refer to note 10 to the consolidated financial statements on for details of the emoluments of the Directors and the five highest paid individuals of the Company.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company, which were not a contract of service with any Director or any person engaged in the full-time employment of the Company, were entered into or existed during FY21.

CHARITABLE DONATION

Charitable donations made by the Group for the year ended 31 December 2021 was HK$80,000 (FY20: HK$80,000).

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 59.4% of the total sales for the year under review and sales to the largest customer included therein amounted to 24.6%. Purchases from the Group's five largest suppliers accounted for 35.5% of the total purchases for the year and purchases from the largest supplier included therein amounted to 10.3%.

None of the Directors, their close associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in any of the Group's five largest suppliers or customers.

CONNECTED TRANSACTIONS

The Group had not entered into any connected transaction during FY21. Related party transactions entered into by the Group during the year under review are disclosed in note 26 to the consolidated financial statements.

CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

As for as the Directors are aware, at no time during FY21 had the Company or any of its subsidiaries and the controlling Shareholder or any of its subsidiaries entered into any contract of significant or any contracts of significance for the provision of services by the controlling Shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

EQUITY-LINKED AGREEMENTS

Save for the Scheme as set out above, no equity-linked agreements were entered into by the Group during FY21 or subsisting at the end of FY21.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 10 to the consolidated financial statements, no contracts of significance to which the Company, or any of its holding companies or subsidiary, was a party and in which a Director or an entity connected with a Director (as defined under section 486 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong)) had a material interest, either directly or indirectly, subsisted at the end of the year under review or at any time during the year under review.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the securities of the Company during FY21.

SUFFICIENCY OF PUBLIC FLOAT

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

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 116 of the annual report.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN A COMPETING BUSINESS

None of the Directors and the controlling shareholders of the Company (as defined in the Listing Rules) or their respective close associates (as defined in the Listing Rules) is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time for the year ended 31 December 2021.

Each of Mr. Lam Tak Ling Derek, Mr. Chan Yee Yeung and Master Sage Limited (together, the "**Covenantors**") entered into a deed of non-competition in favour of the Group (the "**Deed of Non-competition**") on 4 December 2017, details of which are set out in the section headed "Relationship with Our Controlling Shareholders – Deed of Non-competition" in the Prospectus.

The Company received from each of the Covenantors confirmation on their respective compliance of the non-competition undertaking under the Deed of Non-competition for the year ended 31 December 2021. The independent non-executive Directors have reviewed the compliance of such undertaking and evaluated the effective implementation of the Deed of Non-competition, and they were satisfied with the Covenantors' compliance with their undertaking.

EMOLUMENTS POLICY

The emolument policy for the employee of the Group is set up by the management on the basis of their merit, qualifications and competence. Under the emolument policy, the basis of determining the emolument payable to Directors is subject to the decision of the Remuneration Committee of the Company.

The emoluments of the Directors for FY21 are decided by the Board, having regard to the Group's operating results, their duties and responsibilities of the Group, individual performance and comparable market statistics, and have been reviewed by the Remuneration Committee of the Company during FY21.

PERMITTED INDEMNITY PROVISIONS

At no time during FY21 and up to the date of this report, there was or is, any permitted indemnity provisions being in force for the benefit of any of the directors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

MATERIAL LEGAL PROCEEDINGS

As at 31 December 2021, the Company was not involved in any material litigation or arbitration and no material litigation or arbitration were pending or threatened or made against the Company so far as the Company is aware.

EVENTS AFTER THE REPORTING PERIOD

There were no important events affecting the Group that have occurred since the end of the year under review.

AUDITOR

The consolidated financial statements of the Company for the year have been audited by Baker Tilly Hong Kong Limited.

A resolution will be submitted to the AGM to re-appoint Baker Tilly Hong Kong Limited as auditor of the Company.

APPRECIATION

On behalf of the Board, I would like to extend my sincere gratitude to our business partners, shareholders, staff and management for their continuous dedication, commitment and support.

On behalf of the Board
LAM TAK LING DEREK
CHAIRMAN

25 March 2022

Independent auditor's report to the shareholders of
Smart Globe Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Smart Globe Holdings Limited and its subsidiaries (together the "Group") set out on pages 62 to 115, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance and 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.

Independent auditor's report to the shareholders of
Smart Globe Holdings Limited (continued)
(Incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Key Audit Matter	How the matter was addressed in our audit
Expected credit loss (ECL) assessment of trade receivables	
We identified the ECL assessment of trade receivables as a key audit matter due to the involvement of subjective judgement and estimation in management's ECL assessment process. The Group assessed its trade receivables with significant balances and credit-impaired balances individually and/or collectively based on the aging analysis of trade receivables. Trade receivables with significant balances and/or credited impaired are assessed individually by considering the aging, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical default rates over the expected life of the debtors and reasonable and supportable forward-looking information that is available without due costs or effort. For trade receivables assessed collectively, the grouping is based on the debtor's aging with common credit risk characteristic, taking into consideration the Group's historical default rates and reasonable and supportable forward-looking information that is available without undue cost or effort. At every reporting date, historical default rates are reassessed and changes in forward-looking information are considered. As disclosed in notes 4 and 16 to the consolidated financial statements, as at 31 December 2021, the carrying amount of trade receivables is HK$39,324,000 net of allowance for credit losses of HK$955,000.	Our procedures in relation to evaluating the ECL assessment of trade receivables included: • Obtaining an understanding on the key controls over ECL assessment and evaluating management's process in determining the estimated loss rates, aging grouping of trade receivables, and significant balances and credit-impaired balances which are assessed individually; • Assessing the reasonableness of the estimated loss rates with reference to historical default rates over the expected life of the debtors based on the aging analysis of trade receivable and the forward-looking information considered by the management of the Group; and • Testing, on a sample basis, the accuracy and completeness of the aging analysis of trade receivables to source documents including evidence of delivery and sales invoices.

Independent auditor's report to the shareholders of
Smart Globe Holdings Limited (continued)
(Incorporated in the Cayman Islands with limited liability)

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another independent auditor whose report dated 23 March 2021 expressed an unmodified opinion on those consolidated financial statements.

OTHER INFORMATION

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

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

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

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

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Independent auditor's report to the shareholders of
Smart Globe Holdings Limited (continued)
(Incorporated in the Cayman Islands with limited liability)

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. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

As part of an audit in accordance with HKSAs, 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.

— 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.

Independent auditor's report to the shareholders of
Smart Globe Holdings Limited (continued)
(Incorporated in the Cayman Islands with limited liability)

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

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.

The engagement director on the audit resulting in this independent auditor's report is Chan Kwan Ho, Edmond.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 25 March 2022
Chan Kwan Ho, Edmond
Practising certificate number P02092

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 HK$'000	2020 HK$'000
Revenue	5	**167,899**	127,213
Cost of sales		**(141,397)**	(81,250)
Gross profit		**26,502**	45,963
Other income	6	**452**	695
Reversal of allowance for credit losses on trade receivables, net	24	**886**	198
Other gains and losses	7	**(243)**	(686)
Selling and distribution costs		**(9,483)**	(7,010)
Administrative expenses		**(15,020)**	(13,060)
Professional fees for Transfer of Listing		**—**	(5,784)
Finance costs	8	**(306)**	(120)
Profit before taxation	9	**2,788**	20,196
Taxation	11	**(1,139)**	(4,195)
Profit for the year		**1,649**	16,001
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
— Exchange differences arising from translation of a foreign operation (with nil tax effect)		**2,484**	3,425
Total comprehensive income for the year		**4,133**	19,426
Earnings per share			
— Basic (HK cents)	13	**0.16**	1.60

The notes on pages 68 to 115 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	14	**45,933**	44,236
Current assets			
Inventories	15	**36,230**	22,845
Trade and other receivables	16	**42,350**	43,598
Taxation recoverable		**2,309**	—
Bank balances and cash	17	**32,466**	50,837
		113,355	117,280
Current liabilities			
Trade and other payables	18	**20,792**	19,651
Contract liabilities	18	**121**	7
Taxation payable		**451**	770
Lease liabilities	19	**2,200**	2,420
		23,564	22,848
Net current assets		**89,791**	94,432
Total assets less current liabilities		**135,724**	138,668
Non-current liabilities			
Lease liabilities	19	**1,843**	3,920
NET ASSETS		**133,881**	134,748

AS AT 31 DECEMBER 2021

	Note	2021 HK$'000	2020 HK$'000
Capital and reserves			
Share capital	20	**10,000**	10,000
Reserves		**123,881**	124,748
TOTAL EQUITY		**133,881**	134,748

The consolidated financial statements on pages 62 to 115 were approved and authorised for issue by the Board of Directors on 25 March 2022 and are signed on its behalf by:

Lam Tak Ling Derek
Director

Tse Yuen Shan Ivy
Director

The notes on pages 68 to 115 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital HK$'000	Share premium HK$'000	PRC statutory reserve HK$'000 (note (a))	Special reserve HK$'000 (note (b))	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2020	10,000	43,645	—	12,290	(3,656)	57,043	119,322
Profit for the year	—	—	—	—	—	16,001	16,001
Other comprehensive expense for the year:							
— Exchange differences arising on translation of a foreign operation	—	—	—	—	3,425	—	3,425
Total comprehensive income for the year	—	—	—	—	3,425	16,001	19,246
Transfer	—	—	287	—	—	(287)	—
Final dividend paid for the year ended 31 December 2019 *(Note 12)*	—	(4,000)	—	—	—	—	(4,000)
At 31 December 2020 and 1 January 2021	10,000	39,645	287	12,290	(231)	72,757	134,748
Profit for the year	—	—	—	—	—	1,649	1,649
Other comprehensive income for the year:							
— Exchange differences arising on translation of a foreign operation	—	—	—	—	2,484	—	2,484
Total comprehensive income for the year	—	—	—	—	2,484	1,649	4,133
Final dividend paid for the year ended 31 December 2020 *(Note 12)*	—	(5,000)	—	—	—	—	(5,000)
At 31 December 2021	10,000	34,645	287	12,290	2,253	74,406	133,881

Notes:

(a) The People's Republic of China ("PRC") statutory reserve is non-distributable and transfer to this reserve is determined according to the relevant laws in the PRC and by the board of directors of the PRC subsidiary in accordance with the Articles of Association of the subsidiary.

(b) The special reserve of the Group represented the difference between the nominal value of the share capital of the Company and the nominal value of the share capital of CP Printing Limited ("CP Printing"), a wholly-owned subsidiary of the Company, pursuant to a group reorganisation in preparation for listing of the Company's shares.

The notes on pages 68 to 115 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	**2021** **HK$'000**	2020 HK$'000
Operating activities			
Profit before taxation		**2,788**	20,196
Adjustments for:			
— Interest expenses	8	**306**	120
— Interest income	6	**(27)**	(191)
— Reversal of allowance for credit losses on trade receivables, net	24	**(886)**	(198)
— Depreciation of property, plant and equipment	9	**7,724**	6,047
— (Gain) loss on disposal of property, plant and equipment, net	7	**(17)**	9
Operating cash flows before movements in working capital		**9,888**	25,983
Increase in inventories		**(12,031)**	(9,731)
Decrease in trade receivables, prepayments and deposits		**2,266**	5,407
Increase in trade and other payables		**686**	2,936
Increase (decrease) in contract liabilities		**114**	(170)
Cash generated from operations		**923**	24,425
PRC Enterprise Income Tax paid		**(349)**	(494)
Hong Kong Profits Tax paid		**(3,331)**	(7,568)
Net cash (used in) from operating activities		**(2,757)**	16,363
Investing activities			
Purchase of property, plant and equipment		**(8,054)**	(4,328)
Proceeds from disposal of property, plant and equipment		**58**	57
Interest received		**27**	191
Proceeds received on maturity of certificates of deposit		**—**	2,989
Net cash used in investing activities		**(7,969)**	(1,091)

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 **HK$'000**	2020 HK$'000
Financing activities		
Dividend paid	**(5,000)**	(4,000)
Repayment of lease liabilities	**(2,444)**	(3,215)
Interest paid	**(306)**	(120)
Net cash used in financing activities	**(7,750)**	(7,335)
Net (decrease) increase in cash and cash equivalents	**(18,476)**	7,937
Cash and cash equivalents at beginning of the year	**50,837**	42,735
Effect of foreign exchange rate changes	**105**	165
Cash and cash equivalents at the end of the year, representing by bank balances and cash	**32,466**	50,837

The notes on pages 68 to 115 form part of the consolidated financial statements.

1 GENERAL INFORMATION

Smart Globe Holdings Limited (the "Company") is a public limited company incorporated in the Cayman Islands and the ordinary shares of the Company were listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 2017. On 11 December 2020, the ordinary shares of the Company transferred and listed on the Main Board of the Stock Exchange. The immediate holding company and ultimate holding company is Master Sage Limited ("Master Sage"), a company incorporated in the British Virgin Islands (the "BVI"), which is ultimately controlled by Mr. Lam Tak Ling Derek ("Mr. Lam") and Mr. Chan Yee Yeung ("Mr. Chan").

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section in the annual report.

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

The Company acts as an investment holding company. The activities of its subsidiaries are set out in note 28. The Company and its subsidiaries are collectively referred to as the "Group".

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

(a) Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

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

(b) New and amendments to HKFRSs in issue but not yet effective

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

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

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

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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

(b) New and amendments to HKFRSs in issue but not yet effective (continued)

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

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

3.1 Basic of preparation of consolidated financial statements

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

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange of goods and services.

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

3.2 Significant accounting policies

Basis of consolidation

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

(i) has power over the investee;

(ii) is exposed, or has rights, to variable returns from its involvement with the investee; and

(iii) has the ability to use its power to affect its returns.

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

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

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

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

Revenue from contracts with customers

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

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

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

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

The revenue of the Group arising from production, distribution and printing of books, novelty and packaging products is recognised at a point in time. Under the transfer-of-control approach in HKFRS 15 "Revenue from Contracts with Customers", revenue from these sales is recognised when control of the goods has transferred, being when the goods have been shipped to customer's specified location, which is the point of time when the customer has the ability to direct the use of these products and obtain substantially all of the remaining benefits of these products.

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

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes.

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

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

3.2 Significant accounting policies (continued)

Property, plant and equipment (continued)

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is recognised as "right-of-use assets" included in property, plant and equipment presented in the consolidated statement of financial position and is amortised over the lease term on straight-line basis. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

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

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

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability; and
- any initial direct costs incurred by the Group.

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

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

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments represent fixed payments.

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

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

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities (continued)

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

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

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

Lease modifications

The Group accounts for a lease modification as a separate lease if:

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

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

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

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

When the modified contract contains one or more additional lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component. The associated non-lease components are included in the respective lease components.

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

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Cost necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Financial instruments

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

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

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

Amortised cost and interest income

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

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

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

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

The Group always recognises lifetime ECL for trade receivables without significant financing component.

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

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(ii) Definition of default

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

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

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

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

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

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

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

(iv) Write-off policy

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

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability — weighted amount that is determined with respective risk of default occurring as the weights.

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

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

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

- Past-due status;

- Nature, size and industry of debtors; and

- External credit ratings where available.

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

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

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

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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

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

3.2 Significant accounting policies (continued)

Impairment losses on property, plant and equipment including right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, including right-of-use assets, to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

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

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

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

3.2 Significant accounting policies (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the foreign operation are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income".

Short-term employee benefits

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

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

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

3.2 Significant accounting policies (continued)

Retirement benefit costs

Payments to government-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Equity-settled share-based payment transactions

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

For share awards that vest immediately at the date of grant, the difference between the fair value of the shares to which the counterparty has received and the price the counterparty is required to pay for those shares is expensed immediately to profit or loss.

Borrowing costs

All borrowing costs which are not eligible for capitalisation to qualifying assets are recognised in profit or loss in the period in which they are incurred.

Taxation

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

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

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

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

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

3.2 Significant accounting policies (continued)

Taxation (continued)

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

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 “Income Taxes” requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are 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.

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

Critical judgements in applying accounting policies

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

Revenue recognition from sales of products with no alternative use at a point in time

Under HKFRS 15, control of the asset is transferred over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Significant judgement is required in determining whether the terms of the Group's contracts with customers in relation to products with no alternative use create an enforceable right to payment for the Group. The Group has considered the contractual terms and the relevant legal and regulatory environment that apply to those relevant contracts. Based on the assessment of the Group's management, the contracts do not create an enforceable right to payment for the Group after taking into consideration indicators such as whether the right to payment for the Group for the performance completed to date include a reasonable profit margin. Accordingly, the sales of products with no alternative use is considered to be performance obligation satisfied at a point in time.

During the year ended 31 December 2021, the Group recognised revenue from sales of books products and novelty and packaging products with no alternative use at a point in time amounted to HK$167,899,000 (2020: HK$127,213,000).

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, is described below.

ECL assessment of trade receivables

The ECL on trade receivables with significant outstanding balances and credit-impaired are assessed individually and/or collectively based on the aging grouping of trade receivables. Trade receivables with significant outstanding balances are assessed individually by considering the aging, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical default rates over the expected life of the debtors and reasonable and supportable forward-looking information that is available without due costs or effort. For trade receivables assessed collectively, the grouping is based on the debtor's aging with common credit risk characteristic, taking into consideration the Group's historical default rates and reasonable and supportable forward-looking information that is available without undue cost or effort. At every reporting date, historical default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the Group's trade receivables and the ECL are disclosed in notes 16 and 24 respectively.

As at 31 December 2021, the carrying amount of trade receivables is HK$39,324,000(2020: HK$40,649,000), net of allowance for credit losses of HK$955,000 (2020: HK$1,841,000).

5 REVENUE AND SEGMENT INFORMATION

Revenue represents amounts received or receivable from production and printing of books, novelty and packaging products. The Group's contracts with customers for books products and novelty and packaging products are based on customer's specification with no alternative use to the Group. Taking into consideration for contract terms and the relevant legal and regulatory environment that apply to those relevant contracts, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specified location. Transporting and handling activities that occur before customer obtain control are considered as fulfilment activities. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 60 to 120 days upon delivery.

For certain customers initially purchases the books, novelty and packaging products, the deposit received by the Group is recognised as a contract liability until the goods have been delivered to the customer.

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

Information reported to the board of directors of the Company, being the chief operating decision maker, for the purpose of resources allocation and assessment of performance, focuses specifically on the revenue analysis the Group's core business of printing books products and novelty and packaging products. No further discrete financial information is provided. Accordingly, no segment information is presented other than entity wide disclosures. The Group's operations are located in Hong Kong and the PRC.

The disaggregated information of revenue is as follows:

Revenue from major products

The followings is an analysis of the Group's revenue from its major products which is recognised at a point in time:

	2021 ***HK$'000***	2020 *HK$'000*
Books products	**155,912**	105,690
Novelty and packaging products	**11,987**	21,523
	167,899	127,213

5 REVENUE AND SEGMENT INFORMATION (continued)

Geographical information

Information about the Group's revenue from external customers presented based on the geographical location of the customers and the Group's non-current assets presented based on the geographical location of the assets is as follows:

	2021	2020
	HK$'000	*HK$'000*
Hong Kong	**74,399**	48,796
United States	**42,806**	29,788
United Kingdom	**18,622**	11,242
Netherlands	**5,110**	13,375
Australia	**8,104**	8,330
The PRC	**7,185**	7,278
France	**6,749**	4,378
Others	**4,924**	4,026
	167,899	127,213

	Non-current assets	
	2021	2020
	HK$'000	*HK$'000*
The PRC	**45,829**	42,664
Hong Kong	**104**	1,572
	45,933	44,236

Revenue from customers contributing over 10% of total revenue of the Group during the year are as follows:

	2021	2020
	HK$'000	*HK$'000*
Customer I	**41,297**	22,489
Customer II	**25,326**	19,868
Customer III	**N/A[1]**	13,077

1 The corresponding revenue did not contribute over 10% of the total revenue of the Group.

6 OTHER INCOME

	2021	2020
	HK$'000	*HK$'000*
Government grants *(note)*	**313**	486
Bank and other interest income	**27**	191
Sundry income	**112**	18
	452	695

Note: Government grants represent export incentive and other incentive payments received by the Group from the relevant government department. There are no unfulfilled conditions attached to those grants.

7 OTHER GAINS AND LOSSES

	2021	2020
	HK$'000	*HK$'000*
Net exchange loss	**(260)**	(677)
Gain (loss) on disposal of property, plant and equipment, net	**17**	(9)
	(243)	(686)

8 FINANCE COSTS

	2021	2020
	HK$'000	*HK$'000*
Interest on:		
Lease liabilities	**306**	119
Others	**—**	1
	306	120

9 PROFIT BEFORE TAXATION

	2021 HK$'000	2020 HK$'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration *(note 10)*	**2,242**	1,722
Other staff costs		
— Salaries and allowance	**47,430**	20,806
— Retirement benefit schemes contributions	**4,254**	1,978
Total staff costs	**53,926**	24,506
Capitalised in inventories	**(48,106)**	(19,356)
	5,820	5,150
Depreciation of property, plant and equipment	**7,724**	6,047
Capitalised in inventories	**(6,423)**	(4,993)
	1,301	1,054
Auditor's remuneration	**650**	1,330
Cost of inventories recognised as an expense	**141,397**	81,250

10 DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and the chief executive's emoluments

Directors' and chief executive's remuneration for the year is as follows:

	Fees *HK$'000*	Salaries and allowance *HK$'000*	Discretionary bonus *HK$'000*	Retirement benefit schemes contributions *HK$'000*	Total *HK$'000*
For the year ended 31 December 2021					
Executive directors					
Mr. Lam*	120	332	73	18	543
Mr. Chan	120	332	73	18	543
Ms. Tse Yuen Shan Ivy ("Ms. Tse")	120	572	73	18	783
Chen Di *(note (i))*	13	—	—	—	13
Independent non-executive directors					
Li Chun Hung	120	—	—	—	120
Ong Chor Wei	120	—	—	—	120
Yam Kam Kwong, *JP*	120	—	—	—	120
	733	1,236	219	54	2,242

Note:

(i) Chen Di was appointed as executive director with effect from 22 November 2021 and resigned with effect from 21 January 2022.

10 DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' and the chief executive's emoluments (continued)

	Fees *HK$'000*	Salaries and allowance *HK$'000*	Discretionary bonus *HK$'000*	Retirement benefit schemes contributions *HK$'000*	Total *HK$'000*
For the year ended 31 December 2020					
Executive directors					
Mr. Lam*	120	282	34	18	454
Mr. Chan	120	282	34	18	454
Ms. Tse Yuen Shan Ivy ("Ms. Tse")	120	282	34	18	454
Independent non-executive directors					
Li Chun Hung	120	—	—	—	120
Ong Chor Wei	120	—	—	—	120
Yam Kam Kwong, *JP*	120	—	—	—	120
	720	846	102	54	1,722

* Mr. Lam is also the chief executive of the Company.

The executive directors' emoluments shown above were for their services in connection with the management affairs of the Group. The emoluments of the independent non-executive directors shown above were paid for their services as directors of the Company.

The discretionary bonus is determined with reference to the operating results, individual performance and market condition during the relevant year.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

10 DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

During the year ended 31 December 2021, the five individuals with the highest emoluments in the Group, included 3 (2020: 3) directors of the Company, and whose emoluments are included in the disclosures above. The emoluments of the remaining 2 (2020: 2) individuals with each of them having emoluments less than HK$1,000,000 are as follows:

	2021	2020
	HK$'000	*HK$'000*
Employees		
— salaries and allowances	**968**	932
— discretionary bonus	**157**	79
— retirement benefit schemes contributions	**36**	34
	1,161	1,045

During the year ended 31 December 2021 and 2020, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company waived any emoluments during the reporting period

11 TAXATION

	2021	2020
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax		
Charge for the year	**542**	3,828
Under(over)provision in prior year	**10**	(20)
	552	3,808
PRC Enterprise Income Tax		
Charge for the year	**584**	363
Underprovision in prior year	**3**	24
	587	387
	1,139	4,195

11 TAXATION (continued)

The Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both years.

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

	2021 ***HK$'000***	2020 *HK$'000*
Profit before taxation	**2,788**	20,196
Tax charge at the Hong Kong Profits Tax rate of 16.5%	**460**	3,332
Tax effect of expenses not deductible for tax purpose	**841**	1,224
Tax effect of income not taxable for tax purpose	**—**	(477)
Income tax at concessionary rate	**(165)**	(165)
Underprovision in prior year	**13**	4
Effect of different tax rates of group entity operating in other jurisdictions	**(10)**	277
	1,139	4,195

No provision for deferred taxation has been recognised for temporary differences as the amount involved is insignificant.

12 DIVIDENDS

	2021	2020
	HK$'000	*HK$'000*
Dividend for ordinary shareholders of the Company recognised as distribution for the year:		
2020 Final — HK0.5 cent (2020: 2019 final dividend HK0.4 cent) per share	**5,000**	4,000

No dividend has been proposed by the directors of the Company since the end of the reporting period (2020: HK$5,000,000).

13 EARNING PER SHARE

The calculation of the basic earnings per share for the year is based on the following data:

	2021	2020
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company	**1,649**	16,001

	2021	2020
	'000	*'000*
Number of ordinary shares for the purpose of basis earnings per share	**1,000,000**	1,000,000

No diluted earnings per share is presented as there were no potential ordinary shares in issue during the year.

14 PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties *HK$'000*	Machineries *HK$'000*	Furniture, Fixtures and equipment *HK$'000*	Total *HK$,000*
Cost				
At 1 January 2020	3,069	48,884	1,526	53,479
Additions	6,693	4,141	187	11,021
Disposal	—	(117)	—	(117)
Exchange realignments	499	3,231	67	3,797
At 31 December 2020	10,261	56,139	1,780	68,180
Additions	—	6,792	1,262	8,054
Disposal	—	(81)	—	(81)
Exchange realignments	279	1,925	63	2,267
At 31 December 2021	10,540	64,775	3,105	78,420
Depreciation				
At 1 January 2020	1,846	13,998	811	16,655
Provided for the year	1,942	3,980	125	6,047
Disposal	—	(51)	—	(51)
Exchange realignments	168	1,105	20	1,293
At 31 December 2020	3,956	19,032	956	23,944
Provided for the year	2,540	4,913	271	7,724
Disposal	—	(40)	—	(40)
Exchange realignments	135	708	16	859
At 31 December 2021	6,631	24,613	1,243	32,487
Carrying amount				
31 December 2021	3,909	40,162	1,862	45,933
31 December 2020	6,305	37,107	824	44,236

14 PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Leased properties	Over the term of the leases
Machineries	5% or 10%
Furniture, fixtures and equipment	10% or 20%

The Group as lessee

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

	Leased properties *HK$'000*	**Leased machineries** *HK$'000*	**Total** *HK$'000*
At 31 December 2021			
Carrying amount	3,909	—	3,909
At 31 December 2020			
Carrying amount	6,305	—	6,305
For the year ended 31 December 2021			
Depreciation charge	2,540	—	2,540
Total cash outflow for leases	2,750	—	2,750
For the year ended 31 December 2020			
Depreciation charge	1,942	173	2,115
Total cash outflow for leases	2,033	1,302	3,335

For the year ended 31 December 2021, the Group leases various offices and factories (2020: various offices, factories and machineries) for its operations. Lease contracts are entered into for fixed terms of 2 to 3 years (2020: 2 to 3 years). Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. No extension options are included in all lease agreements entered by the Group. As at 31 December 2021, lease liabilities include an amount of HK$2,926,000 (2020: HK$5,724,000) relating to termination option reasonably certain not to be exercised by the Group. There are no other potential termination options and potential future lease payments not included in lease liabilities as at 31 December 2021. The Group assesses at lease commencement date whether it is reasonably certain not to exercise the termination option. In addition, the Group reassesses whether it is reasonably certain not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended 31 December 2021, there is no such triggering event.

14 PROPERTY, PLANT AND EQUIPMENT (continued)

The Group as lessee (continued)

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

As at 31 December 2021, the Group's right-of-use assets amounted to HK$103,000 (2020: HK$609,000) were located in Hong Kong and the remaining were located in the PRC.

Restrictions or covenants on leases

In addition, lease liabilities of HK$4,043,000 are recognised with related right-of-use assets of HK$3,909,000 as at 31 December 2021 (2020: lease liabilities of HK$6,340,000 and related right-of-use assets of HK$6,305,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

15 INVENTORIES

	2021	2020
	HK$'000	*HK$'000*
Raw materials	**23,563**	17,054
Working in progress	**5,579**	1,797
Finished goods	**7,088**	3,994
	36,230	22,845

16 TRADE AND OTHER RECEIVABLES

	2021	2020
	HK$'000	*HK$'000*
Trade receivables	**40,279**	42,490
Less: Allowance for credit losses	**(955)**	(1,841)
	39,324	40,649
Rental deposits	**171**	171
Prepayments and deposits	**2,855**	2,778
Total trade and other receivables	**42,350**	43,598

As at 1 January 2020, trade receivables from contracts with customers amounted to HK$45,627,000.

16 TRADE AND OTHER RECEIVABLES (continued)

The Group allows credit period ranging from 30 to 90 days. The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on the goods delivery date, which were the respective revenue recognition dates, at the end of reporting period:

	2021	2020
	HK$'000	*HK$'000*
Within 30 days	**10,852**	11,675
31 to 60 days	**12,879**	10,790
61 to 90 days	**6,318**	6,053
Over 90 days	**9,275**	12,131
	39,324	40,649

Included in trade and other receivables are the following amounts denominated in currencies other than functional currencies of the respective group entities:

	2021	2020
	HK$'000	*HK$'000*
United States Dollars ("US$")	**20,515**	21,474
Euro ("EUR")	**736**	—

As at 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$15,731,000 (2020: HK$11,998,000), which are past due at the end of the reporting period. Out of the past due balances, HK$3,962,000 (2020: HK$2,107,000) has been past due over 90 days or more and is not considered as in default, as the Group considered such balances could be recovered based on long term/on-going relationship and good repayment record from these customers. The Group does not hold any collateral over these balances.

As at 31 December 2021, included in the Group's trade receivables are balances of HK$94,000 (2020: HK$285,000) due from a related party, which is a company wholly-owned by Ms. Tse (a director of the Company and key management personnel of the Group) and her family. The amounts are repayable within three months from the goods delivery dates.

Details of impairment assessment of trade and other receivables are set out in note 24.

17 BANK BALANCES AND CASH

Bank balances carry interest at prevailing market rates of 0.001% to 2.2% per annum as at 31 December 2021 (2020: 0.001% to 2.2% per annum). Details of impairment assessment are set out in note 24.

Also, included in bank balances are the following amounts denominated in currencies other than the functional currencies of the respective group entities:

	2021 ***HK$'000***	2020 *HK$'000*
US$	**7**	12,121
EUR	**518**	1,062
Australian dollars ("AUD")	**199**	415

18 TRADE AND OTHER PAYABLES/CONTRACT LIABILITIES

Trade and other payables

	2021 ***HK$'000***	2020 *HK$'000*
Trade payables	**11,568**	11,438
Accrued expense	**7,205**	5,988
Other payables	**2,019**	2,225
Total trade and other payables	**20,792**	19,651

The credit period of trade payables is 30 to 90 days.

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

	2021 ***HK$'000***	2020 *HK$'000*
Within 30 days	**10,098**	11,038
31 to 60 days	**1,360**	235
61 to 90 days	**11**	37
Over 90 days	**99**	128
	11,568	11,438

18 TRADE AND OTHER PAYABLES/CONTRACT LIABILITIES (continued)

Trade and other payables (continued)

Included in trade and other payables are the following amounts denominated in currencies other than functional currencies of the respective group entities:

	2021 HK$'000	2020 HK$'000
Renminbi ("RMB")	3	121
US$	102	—
	105	121

Contract liabilities

	2021 HK$'000	2020 HK$'000
Contract liabilities on sales of books, novelty and packaging products	121	7

During the year ended 31 December 2021, an amount of HK$7,000 related to brought-forward contract liabilities (2020: HK$177,000) is recognised as revenue.

As at 1 January 2020, contract liabilities amounted to HK$177,000.

Contract liabilities represent deposits received in advance for the sales of books, novelty and packaging products. For certain of the Group's new customers, the Group will receive a deposit before production commences, giving rise to contract liabilities until revenue is recognised.

19 LEASE LIABILITIES

	2021 HK$'000	2020 HK$'000
Lease liabilities payable:		
Within one year	**2,200**	2,420
Within a period of more than one year but not exceeding two years	**1,843**	2,134
Within a period of more than two years but not exceeding five years	**—**	1,786
	4,043	6,340
Less: Amount due for settlement with 12 months shown under current liabilities	**(2,200)**	(2,420)
Amount due for settlement after 12 months shown under non-current liabilities	**1,843**	3,920

The lease agreements do not contain any contingent rent for leasee. The weighted average incremental borrowings rates applied to lease liabilities range from 2.91% to 6.18% (2020: from 2.91% to 6.18%).

20 SHARE CAPITAL

The share capital as at 31 December 2021 and 31 December 2020 represents the issued share capital of the Company with details as follows:

	Number of shares	Share capital HK$'000
Authorised:		
At 1 January 2020, 31 December 2020 and 31 December 2021 — ordinary share of HK$0.01 each	2,000,000	20,000
Issued and fully paid:		
At 1 January 2020, 31 December 2020 and 31 December 2021 — ordinary share of HK$0.01 each	1,000,000	10,000

21 RETIREMENT BENEFITS SCHEME

The Group participates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees but subject to a maximum amount of HK$1,500 per month for each employee. There is no forfeited contributions utilised by the Group during the year.

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

During the year ended 31 December 2021, the amounts of contributions recognised by the Group are HK$4,308,000 (2020: HK$1,075,000).

22 SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed on 4 December 2017, a share option scheme (the "Scheme") was adopted for the primary purpose of providing incentives to directors, employees and eligible participants. The Scheme shall be valid and effective for a period of 10 years commencing on 28 December 2017.

Under the Scheme, the Board of Directors of the Company may grant options to directors, employees, consultants, advisers, agents, vendors, suppliers of goods or services and customers of the Company and its subsidiaries and entities in which the Group holds equity interest at the discretion of the Board of Directors pursuant to the terms of the scheme, to subscribe for shares of the Company at a price which shall not be less than the highest of (i) the closing price of a share of the Company listed on Main Board of the Stock Exchange at the date of grant of the option; (ii) the average of the closing price of a share of the Company on Main Board of the Stock Exchange for the five trading days immediately preceding the date of grant of the option; and (iii) the nominal value of a share of the Company.

The maximum number of shares in respect of which options shall be granted under the Scheme and any other share option schemes of the Company is 10% of the total number of shares in issue at the date of approval of adoption of the Scheme. No director, employee or eligible participant may be granted options under the Scheme which will enable him or her if exercise in full to subscribe for more than 1% of the issued share capital of the Company in any 12-month period. The option period for which the options granted can be exercisable, shall be such period as notified by the Board of Directors, save that it shall not be more than 10 years from the date of grant subject to the terms of the Scheme. Nominal consideration of HK$1 is payable on acceptance of each grant and the share options granted shall be accepted within 28 days from the date of grant.

No share option was granted or remained outstanding under the Scheme during the year.

23 CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through new share issues as well as the issue of new debts.

24 FINANCIAL INSTRUMENTS

Categories of financial instruments

	2021 ***HK$'000***	2020 *HK$'000*
Financial assets		
Financial assets at amortised cost	**71,961**	91,657
Financial liabilities		
Financial liabilities at amortised cost	**13,587**	13,663

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposits, bank balances and cash, trade payables and other payables. Details of the financial instruments are disclosed in respective notes to the consolidated financial statements. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

24 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risks

Currency risk

The subsidiaries of the Company have sales and purchases denominated in currencies other than their functional currencies, which exposes the Group to foreign currency risk.

The carrying amounts of the group entities' foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		**Liabilities**	
	2021	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$,000*
RMB	**—**	—	**3**	121
US$	**20,522**	31,666	**102**	—
EUR	**1,255**	—	**—**	—
AUD	**199**	415	**—**	—

Sensitivity analysis

The group entities are mainly exposed to the exchange rate risk on HK$ against RMB, US$ and EUR for the foreign currency denominated monetary assets and liabilities. The directors of the Company consider that, as HK$ is pegged to US$, the Group is not subject to significant foreign currency risk from change in foreign exchange rate of HK$ against US$ and vice versa. No sensitivity analysis on currency risk is presented as the directors of the Company consider the exposure to currency risk is insignificant.

Interest rate risk

The Group's bank balances have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate. The management of the Group considers the Group's exposure of the short-term bank balances to interest rate risk is not significant as interest bearing bank balances are within short maturity period.

No sensitivity analysis on interest rate risk is presented as the directors of the Company consider the overall interest rate risk is insignificant as the fluctuation of the interest rates on bank balances is minimal.

24 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of these assets as stated in the consolidated statement of financial position.

Trade receivables

As at 31 December 2021, the Group has concentration of credit risk on trade receivables from the Group's largest customer amounting to HK$8,755,000 (2020: HK$10,218,000), representing approximately 22% (2020: 25%) of the total trade receivables. As at 31 December 2021, trade receivables from the five largest customers amounting to HK$23,469,000 (2020: HK$22,625,000), representing approximately 60% (2020: 56%) of the total trade receivables. During the year ended 31 December 2021, with reference to the unstable market condition due to COVID-19, the Group reviews the recoverable amount of each individual trade receivable with significant outstanding balance regularly to ensure that adequate credit losses are made for irrecoverable amounts. For the trade receivable with insignificant balance, the Group reviews collectively based on shared credit risk characteristics by reference to the Groups' aging of the outstanding balances.

Before accepting any new customer, the Group will internally assess the potential customer's credit quality and defines credit limits by customers. In order to minimise the credit risk of trade receivables arising from contracts with customers, the management of the Group is responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. For certain of the Group's new customers, the Group will receive a deposit before production commences to reduce the credit risk. For the year ended 31 December 2021, the Group performs impairment assessment under ECL model on trade receivables with significant balances and credit-impaired individually and/or collectively based on the aging grouping of trade receivables. Except for items that are subject to individual evaluation, which are assessed for impairment. Individually, the remaining trade receivables are grouped based on shared credit risk characteristics by reference to the Group's aged analyse of outstanding balances.

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of the lifetime ECL provision for trade receivables.

24 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Trade receivables (continued)

The following table provides information about the exposure to credit risk for trade receivables which are assessed based on collective basis as at 31 December 2021 and 2020 within lifetime ECL (not credit-impaired). Debtors with significant outstanding balances or credit-impaired with gross carrying amounts of HK$29,489,0000 (2020: HK$29,426,000) and HK$1,466,000 (2020: HK$1,569,000) were assessed individually, respectively.

At 31 December 2021

	Gross carrying amount *HK$'000*	**Average loss rate** *%*	**Loss allowance** *HK$'000*	**Net carrying amount** *HK$,000*
Trade receivables				
Not past due	**5,421**	**0.1**	**—**	**5,421**
1 to 30 days past due	**1,871**	**0.3**	**6**	**1,865**
31 to 60 days past due	**493**	**0.7**	**3**	**490**
61 to 90 days past due	**485**	**1.0**	**5**	**480**
90 to 180 days past due	**517**	**1.7**	**9**	**508**
Over 180 days past due	**537**	**37.2**	**200**	**337**
	9,324		**223**	**9,101**

At 31 December 2020

	Gross carrying amount *HK$'000*	Average loss rate *%*	Loss allowance *HK$'000*	Net carrying amount *HK$,000*
Trade receivables				
Not past due	7,295	0.1	43	7,252
1 to 30 days past due	1,834	0.4	39	1,795
31 to 60 days past due	1,578	1.4	4	1,574
61 to 90 days past due	494	1.4	6	488
90 to 180 days past due	86	3.2	57	29
Over 180 days past due	208	11.4	68	140
	11,495		217	11,278

24 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Trade receivables (continued)

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date. The grouping of aging is regularly reviewed by the management of the Group to ensure relevant information is updated.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-Impaired) *HK$'000*	Lifetime ECL (credit-Impaired) *HK$'000*	Total *HK$,000*
At 1 January 2020			
Changes due to financial instruments recognised as at 1 January 2020:	243	1,796	2,039
— Impairment losses recognised	270	—	270
— Impairment losses reversed	(243)	(227)	(470)
New financial asset originated	2	—	2
At 31 December 2020			
Changes due to financial instruments recognised as at 1 January 2021:	272	1,569	1,841
— Impairment losses reversed	(272)	(886)	(1,158)
New financial asset originated	272	—	272
As at 31 December 2021	272	683	955

During the year ended 31 December 2021, the Group recognised a total impairment losses of HK$272,000 which included the impairment allowance HK$223,000 (2020: HK$217,000) and reversal of impairment allowance of HK$217,000 (2020: HK$243,000) for trade receivables based on the collective basis, and impairment allowance of HK$49,000 (2020: HK$55,000) and reversal of impairment allowance of HK$55,000 (2020: nil) for trade receivables with significant balances. Reversal of credit losses of HK$886,000 (2020: HK$227,000) was made on credit-impaired debtors.

24 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Bank balance

The credit risk for bank balances is considered as not material as such amount is placed in reputable banks with high credit ratings, ranging from Aa3 to Baa2, assigned by international credit-rating agencies. The management of the Group assessed 12m ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on bank balances is considered to be insignificant and therefore no loss allowance was recognised.

Deposits

For deposits, the management makes periodic individual assessment on the recoverability of deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 December 2021 and 2020, the Group assessed the ECL for deposits are insignificant and thus no loss allowance is recognised.

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group also regularly monitors the operating cash flows of the Group to meet its liquidity requirements in short and long term. As at 31 December 2021, the Group has available unutilised banking facilities of HK$16,000,000 (2020: HK$16,000,000) to satisfy its existing liabilities.

24 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

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

	Weighted average Interest rate	On demand or less than 3 month	3 month to 1 year	1–5 year	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$,000*	*HK$'000*	*HK$'000*
At 31 December 2021						
Trade and other payable	**—**	**13,587**	**—**	**—**	**13,587**	**13,587**
Lease liabilities	**5.86**	**700**	**2,096**	**2,001**	**4,797**	**4,043**
		14,287	**2,096**	**2,001**	**18,384**	**17,630**
At 31 December 2020						
Trade and other payable	—	13,663	—	—	13,663	13,663
Lease liabilities	5.86	681	2,042	4,143	6,866	6,340
		14,344	2,042	4,143	20,529	20,003

Fair value

The fair values of financial assets and financial liabilities are determined based on discounted cash flow analysis.

The management of the Group considers that the carrying amount of financial asset and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

25 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Lease liabilities *HK$'000*	Interest payables *HK$'000*	Dividend payable *HK$,000*
At 1 January 2020	2,530	—	—
Modification of lease	6,693	—	—
Financing cash flow	(3,335)	(1)	(4,000)
Exchange adjustment	333	—	—
Finance cost recognised	119	1	—
Dividend declared	—	—	4,000
At 31 December 2020 and 1 January 2021	**6,340**	**—**	**—**
Financing cash flow	**(2,750)**	**—**	**(5,000)**
Exchange adjustment	**147**	**—**	**—**
Finance cost recognised	**306**	**—**	**—**
Dividend declared	**—**	**—**	**5,000**
As at 31 December 2021	**4,043**	**—**	**—**

Note: The cash flows represent the repayment of lease liabilities, interest paid and dividend paid, in the consolidated statement of cash flows.

26 RELATED PARTY DISCLOSURES

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

(a) The remuneration of key management personnel who are the directors of the Company during the year was disclosed in note 10.

(b) During the year ended 31 December 2021, the Group made sales of novelty and packaging products totalling HK$589,000 (2020: HK$2,189,000), from Tse Wing Hang Limited (trading as Richmond Company), a company of which Ms. Tse, (a director of the Company and key management personnel of the Group) and her family, hold 100% equity interest.

Details of the balance with a related party at the end of each reporting period are disclosed in the note 16.

27 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The financial information of the Company is as follows:

	Note	**2021** **HK$'000**	2020 HK$'000
Non-current assets			
Investment in a subsidiary		**26,350**	26,350
Amounts due from subsidiaries		**9,167**	8,905
		35,517	35,255
Current assets			
Amounts due from subsidiaries		**13,317**	15,002
Prepayments		**235**	202
		13,552	15,204
Current liabilities			
Accruals		**13**	230
Net current assets		**13,539**	14,974
NET ASSETS		**49,056**	50,229
Capital and reserves			
Share capital		**10,000**	10,000
Reserves *(note)*		**39,056**	40,229
TOTAL EQUITY		**49,056**	50,229

Note:

	Share premium HK$'000	**Other reserve** HK$'000	**Accumulated losses** HK$'000	**Total reserves** HK$,000
At 1 January 2020	43,645	25,000	(22,039)	46,606
Loss and total comprehensive expenses for the year	—	—	(2,377)	(2,377)
Dividend paid	(4,000)	—	—	(4,000)
At 31 December 2020	39,645	25,000	(24,416)	40,229
Profit and total comprehensive income for the year	—	—	3,827	3,827
Dividend paid	(5,000)	—	—	(5,000)
At 31 December 2021	34,645	25,000	(20,589)	39,056

The other reserve arose as part of the group reorganisation on acquisition of CP Printing by a subsidiary of the Company for a consideration of HK$25,000,000 from Mr. Lam, Mr. Chan and Ms. Tse.

28 PARTICULARS OF SUBSIDIARIES

Name of subsidiary	Place of incorporation/ registration/ operations	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Company 2021	2020	Principal activities
Directly held					
Wealthy Global	BVI	US$200	**100%**	100%	Investment holding
Indirectly held					
CP Printing	Hong Kong	HK$12,290,090	**100%**	100%	Distribution of books, novelty and packaging products
同利紙製品(河源)有限公司 (CP Printing (Heyuan) Limited)	The PRC — wholly owned foreign enterprise	HK$18,200,000	**100%**	100%	Production and printing of books, novelty and packaging products
Cat Mini Cup Group Limited (formerly known as Zhu Rong International Group Limited)	Hong Kong	HK$100	**100%**	—	Investment holding

None of the subsidiaries had issued any debt securities at the end of the year.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set out below. This summary does not form part of the audited financial statements.

RESULTS

	Year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**167,899**	127,213	132,194	123,812	150,367
Profit before taxation	**2,788**	20,196	28,311	21,712	4,219
Taxation	**(1,139)**	(4,195)	(5,169)	(3,874)	(4,396)
Profit (loss) for the year	**1,649**	16,001	23,142	17,838	(177)
Other comprehensive income (expense)					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising from translation of a foreign operation	**2,484**	3,425	(1,086)	(2,933)	1,986
Total comprehensive income for the year	**4,133**	19,426	22,056	14,905	1,809
Profit (loss) attributable to:					
Equity shareholders of the Company	**4,133**	19,426	23,142	17,838	(177)

ASSETS AND LIABILITIES

	Year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets					
Non-current assets	**45,933**	44,236	36,824	35,206	35,884
Current assets	**113,355**	117,280	105,933	95,172	122,525
Total assets	**159,288**	161,516	142,757	130,378	158,409
Equity and liabilities					
Total equity	**133,881**	134,748	119,322	97,266	82,361
Non-current liabilities	**1,843**	3,920	—	1,292	21,614
Current liabilities	**23,564**	22,848	23,435	31,820	54,434
	25,407	26,768	23,435	33,112	76,048
Total equity and liabilities	**159,288**	161,516	142,757	130,378	158,409