

SUN CHEONG CREATIVE DEVELOPMENT HOLDINGS LIMITED

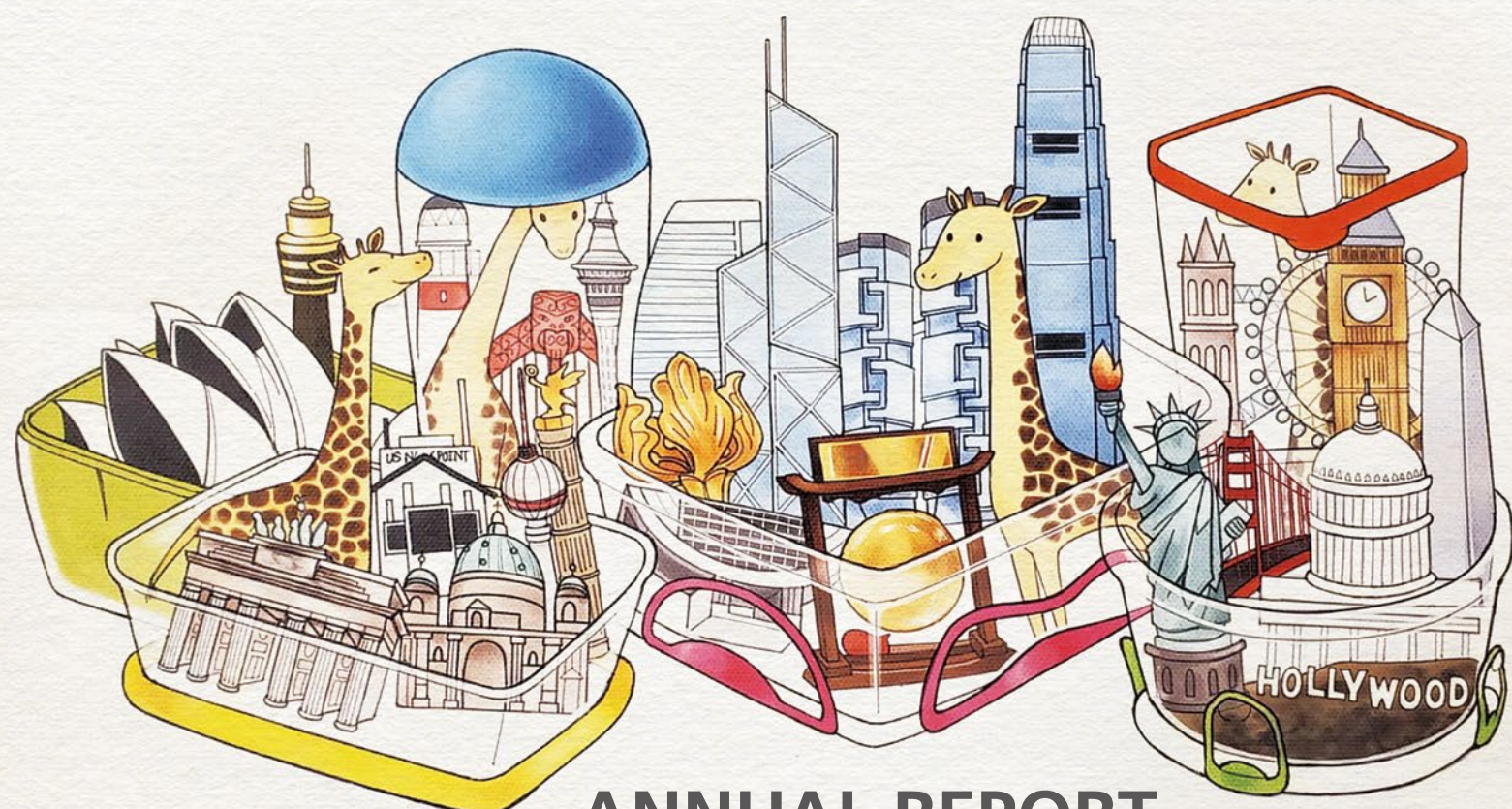
新昌創展控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Provisional Liquidators Appointed)

(For Restructuring Purposes)

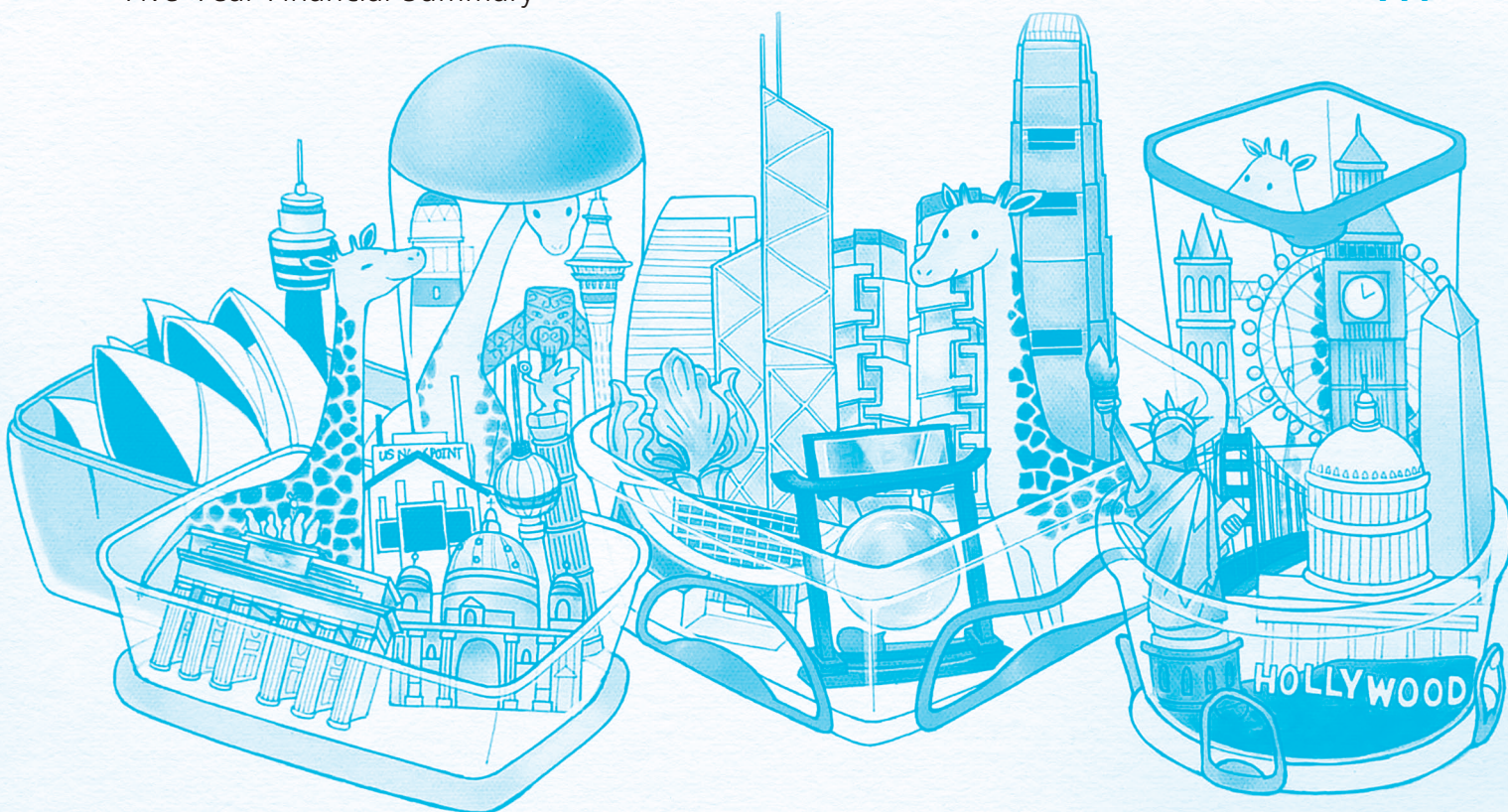
Stock code: 1781



ANNUAL REPORT  
**2021**

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# Corporate Information

## Board of Directors

### Executive Directors

Mr. Jason Martin Westcott (Chief Executive Officer)  
(appointed on 16 February 2022)

Mr. Chan Sai On Bill  
Mr. Ng Chun Chung

### Chief Executive Officer

Mr. Jason Martin Westcott (appointed on 4 February 2022)

### Independent Non-Executive Directors

Mr. Wong Chi Kei (appointed on 20 September 2021)  
Ms. Lin Weiqi Wendy (appointed on 26 July 2021)  
Dr. Chan Kai Yue Jason (appointed on 1 December 2021)  
Mr. Sze Chun Wai (resigned on 24 June 2021)  
Mr. Li Ka Chun (resigned on 16 August 2021)  
Mr. Fung Wai Hang (resigned on 31 August 2021)

## Board Committees

### Audit Committee

Dr. Chan Kai Yue Jason (Chairman) (appointed on  
1 December 2021)

Mr. Wong Chi Kei (appointed on 20 September 2021)  
Ms. Lin Weiqi Wendy (appointed on 26 July 2021)  
Mr. Sze Chun Wai (resigned on 24 June 2021)  
Mr. Li Ka Chun (resigned on 16 August 2021)  
Mr. Fung Wai Hang (resigned on 31 August 2021)

### Remuneration Committee

Mr. Wong Chi Kei (*Chairman*) (appointed on  
20 September 2021)

Dr. Chan Kai Yue Jason (appointed on 1 December 2021)  
Ms. Lin Weiqi Wendy (appointed on 26 July 2021)  
Mr. Sze Chun Wai (resigned on 24 June 2021)  
Mr. Li Ka Chun (resigned on 16 August 2021)  
Mr. Fung Wai Hang (resigned on 31 August 2021)

### Nomination Committee

Ms. Lin Weiqi Wendy (*Chairlady*) (appointed on  
26 July 2021)

Mr. Wong Chi Kei (appointed on 20 September 2021)  
Dr. Chan Kai Yue Jason (appointed on 1 December 2021)  
Mr. Sze Chun Wai (resigned on 24 June 2021)  
Mr. Li Ka Chun (resigned on 16 August 2021)  
Mr. Fung Wai Hang (resigned on 31 August 2021)

## Risk Management Committee

Dr. Chan Kai Yue Jason (*Chairman*) (appointed on  
1 December 2021)

Ms. Lin Weiqi Wendy (appointed on 26 July 2021)  
Mr. Wong Chi Kei (appointed on 20 September 2021)  
Mr. Sze Chun Wai (resigned on 24 June 2021)  
Mr. Fung Wai Hang (resigned on 31 August 2021)  
Mr. Li Ka Chun (resigned on 16 August 2021)

## Company Secretary

Mr. Ng Chun Chung

## Authorised Representatives

Mr. Chan Sai On Bill

## Headquarter and Principal Place of Business in Hong Kong

Unit 1501, 15/F,  
9 Wing Hong Street,  
Cheung Sha Wan, Kowloon,  
Hong Kong

## Registered Office

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## Principal Share Registrar

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## Hong Kong Branch Share Registrar

Union Registrars Limited  
Suites 3301-04, 33/F,  
Two Chinachem Exchange Square,  
338 King's Road, North Point,  
Hong Kong

### Legal Advisors as to Hong Kong Law

Loeb & Loeb LLP  
21st Floor,  
3 Connaught Road,  
Central, Hong Kong

### Principal Banks

OCBC Bank  
Dah Sing Bank, Limited

### Auditor

KTC Partners CPA Limited  
*Certified Public Accountants*  
RM 617, 6/F Seapower Tower,  
Concordia Plaza,  
1 Science Museum Road,  
TST East, Hong Kong

### Company's Website

<http://www.cknassociates.com>

### Stock Code

1781

# Director's Statement

On behalf of the board (the “**Board**”) of directors of the Company (the “**Directors,**” each a “**Director**”), I am pleased to present the annual results of the Group for the year ended 31 December 2021 (“**Year**”).

2021 was a challenging year for the Company. Despite that the Company continued to use every means available to continue with and to further develop its existing business and strive to improve the business operation and financial position. The Company has achieved credible result on that round.

On 8 November 2021, the Company and the Joint Provisional Liquidators entered into the Restructuring Agreement with a white knight, One Oak, pursuant to which the Company will implement the Restructuring which involves the restructuring of business, debts and liabilities, capital structure and share capital of the Company.

As part of the Company restructuring, we are happy to report that the Scheme Meeting was held on 7 January 2022, and the Creditors Schemes were approved by the requisite statutory majorities of the creditors. The Company submitted the results of the Scheme Meeting to the Cayman Court and the Hong Kong Court respectively for the sanctioning of the creditors schemes.

On 13 January 2022, the Listing Committee of the Stock Exchange considered the Company's case. The Company received a letter from the Stock Exchange dated 14 January 2022 stating that the Listing Committee of the Stock Exchange decided to reject the Company's request to extending the resumption deadline and to cancel the Company's listing under Rule 6.01A of the Listing Rules. It was indicated in the letter that unless the Company applies for a review of the delisting decision pursuant to Chapter 2B of the Listing Rules, the last day of listing of the Shares would be on 28 January 2022, and the listing of the Company's shares would be cancelled with effect from 9:00 a.m. on 31 January 2022.

On 21 January 2022, the Company submitted a formal request to the secretary of the Listing Review Committee of the Stock Exchange for the Delisting Decision to be referred to the Listing Review Committee for review pursuant to Chapter 2B of the Listing Rules.

The hearing before the Listing Review Committee has been scheduled on 20 April 2022.

Due to the delisting decision of the Listing Committee of the Stock Exchange on 14 January 2022, the Hong Kong Court hearing and the Cayman Court hearing for sanctioning the creditors schemes were adjourned from the originally scheduled dates on 22 February 2022 (Hong Kong time) and 24 February 2022 (Cayman time), respectively to 7 June 2022 (Hong Kong time) and 15 June 2022 (Cayman time), respectively

With the Board and strong management team in place, we strongly believe that the Company is well on the way to restore our normal business operation and development.

## Results

The Board has resolved to announce the audited consolidated results for the year ended 31 December 2021. Total revenue for the Year amounted to approximately HK\$23.5 million (2020: approximately HK\$21.5 million), representing an increase of approximately 9.4%. The net loss of the year attributable to owners of the Company stood at approximately HK\$18.1 million (2020: HK\$75.9 million). Basic loss per share was approximately HK3.35 cents (2020: HK14.06 cents).

## Dividends

No interim dividends were recognised as distribution by our Company to our then shareholders for the year ended 31 December 2021 (2020: NIL). The Board do not propose final dividend for the year ended 31 December 2021 (2020: NIL).

### Overall Business Environment

The Year 2021 was full of challenges as the Company continued to experience an extraordinarily difficult business and operating environment through the global economy being severely impacted by lockdowns, supply chain disruption and waves of the COVID-19 pandemic. These constraints have been market wide impacting our competitors, buyers and raw material suppliers alike. Most of the operational and market challenges have persisted through 2022. However, we believe that our high quality and diversified product portfolio gives the Company an important competitive advantage to well perform during this unprecedented difficult time.

### Future Plan & Prospect

We will continue to develop and expand our customer base in owned brand manufacture (“**OBM**”) and original design manufacture (“**ODM**”) basis, we have also developed new products such as wellness and environmental, social and governance household plastic products, we will further develop our business in Europe, the United States of America and Australia. With all this, the Company's strong customer base, sales network, product development techniques and expertise that the Company strongly possessed, we believe that this restructuring plan will turnaround the Company.

With the joint efforts of all our employee together with the long-term support from our customers, business partners and shareholders, we are on the right path to turnaround the Company and to maximise its corporate value and deliver promising returns to its Shareholders again.

### Appreciation

Finally, I would like to take this opportunity to thank all Directors and the staff for their contribution and cordial support during the Year.

#### On behalf of the Board

#### Chan Sai On Bill

*Executive Director*

Hong Kong, 31 March 2022

# Business Review, Management Discussion and Analysis

## Overall Business and Financial Performance of the Group

Sun Cheong Creative Development Holdings Limited (the “**Company**”) is an investment holding company. The Company and its subsidiaries (collectively, the “**Group**”) is principally engaged in plastic product business. The Group offers a wide range of plastic and other household products including storage boxes, rubbish bins, kitchenware, pet accessories, household appliances such as aroma diffusers and toys.

During the year ended 31 December 2021 (“**Year**”), the Group’s management unrelentingly ensured the Group’s business remained in operation despite its extraordinarily difficult circumstances — having to not only overcome the financial distress thrust upon it due to the devastating loss of the Group’s certain operating subsidiaries in the PRC, namely 深圳新昌塑膠用品有限公司 (Shenzhen Xincang Plastic Article Co., Ltd.) and 佛山市海昌新材料科技有限公司 (Foshan Haichang New Materials Technology Co., Ltd.) (together referred to as the “**Deconsolidated Subsidiaries**”) but to do so in the face of the COVID-19 pandemic (with its attendant challenges) and the unavoidable uncertainty caused by the prolonged search for a white knight. The fact that the Company was able to achieve a creditable revenue, despite these trying circumstances, speaks volumes of its resilience and the inherent soundness of its underlying business. As a result, the Company was able to substantially implement the steps that will lead to the resumption of trading in accordance with the Resumption Guidance (as further detailed in section headed “**Resumption Guidance**”), including the Rule 13.24 Requirements.

Throughout 2021, the Group has been continuously consolidating and developing its relationships with customers (both existing and potential). It was due to these efforts that the Group was able to retain a number of its clients, secure commitments for financial year ending 31 December 2022, and to promptly materialize additional and significant sales orders after the Creditors Schemes were approved.

As of the date of this annual report, the Company has made significant strides towards its restructuring and alleviating any operational impairments, as detailed in the section headed “Future Plan & Prospect”.

## Business Review

Since 2020 with the loss of the Deconsolidated Subsidiaries and even after the suspension of trading of Shares, the Company has been using every means available to continue and revitalize the business of the Group. First, the Company promptly ensured, notwithstanding its loss of the Deconsolidated Subsidiaries, that it had the ability to continue with its business and to execute purchase orders from its customers.

Second, the Company also promptly reached out to its customers (existing and potential) to assure them that its business was ongoing and to secure fresh orders from them. Despite the challenging COVID-19 situation, the Company managed to retain some clients, and also developed new key client relationships. The Company also continued to maintain contact and its relationship with existing customers to ensure orders can be secured from them when as soon as their concerns (about the prospect of the Group amidst its financial difficulties) were resolved. The Company also continued its design, research and development work to create new products to cater to new market trends, including a stackable lunch box and a lego-type box container.

## Business Review, Management Discussion and Analysis

Following the approval of the Creditors Schemes (“**Creditors Schemes**”) by the creditors in a meeting of the creditors on 7 January 2022 (“**Scheme Meeting**”), the Group’s business has significantly improved. The Group has promptly reconfirmed and materialised a number of continued sales orders for its products. The total sales orders confirmed up to the date of this annual report stands at approximately HK\$100.0 million, most of which will be delivered by the second quarter of 2022. Based on the industry practice, it is expected, following the successful delivery of these orders, that the customers will continue to place orders with the Company. Besides, the Group has onboarded sales personnel with 11 years relevant experience and strong presence in Europe to develop its business in Europe/the United Kingdom, and is also planning to expand to the United States of America and Australia. The Group has developed wellness and ESG products, sales of which have been made including in the confirmed orders.

Upon completion of the Restructuring, the Group will become free from financial distress and will therefore able to deploy considerable financial resources to expand and grow its business over the next few years. Additionally, the Group has secured funding from One Oak for the operation of the Group’s business. As such, the Board believes that the Group would be able to continue to expand its operation team with experienced and capable staff, its production capability, and at the same time secure new customers to continue expanding the size of the business.

Taking account of the aforesaid, the Board is confident about the business prospect of the Group.

### Overview

During the Year, the Group’s revenue amounted to approximately HK\$23.5 million for the Year, representing an increase of approximately 9.4% compared with the year ended 31 December 2020 (“**Previous Year**”). The Group’s overall gross profit margin maintained at the range of 11% to 12% during the Year. Loss and comprehensive loss for the Year attributable to owners of the Company amounted to approximately HK\$18.1 million (2020: approximately HK\$75.9 million). The loss was mainly attributable to the global impact of COVID-19 on sales and manufacturing across all industries and the Company’s internal restructuring costs.

### Revenue

During the Year, revenue of the Group amounted to approximately HK\$23.5 million, representing an increase of approximately HK\$2.0 million or 9.4% as compared with approximately HK\$21.5 million in 2020.



## Business Review, Management Discussion and Analysis

### Cost of Sales

Cost of sales for the Year was approximately HK\$20.9 million, representing an increase of approximately HK\$1.9 million or 9.6% from approximately HK\$19.0 million for the Previous Year. The increase was in line with that of the increase of revenue during the Year.

### Gross Profit

Gross Profit for the Year was approximately HK\$2.6 million, representing an increase of approximately HK\$0.2 million as compared with the figures in 2020. The improvement of gross profit was due to the increase in sales orders and effective cost control implemented.

### Other Gains and Losses

Other gains and losses mainly consisting net foreign exchange gain was approximately HK\$63,000 for the Year (2020: approximately HK\$424,000).

### Impairment loss for property, plant and equipment

During the Previous Year, since the Group was coming up with new plastic products and the moulds of the Group were specifically used for production of certain plastic household products of the Group, it ceased to produce certain plastic household products of the Group. Due to obsolescence, full impairment loss of approximately HK\$54.3 million was recognised in respect of the moulds for the Previous Year.

There was no impairment loss for property, plant and equipment during the Year.

### Administrative and Other Expenses

During the Year, administrative and other expenses amounted to approximately HK\$10.4 million, representing a decrease of approximately HK\$1.8 million or 14.9% from approximately HK\$12.2 million in 2020. Majority of the administrative expenses are (i) professional service fee in relation to the Restructuring and (ii) staff costs including Directors' remuneration.

### De-consolidation

For the Previous Year, the Group had a loss on the de-consolidation of subsidiaries of approximately HK\$1.8 million. For details, please refer to note 3 to the consolidation financial statements.

There was no loss on the de-consolidation of subsidiaries during the Year.

### Finance Costs

Finance costs represented interest on bank and other borrowings and bank overdrafts.

## Loss for the Year Attributable to Owners of the Company for the Reporting Period

Loss and the total comprehensive loss for the Year attributable to owners of the Company amounted to approximately HK\$18.1 million, representing a decrease of HK\$57.8 million as compared to a loss of approximately HK\$75.9 million for the Last Year. The significant decrease is due to the non-recurring and one-off impairment loss on property, plant and equipment of approximately HK\$54.3 million recognised in Previous Year.

## Dividend

The Directors do not recommend the payment of a dividend and resolve not to declare any final dividend and special dividend in respect of the year ended 31 December 2021 (2020: nil).

## FINANCIAL REVIEW

### Liquidity, Financial Resources and Capital Structure

As of 31 December 2021, the current assets of the Group amounted to approximately HK\$6.2 million (2020: approximately HK\$0.85 million), which mainly comprised bank balances and cash, and trade and other receivables, in the amount of approximately HK\$0.4 million (2020: approximately HK\$0.04 million) and approximately HK\$5.8 million (2020: approximately HK\$0.81 million), respectively. As at 31 December 2021, the Group had a net deficit of approximately HK\$211.0 million (2020: approximately HK\$192.9 million).

Current liabilities of the Group amounted to approximately HK\$224.1 million (2020: approximately HK\$201.3 million), of which approximately HK\$168.4 million (2020: approximately HK\$168.4 million) was bank and other borrowing and bank overdrafts, approximately HK\$54.4 million (2020: approximately HK\$32.9 million) was trade and other payables.

As of 31 December 2021, the current ratio (the current assets to current liabilities ratio) of the Group was approximately 0.028 times, as compared with approximately 0.004 times as of 31 December 2020. The weak current ratio was primarily due to the high level of borrowings.

The Group does not have other debt financing obligations as of 31 December 2021. The Group has breach of financial covenants, please refer to the section headed "Loan Covenants".

## Capital Expenditure

During the Year, the Group did not have significant capital expenditure (2020: nil).

## Charges on Assets

As at 31 December 2021 and 2020, the Group's borrowings were unsecured by assets of the Group.

In addition, certain of the Group's bank and other borrowings are secured by assets held by the former management of the Group and/or their family members and the related companies which are controlled by the management of the Group and/or their family members and a key management personnel of the Group. In addition, certain of the Group's bank and other borrowings are personally guaranteed by the former management of the Group and their family members and a key management personnel of the Group.

## Business Review, Management Discussion and Analysis

### Loan Covenants

As at 31 December 2021, the Group had a breach of financial covenants, bank and other borrowings of approximately HK\$165,898,000 were overdue and became immediately repayable. On 7 January 2022, the Scheme Meeting was duly convened in accordance with the directions of the Hong Kong Court and Cayman Court, the Creditors Schemes were approved by the requisite statutory majorities of the creditors.

### Contingent Liabilities

Details of contingent liabilities is set out in note 27 of the consolidated financial statements.

### Litigations

Details of litigations is set out in note 28 of the consolidated financial statements.

### Winding-up Petitions

Details of winding-up petitions is set out in note 29 of the consolidated financial statements.

### Events Subsequent to Reporting Period

Save for the events disclosed in note 32 to the consolidated financial statements, there was no other major subsequent event occurred since the year ended 31 December 2021.

### Treasury Policy

The Group remains committed to a high degree of financial control, a prudent risk management and the best utilisation of financial resources.

### Foreign Exchange Exposure

The Group's sales and purchases are mainly denominated in Hong Kong, US dollars and Renminbi. The sales of our Group are mainly denominated in US dollars or Hong Kong dollars. Some of our polypropylene resins are sourced from overseas and settled in US dollars. The Group also has currency exposure as some manufacturing costs incurred in the PRC were denominated in RMB.

Since Hong Kong Dollar remains pegged to US Dollar, the Group does not foresee a substantial foreign currency risk exposure in this area and will closely monitor the trend of Renminbi to see if any action is required. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As at 31 December 2021 and 2020, the Group had not entered any financial instrument for the hedging of foreign currency.

# Business Review, Management Discussion and Analysis

## Employees

As at 31 December 2021, we had approximately 60 employees, most of them were resided in Mainland China and Hong Kong. The employees' salaries are determined from time to time with reference to their duties and responsibilities, business performance of the Group and profitability and market conditions. In addition to pension funds, individual employees may be granted discretionary bonus and share options as rewards for their outstanding performance.

## Corporate Environmental and Social Responsibility

We adhere to pursue long-term sustainable development in the communities in which our business and operations located. We understand the importance of the views and interests of its stakeholders (such as Shareholders, regulators, employees and the public) when making business decisions. We will continue to advance in corporate governance, energy conservation, remuneration of employees, general social welfare and etc.

## Details of the Audit Modification and Management's View on the Audit Modification

The Board had discussed with the auditor and is of the view that the basis of the disclaimer opinion on the financial statements of the Group for the year ended 31 December 2021 were non-recurring in nature and shall no longer be applicable to the Company following the completion of the Restructuring and in the forthcoming financial year (i.e. 31 December 2022).

A summary of the basis of the disclaimer opinion and the Company's view as to how the audit modification can be addressed as well as the view of the auditor is set out as follows:

Basis of disclaimer opinion	Company's view as to how the audit modification can be addressed	Auditor's view
Unrecorded liabilities — the Claims of approximately HK\$135.7 million against the Company on unsettled bonds and loans and as a result, the completeness of liabilities	<ul style="list-style-type: none"><li>• Due to the lack of sufficient supporting documents to corroborate the Claims, the Directors are of the opinion that the Claims are unsubstantiated, thus no provision or other liability is recognised in the consolidated financial statements of the Group for the years ended 31 December 2020 and 2021.</li><li>• Provided that the Creditors Schemes can be implemented successfully by June 2022, and all the Group's claims by the creditors will be substantiated and settled; the audit modification would be confined to the corresponding figures in the financial year ended 31 December 2021.</li><li>• The audit modification will be removed in financial year ending 31 December 2023.</li></ul>	Auditor concurred with the Company's view

## Business Review, Management Discussion and Analysis

Basis of disclaimer opinion	Company's view as to how the audit modification can be addressed	Auditor's view
Material uncertainty relating to the going concern basis	<ul style="list-style-type: none"> <li>• After the Creditors Schemes becoming effective which is expected to take place by June 2022, (i) all the Group's claims by the Creditors will be settled; (ii) the winding-up petitions will be dismissed or withdrawn; and (iii) injection of new subscription monies of HK\$80 million from the subscription of the new shares of the Company by One Oak.</li> <li>• The audit modification will be removed in the financial year ending 31 December 2022.</li> </ul>	Auditor concurred with the Company's view
Corresponding figures — potential impact on the corresponding figures of the Group due to lack of access to the books and records of the Deconsolidated Subsidiaries and the incomplete records of the Group in previous years	<ul style="list-style-type: none"> <li>• The audit modification was primarily attributable to the lack of access to the books and records of the Deconsolidated Subsidiaries and the Company recognised the losses on deconsolidation in financial year ended 31 December 2019 and the incident is an one-off event.</li> <li>• The audit qualification will be removed in the Company's consolidated financial statements in the financial year ending 31 December 2022.</li> </ul>	Auditor concurred with the Company's view

### Audit Committee's view on the audit modification

The Company has established an audit committee (the "Audit Committee") pursuant to Rules 3.21 and 3.22 of the Listing Rules, with written terms of reference in compliance with the requirements of the Corporate Governance Code, to review and supervise the Group's financial reporting process and internal control systems. The Audit Committee comprises three independent non-executive Directors. The Audit Committee has reviewed the Group's consolidated financial statements and annual results for the year ended 31 December 2021. They expressed no disagreement with the accounting policies and principles adopted by the Group. The Audit Committee has reviewed the basis for the disclaimer of opinion, and agreed with the Company's view as to how the audit modification can be addressed.

The Audit Committee has also discussed with the auditor of the Company and considered its rationale and understood its consideration in arriving the disclaimer of opinion.

## Resumption Guidance

On 31 July 2020, 16 April 2021 and 18 August 2021, the Company has received notices from the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in relation to the conditions for resumption of the Company’s trading, including the followings:

- i. to publish all outstanding financial results required by the Listing Rules and address any audit modifications (Including the audit modifications in the consolidate results of the Company for the year ended 31 December 2019);
- ii. demonstrate its compliance with Rule 13.24;
- iii. conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to comply with the Listing Rules;
- iv. have the winding-up petitions (or winding orders, if made) against the Company withdrawn or dismissed;
- v. inform the market of all material information for the Company’s shareholders and other investors to appraise its positions;
- vi. re-comply with (i) Rule 3.10(1), which is to have at least three independent non-executive directors and (ii) Rule 3.21, which requires the audit committee to comprise a minimum of three members, at least one of whom being an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise; and
- vii. inform the market of all material information for the Company’s shareholders and other investors to appraise its positions.

Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period expires on 1 January 2022.

## Business Review, Management Discussion and Analysis

On 1 December 2021, the Company appointed Dr. Chan Kai Yue Jason as (i) an independent non-executive Director of the Company; (ii) a member of the remuneration committee and the nomination committee of the Company; and (iii) a chairperson of the audit committee and the risk management committee of the Company, and thus re-complied with Rule 3.10(1) and Rule 3.21 of the Listing Rules. On 15 December 2021, the Company submitted a resumption proposal to the Stock Exchange and explained that it has substantially implemented the steps that will lead to the resumption of trading in accordance with the resumption guidance, with only certain limited procedural steps to be taken with respect to resumption guidance (iv) above. The Company thus requested that the resumption deadline be extended to 30 June 2022 ("**Extension Request**").

On 14 January 2022, the Company was informed that the Listing Committee has refused the Extension Request as it was of the view that the Company had not demonstrated that it had substantially implemented the steps that, it had shown with sufficient certainty, would lead to resumption of trading but due to factors outside its control, it became unable to meet its planned timeframe, and thus that the Listing Committee has decided to cancel the Company's listing under Rule 6.01A of the Listing Rules. The Company disagree with the decision made by the Listing Committee. On 21 January 2022, the Company submitted an application to the Listing Review Committee and requested the Listing Review Committee to overturn the decision of the Listing Committee and grant the Company an extension of time to resume trading of its Shares to 30 June 2022 for completion of the remaining procedures of the Creditors Schemes. A hearing for the review by the Listing Review Committee has been scheduled to be held on 20 April 2022.

### Future Plan & Prospect

The approval of the Creditors Schemes gave the customers, business partners and the creditors of the Group added and renewed confidence in the business prospects of the Group.

With a core focus on household products made from plastic, the Company has leveraged (i) its skills and experience in plastic household products manufacturing; and (ii) the resources of its newly recruited management personnel in the industries and expanded its product offerings to cover household products in the home appliances and wellness sectors. The Group has a developed plan to continue to grow under the leadership of the Company's executive Director and Chief Executive Officer, Mr. Jason Martin Westcott ("**Westcott**"), and the Board.

Mr. Westcott, with over 20 years of experience in the plastic and household products industry, has been appointed as the executive Director and the Chief Executive Officer with effect from 16 February 2022 and 4 February 2022 respectively, possesses extensive experience and network in the plastic product industry. Leveraging on his well-established edge in the industry, the Group will be able to source and secure more purchase orders and to continuously expand the size of its business. Mr. Westcott is also leading the discussions with a number of potential candidates for the Group and is planning to expand the sales and marketing team and the product development team of the Group.

# Corporate Governance and Other Information

The Company is committed to maintain good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholders' value.

## Corporate Governance Practices

The Company aims to achieve high standards of corporate governance which is crucial to the development of the Group and safeguard the interests of the shareholders of the Company ("**Shareholders**").

The Company has adopted the code provisions set out in the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Rules ("**Listing Rules**") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("**Stock Exchange**") as its own code of corporate governance.

In the opinion of the directors of the Company ("**Director(s)**"), the Company was in compliance with the code provisions set out in the CG Code throughout the year ended 31 December 2021 ("**Year**").

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group for the Year that give a true and fair view of the Group's financial position as a going concern basis in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements required by the Listing Rules and the Hong Kong Companies Ordinance, amended from time to time. These responsibilities include designing, implementing and maintaining internal control systems relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### (a) Directors' Securities Transactions

#### *Adoption of Model Code*

The board of Directors (the "**Board**") has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**"), amended from time to time, as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors.

#### *Confirmation on Compliance*

Specific respectively enquiry has been made to all the Directors regarding any non-compliance with the Model Code during the Year and up to the date of this annual report, they all confirmed in writing that they have fully complied with the required standard set out in the Model Code during the Year and up to the date of this annual report.

#### *Written Guideline for Relevant Employees*

In addition, the Company has also adopted provisions of the Model Code as written guidelines for relevant employees, who are likely to be in possession of unpublished inside information of the Company. Such relevant employees did and would abide by the provisions of the Model Code. Besides, the Company has adopted internal control policy in relation to the disclosure of inside information of the Company (the "**Inside Information Policy**").

No incident of non-compliance of the Model Code and/or the Inside Information Policy by such relevant employees was noted by the Company.



## Corporate Governance and Other Information

### (b) Board of Directors

The Board is responsible for the leadership and control of the Company, and is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Group. The Board reserved for its decision or consideration matters covering overall Group strategy, major acquisitions and disposals, annual budgets, annual and interim results, recommendations on Directors' appointment or re-appointment, approval of major capital transactions and other significant operational and financial matters. The management was delegated the authority and responsibility by the Board for the daily management of the Group. In addition, the Board has also delegated various responsibilities to the Board committees. Further details of these committees are set out in this report.

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

#### Executive Directors

Mr. Jason Martin Westcott (Chief Executive Officer) (appointed on 16 February 2022)

Mr. Chan Sai On Bill

Mr. Ng Chun Chung

#### Independent Non-executive Directors

Ms. Lin Weiqi Wendy (appointed on 26 July 2021)

Mr. Wong Chi Kei (appointed on 20 September 2021)

Dr. Chan Kai Yue Jason (appointed on 1 December 2021)

Mr. Sze Chun Wai (resigned on 24 June 2021)

Mr. Li Ka Chun (resigned on 16 August 2021)

Mr. Fung Wai Hang (resigned on 31 August 2021)

The composition, experiences, balance of skills, qualifications and diversity on the Board are regularly reviewed by the nomination committee of the Company ("**NC**") to ensure that the Board retains a core of members with longstanding and deep knowledge of the Group alongside new Directors who bring fresh perspectives and diverse experiences to the Board. The Board complied with the requirements of the Listing Rules relating to (i) the appointment of at least three independent non-executive Directors with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise; (ii) independent non-executive Director representing at least one-third of the Board; and (iii) the audit committee of the Company ("**AC**") should comprise only independent non-executive Directors. The biographical details of all the current Directors are set out on pages 33 to 34 of this annual report.

The list of Directors (by category) is also disclosed in this annual report and all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The Company also maintains on its website (<http://www.cknassociates.com>) and on the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) an updated list of its Directors (by category) identifying the role and function.

### *Appointment and Re-election of Directors*

The Company has established formal, considered and transparent procedures and criteria for the appointment, re-election, resignation, re-designation, rotation, retirement and/or removal of the Director(s) in accordance with the Company's Articles of Association ("**Articles**"), the Listing Rules and all applicable laws.

Pursuant to the Articles and/or the Code Provisions of the Listing Rules, (1) at each annual general meeting of the Company ("**AGM**") not less than one-third of the Directors for the time being shall retire from the Board by rotation; (2) each Director shall be subject to retirement by rotation at least once every three years at the conclusion of the AGM after he/she was last re-elected as Director by Shareholders at the general meeting of the Company and (3) each Director appointed to fill a casual vacancy or as an additional Director by the Board should retire from the Board at the conclusion of the first general meeting of the Company to be held but they, being eligible, offer themselves for re-election as the Director by the Shareholders at the same meeting.

### *Service Contracts with the Company*

Each of Mr. Jason Martin Westcott, Mr. Chan Sai On Bill and Mr. Ng Chun Chung have entered into a service agreement with the Company subject to retirement and re-election in accordance with the Articles.

Mr. Jason Martin Westcott has entered into a service agreement with the Company in relation to his appointment as an executive Director and Chief Executive Officer for an initial term of three years commencing from 16 February 2022 and 4 February 2022, respectively, Ms. Lin Weiqi Wendy has entered into a service agreement with the Company in relation to her appointment as an independent non-executive Director commencing on 26 July 2021, Mr. Wong Chi Kei has entered into a service agreement with the Company in relation to his appointment as an independent non-executive Director commencing on 20 September 2020 and Dr. Chan Kai Yue Jason has entered into a service agreement with the Company in relation to his appointment as an independent non-executive Director commencing on 1 December 2021 (unless terminated by not less one month's prior notice in writing served by either party pursuant to the terms of the service agreement) subject to retirement and re-election in accordance with the Articles of the Company.

All Directors are subject to retirement by rotation and re-election at an annual general meeting at least once every three years in accordance with the Article 84 of the Articles of the Company.

Article 83(3) of the Articles provides that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office until the first general meeting of the Company has been held after his/her appointment and be subject to re-election at such meeting, and 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 has been held and shall then be eligible for re-election.

Save as disclosed in the above paragraph, the Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced Board composition is formed to ensure strong independence exists across the Board. The composition of the Board demonstrated holistic skills and experiences acquired by Directors in pursuance for effective leadership. The biographical information of the Directors is set out on pages 33 to 34 under the section headed "Biographical Details of Directors and Senior Management".

## Corporate Governance and Other Information

### *Number of Meetings Held and Attendance*

The Board intends to hold Board meetings regularly. Notices of not less than fourteen days will be given for all regular Board meetings to provide all Directors with an opportunity to attend and propose matters to be discussed in the meeting agenda. Agendas and accompanying papers shall be sent not less than 3 days before the date of Board meeting to ensure that the Directors are given sufficient time to review the documents. The Board requires Directors to devote sufficient time and attention to discharge their duties and responsibilities.

During the Year, a total number of 3 Board meetings; 3 AC meetings; 4 NC meetings; 4 Remuneration Committee (“RC”) meetings and 1 Risk Management Committee (“RMC”) meeting were held. Minutes of these meetings are currently kept by the Company Secretary of the Company and are open for inspection by the Directors and Board committees’ members.

During the Year, the Board has regularly reviewed the contributions from the Directors and confirmed that they have spent sufficient time performing their responsibilities. The individual attendance records of each Director, on a named basis, at the meetings of the Board, AC, NC, RC and RMC as well as the Shareholders’ meeting(s) (AGM and extraordinary general meeting (“EGM”), if any), during the Year are set out below:

	AGM	Board	AC	NC	RC	RMC
<b>Number of meetings</b>	–	3	3	4	4	1
<b>Executive Directors</b>						
Mr. Jason Martin Westcott (appointed on 16 February 2022)	–	–	–	–	–	–
Mr. Chan Sai On Bill	–	3/3	–	–	–	–
Mr. Ng Chun Chung	–	3/3	–	–	–	–
<b>Independent Non-Executive Directors</b>						
Ms. Lin Weiqi Wendy (appointed on 26 July 2021)	–	1/1	1/1	3/3	3/3	1/1
Mr. Wong Chi Kei (appointed on 20 September 2021)	–	1/1	1/1	2/2	2/2	1/1
Dr. Chan Kai Yue Jason (appointed on 1 December 2021)	–	1/1	1/1	1/1	1/1	1/1
Mr. Sze Chun Wai (resigned on 24 June 2021)	–	2/2	2/2	–	–	–
Mr. Li Ka Chun (resigned on 16 August 2021)	–	2/2	2/2	1/1	1/1	–
Mr. Fung Wai Hang (resigned on 31 August 2021)	–	2/2	2/2	1/1	1/1	–

## Corporate Governance and Other Information

The high attendance record at the Board and its committee meetings during the Year, which was reviewed by the NC and RC in December 2021, demonstrated the Directors' Strong commitment to the Company. Regarding disclosure of the number and nature of offices held by the Directors in public companies or organisations and other significant commitments as well as their identities and the time involved (the "**Commitments**") to the Company, all Directors have agreed to disclose their Commitments to the Company and the changes, if any, in a timely manner and then confirm their other directorships, major appointments and interests in the Company (if any) twice a year.

### *Responsibility of the Board*

The Company has a division of functions reserved to the Board and delegated to the senior management. The Board currently provides leadership and approves strategic policies and plans with a view to enhance Shareholders' interests while the day-to-day operations of the Company and the Group are delegated to the senior management. The Board has full support of the Directors and the senior management to discharge its responsibilities. The Board reserves for its decisions all major matters of the Group, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control systems, risk management systems, material transactions (in particular those may involve conflict of interests), financial information, change of Directors, ad hoc projects and other significant financial and operational matters.

### *Responsibility of the Directors*

The day-to-day management, administration and operation of the Group are delegated to executive Directors and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the above-mentioned officers. Each executive Director is delegated individual responsibility to oversee and monitor the operations of the specific business unit and/or corporate merge and acquisition and to implement the strategies and policies set by the Board. Each Director may seek for independent professional advice in appropriate circumstances at the Company's expenses, upon making request to the Board. All members of the Board are provided with monthly updates to enable them to discharge their duties.

### *Responsibility of and Annual Confirmation from Independent Non-Executive Directors*

Through active participation in meetings of the Board, Board committees and general meetings of the Company, the independent non-executive Directors currently bring a wide range of business and financial expertise, experiences, skills and independent judgment on the issues of strategy, policy, performance accountability, resources, key appointments, connected transactions and standards of conduct to the Board. Independent non-executive Directors have taken and/or shall take lead when potential conflicts of interest arise. Independent Board committee, comprising all independent non-executive Directors, has formed and/or will form to advise the independent Shareholders on those connected transactions to be approved by the independent Shareholders at the EGM. All independent non-executive Directors have made various contributions to the effective direction and performance of the Company. One of the independent non-executive Directors possesses the appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received, from each independent non-executive Directors for the Year, a written annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules.

The Board and the NC considered all of the independent non-executive Directors are independent in accordance with the independent guidelines set out in the Listing Rules.

## Corporate Governance and Other Information

### *Insurance of the Directors*

Appropriate insurance cover has been arranged by the Company in respect of potential legal action against its Directors and officers arising out of corporate activities of the Group.

### *Conflict of Interest*

All Directors are required to comply with their duties to act in the best interest of the Company and have particular regard to the interest of the Shareholders as a whole. Amongst others, all Directors are required to declare the nature and extent of their interests, if any, in any transaction, arrangement, contract or other proposal to be considered by the Board at meetings. Unless specifically permitted by the Articles, a Director cannot cast a vote on any contract, transaction, arrangement or any other proposal in which he/she has or any of his/her close associates is materially interested.

### *Supply of and Access to Information*

The Board and Board committee members are supplied with comprehensive meeting papers and relevant materials within a reasonable period of time in advance of the intended meeting date (in any event no less than three (3) days before the date of the meeting). All Directors and the Board committees members are given opportunities to include matters in the agenda for regular Board and Board committees meetings and/or their meetings, if required. To facilitate the decision-making process, the Directors and the Board committee members are free to have access to the management for enquiries and to obtain further information, when required.

All Directors and the Board committee members have unrestricted access to the advice and services of the Company Secretary, who ensures that the Board and Board committees receive appropriate and timely information for its decision making and the Board and Board committee procedures, and all applicable rules and regulations, are being followed. The Directors and the Board committee members can obtain independent professional advice at the Company's expenses

The Board receives from the management monthly management accounts, explanation and analysis of the operation performance of the Group and relevant information which enable the Board to make an informed assessment for approving the financial statements. Other regular and ad hoc reports are also prepared for the Board and Board committees, to ensure that the Directors and member of the Board committees are supplied with all the requested information in a timely and appropriate manner.

### **(c) Chief Executive Officer**

The Chief Executive Officer (CEO) focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. The CEO is also responsible for developing strategic plans and formulating the organisational structure, internal control system, risk management system control systems and internal procedures and processes for the Board's approval. The position of the CEO is currently held by Mr. Jason Martin Westcott, who is appointed on 4 February 2022.

### (d) Directors' Training

Each newly appointed Director receives comprehensive, formal and tailored orientation program on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the Group structure, Board and Board committee meetings procedures, business, management and operations of the Company, etc. and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements in Cayman Islands and Hong Kong. An induction programme covering the roles of a Director from the strategic, planning and management perspective, the Listing Rules, the Securities and Futures Ordinance, as well as the essence of corporate governance and the trends in these areas, be therefore arranged for newly appointed Directors(s), if any, after he/she joined the Board.

According to the code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

All Directors have participated in continuous professional development and provided to the Company a record of training they received for the Year.

Besides, the Company keeps circulating information and materials to develop and refresh Directors' knowledge and skills from time to time. All the information and materials are relevant to the Group's business, the economy, corporate governance, rules and regulations, accounting, financial or professional skills and/or directors' duties and responsibilities. There are also arrangements in place for providing continuing briefing and professional development to each Director. During the Year, the record of the trainings of the Directors, on named basis, is set out in the table below:

	Reading journals, written training materials and/or updates	Attending webcast training and/or forums	Receiving briefings from financial officers, company secretary and/or other executives
<b>Executive Directors</b>			
Mr. Jason Martin Westcott (appointed on 16 February 2022)	n/a	n/a	n/a
Mr. Chan Sai On Bill	✓	✓	✓
Mr. Ng Chun Chung	✓	✓	✓
<b>Independent Non-Executive Directors</b>			
Ms. Lin Weiqi Wendy (appointed on 26 July 2021)	✓	✓	✓
Mr. Wong Chi Kei (appointed on 20 September 2021)	✓	✓	✓
Dr. Chan Kai Yue Jason (appointed on 1 December 2021)	✓	✓	✓
Mr. Sze Chun Wai (resigned on 24 June 2021)	✓	✓	✓
Mr. Li Ka Chun (resigned on 16 August 2021)	✓	✓	✓
Mr. Fung Wai Hang (resigned on 31 August 2021)	✓	✓	✓

## Corporate Governance and Other Information

All Directors are encouraged to attend relevant training courses at the Company's expenses. The Company secretary is responsible to keep records of training taken by each Director. The NC reviewed the training records of each Director in December 2021.

### **(e) Company Secretary**

The Company secretary, being an employee of the Company, has day-to-day knowledge of the Company's affairs and reports to the Board. He keeps close contact with all Directors and ensures that the operation of the Board and all Board committees are in compliance with the procedures as set forth in the Articles and the Listing Rules. Additionally, the Company secretary is responsible for compiling and regularly submitting draft minutes of Board meetings and Board Committee meetings to the Directors and committee members for their comment, and final version of minutes for their records, within a reasonable time after the relevant meetings. Each Director may obtain advice from and the assistance of the Company secretary to ensure that the meeting of Board and Board committees procedures, and all applicable rules and regulations, are followed. To ensure the possession of up-to-date knowledge and market information to perform his duties, the Company secretary attended sufficient professional training during the Year.

### **(f) Corporate Governance**

The Board is responsible for performing the corporate governance duties, which includes developing and reviewing the Company's policy and practices on corporate governance, assessing and monitoring the training and continuous professional development of Directors and senior management. During the Year, the Board reviewed, monitored and assessed the policy and practices on corporate governance, training and continuous professional development to Directors and senior management, policies and practice on compliance with legal and regulatory requirement and the compliance with the Model Code under the Listing Rule and disclosure requirements in this Corporate Governance Report. The Board kept under review in light of the changing legal and regulatory requirements.

### **(g) Board Committees**

The Board has established four committees, namely, the AC, NC, RC and RMC. All Board committees of the Company have been established with defined written terms of reference, which are disclosed in the corporate website of the Company (<http://www.cknassociates.com>) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and are available to Shareholders upon request.

The members of the AC at present are all independent non-executive Directors whereas, the majority of NC; RC and RMC comprise independent non-executive Directors. The list of the chairman and members of each Board committee is set out under "Corporate Information" in this annual report. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at Company's expenses.

### ***Nomination Committee (NC)***

The Company established the NC with written terms of reference on 3 October 2018. The terms of reference of the NC is currently made available on the websites of the Stock Exchange and the Company. Terms of reference of the NC are aligned with the code provisions set out in the CG Code. The NC currently comprises the following three members, all of them are independent non-executive Directors:

Ms. Lin Weiqi Wendy (*Chairlady*)

Mr. Wong Chi Kei

Dr. Chan Kai Yue Jason

The primary duties and roles of the NC include, but are not limited to, (a) reviewing the structure, size and composition and diversity (including the skills, knowledge, educational background, experience and diversity) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (b) identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board in the selection of individuals nominated for directorships; and (c) assessing the independence of Independent Non-executive Directors.

During the Year, the NC held 4 meetings. The attendance records of the meeting of the NC during the Year is set on page 18 of this report.

### ***Nomination Policy***

A Nomination Policy has been adopted by the Board to enable the NC to consider and make recommendations to the shareholders for election of Directors at general meetings or to the Directors for appointing candidates to fill in casual vacancies.

### ***Selection Criteria***

In considering the nomination of new Directors, the NC will take into account the factors listed below as reference in assessing the suitability of a proposed candidate:

- (1) reputation for integrity;
- (2) accomplishment and experience in the business in which the Group is engaged in;
- (3) commitment in respect of available time and relevant interest;
- (4) diversity in all its aspects, including but not limited to race, gender, age (18 years or above), educational background, professional experience, skills and length of service;
- (5) qualifications which include professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- (6) the number of existing directorships and other commitments that may demand the attention of the candidate;
- (7) requirement for the Board to have independent non-executive Directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in Rules 3.08, 3.09 and 3.13 of the Listing Rules;



## Corporate Governance and Other Information

- (8) Board Diversity Policy of the Company and any measurable objectives adopted by the NC for achieving diversity on the Board; and
- (9) such other perspectives appropriate to the Company's business.

### *Director Nomination Procedure*

Subject to the provisions in the Articles and the Listing Rules, if the Board recognises the need for an additional Director or a member of senior management, the following procedure will be followed:

- (1) The NC and/or Board will identify potential candidates based on the criteria as set out in the selection criteria, possibly with assistance from external agencies and/or advisors;
- (2) The NC and/or the Company Secretary of the Company will then provide the Board with the biographical details and details of the relationship between the candidate and the Company and/or Directors, directorships held, skills and experience, other positions which involve significant time commitment and any other particulars required by the Listing Rules, the Companies Law of the Cayman Islands and other regulatory requirements for any candidate for appointment to the Board;
- (3) The NC would then make recommendation to the Board on the proposed candidate(s) and the terms and conditions of the appointment;
- (4) The NC should ensure that the proposed candidate(s) will enhance the diversity of the Board, being particularly mindful of gender balance;
- (5) In the case of the appointment of an independent non-executive Director, the NC and/or the Board should obtain all information in relation to the proposed Director to allow the Board to adequately assess the independence of the Director in accordance with the factors set out in Rules 3.08, 3.09 and 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time; and
- (6) The Board will then deliberate and decide on the appointment based upon the recommendation of the NC.

### *Board Diversity Policy*

The Board adopted a board diversity policy on 3 October 2018 and revised on 6 December 2019 (the "**Board Diversity Policy**") which sets out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of diversity in the Board and is committed to enhancing quality of opportunity in all aspects of its business.

The Company seeks to achieve Board diversity through the consideration against a range of objective criteria, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimal composition of the Board.

## Corporate Governance and Other Information

During the Year and up to the date of this report, the Board comprises six Directors. The following tables further illustrate the diversity of the Board members as of the date of this annual report:

	Age Group	
	31–60	Over 60
<b>Executive Directors</b>		
Mr. Jason Martin Westcott	✓	–
Mr. Chan Sai On Bill	✓	–
Mr. Ng Chun Chung	✓	–
<b>Independent Non-Executive Directors</b>		
Ms. Lin Weiqi Wendy	✓	–
Mr. Wong Chi Kei	✓	–
Dr. Chan Kai Yue Jason	✓	–

	Management	Accounting and finance	Law
	<b>Executive Directors</b>		
Mr. Jason Martin Westcott	✓		
Mr. Chan Sai On Bill	✓	✓	
Mr. Ng Chun Chung		✓	
<b>Independent Non-Executive Directors</b>			
Ms. Lin Weiqi Wendy			✓
Mr. Wong Chi Kei	✓		
Dr. Chan Kai Yue Jason	✓	✓	

### *Measurable Objectives and Selection*

The Board will take opportunity to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for Board appointments. The Board would ensure that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices, with the ultimate goal of bringing the Board to gender parity. The Board also aspires to having an appropriate proportion of Directors who have direct experience in the Group's core markets, with different ethnic backgrounds, and reflecting the Group's strategy.

### *Implementation and Monitoring*

The NC will monitor the implementation of the Board Diversity Policy and report to the Board annually.

The NC will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

## Corporate Governance and Other Information

### *Remuneration Committee (RC)*

The Company established the RC with written terms of reference on 3 October 2018. The terms of reference of the RC is currently made available on the websites of Stock Exchange and the Company. Terms of reference of the RC are aligned with the code provisions set out in the CG Code. The RC currently comprises the following three members, all of them are independent non-executive Directors:

Mr. Wong Chi Kei (*Chairman*)

Dr. Chan Kai Yue Jason

Ms. Lin Weiqi Wendy

The primary duties and roles of the RC include, but not limited to,

- (a) making recommendations to the Board on the policy and structure for the remuneration of all of Directors and senior management personnel and on the establishment of a formal and transparent procedure for developing the policy on such remuneration;
- (b) making recommendations to the Board on the specific remuneration packages of individual executive Directors and senior management;
- (c) reviewing and approving management's remuneration proposals with reference to the Board's corporate goals and objectives; and
- (d) making recommendations to the Board on the remuneration of Directors.

During the Year, the RC held 4 meetings. The attendance records of the meeting of the RC during the Year is set on page 18 of this report.

The emoluments payable to Directors and senior management depend on their respective contractual terms under the employment agreements, if any, and is fixed by the Board with reference to the recommendation of the Remuneration Committee, the performance of the Group and the prevailing market conditions. Details of the remuneration of the Directors and senior management are set out in note 11 to the consolidated financial statements.

### *Senior Management's Remuneration*

Senior management's remuneration for the Year falls within the following bands:

	Number of individuals
Nil to HK\$1,000,000	8

### *Audit Committee (AC)*

The Company established the AC with written terms of reference on 3 October 2018 and revised on 9 September 2020. The terms of reference of the AC is currently made available on the websites of the Stock Exchange and the Company. Terms of reference of the AC are aligned with the code provisions set out in the CG Code. The AC currently comprises the following three members, all of them are independent non-executive Directors:

Dr. Chan Kai Yue Jason (*Chairman*)

Mr. Wong Chi Kei

Ms. Lin Weiqi Wendy

The primary duties and roles of the AC include, but not limited to,

- (a) making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- (b) monitoring integrity of financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them; and
- (c) reviewing the financial controls, risk management and internal control systems of the Group.

The AC meets the external auditors regularly to discuss any area of concern during the audit. The AC shall review the interim and annual reports before submission to the Board. The AC focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual report.

During the Year, the AC held 3 meetings. The attendance records of the meeting of AC during the Year is set on page 18 of this report.

The AC noted the existing risk management and internal control systems of the Group and also noted that review of the same will be carried out annually.

The consolidated financial statements of the Group for the Year were audited by KTC Partners CPA Limited whose term of office will expire upon the conclusion of the forthcoming annual general meeting of the Company ("**2022 AGM**").

### *Auditors' Remuneration*

During the Year, the remuneration paid/payable to the Company's auditors are set out below:

	Fee paid/payable HK\$'000
Audit services	700

## Corporate Governance and Other Information

### *Risk Management Committee (RMC)*

The Company established the RMC with written terms of reference on 3 October 2018 and revised on 3 September 2020. The terms of reference of the RMC are currently made available on the websites of the Stock Exchange and the Company. The RMC currently comprises the following three members, all of them are independent non-executive Directors:

Dr. Chan Kai Yue Jason (*Chairman*)

Ms. Lin Weiqi Wendy

Mr. Wong Chi Kei

The primary duties and roles of the RMC include, but are not limited to, review the general goals and fundamental policies of our risk and compliance management, internal control and risk management, internal audit functions and make recommendations to our Board on the same.

During the Year, the RMC held 1 meeting. The attendance records of the meeting of the RMC during the Year is set on page 18 of this report.

### **(h) Shareholders' Rights**

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an EGM.

#### *Shareholders to convene an EGM*

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 carrying the right of voting at general meetings of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.

Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned to the Unit 1501, 15/F, 9 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong for the attention of the Company Secretary.

The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included and the details of the business (es) proposed to be transacted at the EGM. The Requisition must be signed by the Eligible Shareholder(s) concerned.

The Company will check the Requisition and the identity, and the shareholding of the Eligible Shareholder will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the Company Secretary will request the Board to convene an EGM within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder at the EGM after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM and/or include the proposal or the resolution proposed by the Eligible Shareholder at the EGM.

### *Putting enquiries by Shareholders to the Board*

Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company's principal place of business in Hong Kong at Unit 1501, 15/F, 9 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong by post or by email to [jones@cknassociates.com](mailto:jones@cknassociates.com).

### *Procedures for shareholders to propose a person for election as a Director*

If a Shareholder wishes to propose a person other than a Director of the Company for election as a Director, the Shareholder must deposit a written notice (the "**Notice**") to the principal place of business of the Company in Hong Kong at Unit 1501, 15/F, 9 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong, or the branch share registrar of the Company, Union Registrars Limited ("**Share Registrar**"), at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for the attention of the Company Secretary.

The Notice must state clearly the name, the contact information of the Shareholder and his/her/their shareholding, the full name of the person proposed for election as a Director, including the person's biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the Shareholder concerned (other than the person to be proposed). The Notice must also be accompanied by a letter of consent (the "**Letter**") signed by the person proposed to be elected on his/her willingness to be elected as a Director.

The period for lodgment of the Notice and the Letter will commence no earlier than the day after the dispatch of the notice by the Company of the general meeting appointed for election of Directors and end no later than seven days prior to the date of such general meeting.

The Notice will be verified with the Company's branch share registrar and upon their confirmation that the request is proper and in order, the Company Secretary will ask the NC and the Board to consider including the resolution in the agenda for the general meeting proposing such person to be elected as a Director.

### *Procedures for shareholders to put forward proposals at general meetings*

To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her/its proposal (the "**Proposal**") with his/her/its detailed contact information at the principal place of business of the Company in Hong Kong, with a copy of the Proposal served to the Company's branch share registrar in Hong Kong at their respective address and contact details set out on page 2 of this annual report.

The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the Board will be asked to include the Proposal in the agenda for the general meeting.

The notice period to be given to all the Shareholders for consideration of the Proposal raised by the shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

- (1) Notice of not less than twenty-one clear days and not less than twenty clear business days in writing if the Proposal requires approval in an AGM of the Company; and
- (2) Notice of not less than fourteen clear days and not less than ten clear business days in writing if the Proposal requires approval in an EGM of the Company.

## Corporate Governance and Other Information

### (i) Voting by Poll

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions to be set out in the notice of 2022 AGM will be voted by poll.

### (j) Investor Relations

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its Shareholders.

Information of the Company is disseminated to the Shareholders in the following manner:

- Delivery of annual and interim reports to all Shareholders;
- Publication of announcements on the annual and interim results on the Stock Exchange website, and issue of other announcements and Shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and
- The general meeting of the Company is also an effective communication channel between the Board and Shareholders.

### (k) Risk Management and Internal Control

The Board acknowledge that it is responsible for the risk management and internal control systems and reviewing their effectiveness. The internal control systems of the Group are structured to assist in the achievement of the Group's goals, to safeguard the Group's assets and to ensure the maintenance of proper accounting records and compliance with applicable laws, rules and regulations. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has delegated its responsibilities (with relevant authorities) of risk management and internal control to the AC, who oversees management in the design, implementation and monitoring of the risk management and internal control systems, and management has provided a confirmation to the AC (and the Board) on the effectiveness of these systems for the Year. A review of the effectiveness of the risk management and internal control systems have been conducted by the Board at least annually.

### ***Risk management***

The Company has already reviewed its risk management framework and processes and has implemented relevant measures resulting from this exercise that aim to enhance its framework and processes. In particular, the Company has developed, approved and implemented a risk management system, which is defined and supported by its endorsed risk management policy. The system comprises the following phases:

- *Identification*: Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.
- *Analysis*: Analyze the existing control, likelihood and consequence of risks and evaluate the risk portfolio accordingly.
- *Management*: Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

### ***Internal control measures***

The internal control system of the Group covers its major business aspects such as revenue management, expenditure management, human resources and payroll, cash and treasury management, financial reporting, compliance and information technology. The internal control measures are supervised by management team including Executive Directors of the Company. The management team is responsible to identify risks and internal control deficiencies, evaluate the internal control system of the Group from time to time and implementing additional control measures, if necessary, to improve the internal control system. Results of the internal assessments, internal surveys and routine inspections would be reported to the AC of the Board, which is responsible to review the financial information and supervise the financial reporting system and internal controls system of the Group.

### ***Internal audit function***

The Board conducted an annual review on the effectiveness of risk management and internal control systems, covering all material controls such as financial, operational and compliance controls. In addition, the Board has appointed an internal control review consultant to review the internal control systems of the Group on an on-going basis. During the Year, the review covered key processes of project tendering, payment processing and administration, payroll and legal and compliance of the Group. Such review shall be conducted annually. The Board considered that the risk management and internal control systems of the Company for the Year were effective and adequate.

### ***Handling and dissemination of inside information***

The Company has established and maintained procedures and internal controls for the handling and dissemination of inside information. The Company has adopted a code of conduct for dealing in the securities of the Company by the Directors in accordance with Appendix 10 of the Listing Rules. Other employees of the Group who are likely to be in possession of inside information of the Company are also subject to dealing restrictions. Any inside information and any information which may potentially constitute inside information is promptly identified, assessed and escalated to the Board and for the Board to decide on the need for disclosure. Inside information and other information which is required to be disclosed pursuant to the Listing Rules will be announced on the respective websites of the Stock Exchange.



## Corporate Governance and Other Information

### *Dividend Policy*

The Company has adopted a Dividend Policy that aims to provide guidelines for the Board to determine whether dividends are to be declared and paid to the Shareholders and the level of dividend to be paid. Under the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among others,

- (1) the Group's actual and expected financial performance;
- (2) the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;
- (3) retained earnings and distributable reserves of the Company and each of the members of the Group;
- (4) the Group's liquidity position;
- (5) interest of shareholder;
- (6) taxation consideration;
- (7) potential effect on creditworthiness;
- (8) the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and
- (9) any other factors that the Board deems appropriate.

The declaration and payment of dividends by the Company shall remain to be determined at the sole discretion of the Board and is also subject to any restrictions under the Companies Law of the Cayman Islands, the Listing Rules, the laws of Hong Kong and the Company's Memorandum and Articles of Association and any other applicable laws and regulations. The Company does not have any pre-determined dividend distribution ratio. The Company's dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

The Company will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time, and the Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

### **(I) Constitutional Documents**

Pursuant to special resolutions of the Shareholders passed on 16 August 2018, the existing memorandum and articles of association of the Company were adopted. Save as disclosed above, throughout the Year, there was no change in the constitutional documents of the Company.

The existing memorandum and articles of association of the Company are available on the websites of the Stock Exchange and the Company.

# Biographical Details of Directors and Senior Management

## Executive Directors

**Mr. Jason Martin Westcott (“Mr. Westcott”)**, aged 51, has over 20 years of experience in the plastic and household goods industry. Prior to joining the Group, from January 2019 to January 2022, Mr. Westcott was the Head of Sourcing (Sports and Entertainment Campaigns) at The Continuity Company Limited, a retail loyalty marketing company. Mr. Westcott’s focus as the Head of Sourcing was developing and delivering products in respect of consumer loyalty programs for in-house or licensed brands. From April 2018 to January 2019, he was the Head of Purchasing at RDP Creative Limited. From September 2016 to November 2017, Mr. Westcott served as a Senior Sourcing Manager at ADM Promotions Hong Kong Limited. From April 2014 to October 2015, Mr. Westcott was the Head of Operations at RDP Creative Limited. From October 2012 to November 2013, Mr. Westcott served as a Special Projects Manager at Asian Sourcing Link Limited. Mr. Westcott was awarded diploma in business studies by the Royal Society of Arts and a diploma in business mathematics and computing by The City and Guilds of London Institute in the United Kingdom in 1988. Mr. Westcott has entered into a service agreement with the Company in relation to his appointment as an executive Director and Chief Executive Officer for an initial term of three years commencing from 16 February 2022 and 4 February 2022, respectively.

**Mr. Ng Chun Chung (吳振中) (“Mr. Ng”)**, aged 40, has more than 14 years of experience in accounting and auditing. Mr. Ng joined Aoba CPA Limited in 2008 as an Audit Associate, and his last held position was audit Senior. In 2011, Mr. Ng served in Baker Tilly Hong Kong Business Services Limited as a senior associate. In September 2014, Mr. Ng served as the finance manager in Wai Chi Holdings Company Limited, a company listed on the Main Board of the Stock Exchange. In 2017, Mr. Ng was appointed as the chief financial officer of CaSO Environmental Group Limited, an integrated solution provider in wall system in Hong Kong. Since 2019, Mr. Ng has been engaged by Rongwen Energy Science and Technology Group Co., Limited as the chief financial officer. Mr. Ng obtained his bachelor degree in business administration from Lingnan University in Hong Kong in December 2005. Mr. Ng was admitted as a member of the HKICPA in January 2012. Mr. Ng entered into a service contract with the Company on 10 June 2020. Mr. Ng is also our Company Secretary.

**Mr. Chan Sai On Bill (陳世安) (“Mr. Chan”)**, aged 46, has over 20 years of experience in the financial industry, in particular, fund management and administration, regulatory compliance and investors relations. Mr. Chan graduated with a Bachelor’s degree in Accounting and Finance from the Stern School of Business of New York University in the United States and is a Certified Public Accountant in the state of Colorado, the USA. Mr. Chan has held numerous positions in world class asset management firms to establish his financial expertise. From September 1997 to January 1999, Mr. Chan worked at PricewaterhouseCoopers LLP as an associate. From May 1999 to April 2005, Mr. Chan was a tax manager at Ernst & Young. Between April 2005 and June 2007, he was a fund accounting and tax manager at Rockefeller & Co. and from July 2007 to January 2008, the financial controller of Apollo Capital Management. Further, from February 2008 to February 2010, Mr. Chan was appointed as the managing director of Harres Apparel Limited. From February 2010 to September 2014, he worked as the senior vice president of Citco Fund Services Pte Ltd. Since June 2018, Mr. Chan has worked as the managing director in tax, compliance and corporate strategies of Cachet Group Limited. Mr. Chan entered into a service contract with the Company on 10 June 2020.

## Biographical Details of Directors and Senior Management

### Independent Non-Executive Directors

**Ms. Lin Weiqi Wendy (林瑋琪) (“Ms. Lin”)**, aged 38, graduated from the National University of Singapore with a Bachelor of Laws in 2006 and was called to the Singapore Bar in 2007. Ms. Lin has an active Court and arbitration practice spanning a wide array of commercial and corporate, cross-border trade and investment, fraud, and asset recovery disputes. She is regularly instructed on various high-value, multi-jurisdictional, and complex disputes before the High Court and Court of Appeal of Singapore, as well as in arbitrations conducted under various arbitral rules. Ms. Lin is presently the Co-Chair of the Young Singapore International Arbitration Centre (“YSIAC”) Committee and is on the Panel of Arbitrators of various arbitral institutions. Ms. Lin entered into a service contract with the Company on 26 July 2021.

**Mr. Wong Chi Kei (黃志奇) (“Mr. Wong”)**, aged 48, graduated from University of Toronto with a Bachelor of Applied Science in 1996. Mr. Wong has ample managerial experience in a wide array of industries which include financial services, realty development, engineering, manufacturing and fast-moving consumer goods. Mr. Wong is currently the managing director of Astro Far East Estate Limited and Sure Profit Trading (Asia) Limited. Mr. Wong entered into a service contract with the Company on 20 September 2021.

**Dr. Chan Kai Yue Jason, MH, JP (陳繼宇) (“Dr. Chan”)**, aged 47, graduated from the City University of Hong Kong with a Bachelor of Arts in Public and Social Administration with First Class Honours in 1998. He further obtained a Master of Science degree in Computing at the City University of Hong Kong in 2004 and a Master of Educational Technology degree at The University of British Columbia in 2005. He completed the Stanford Certified Project Manager certificate program in the Stanford University in 2007 and his doctorate in Doctor of Education at The University of Bristol in 2010.

Dr. Chan has extensive experience in education and information technology industries. He has been the Head of Information Technology of the College of Professional and Continuing Education (CPCE) at the Hong Kong Polytechnic University since July 2010. Dr. Chan has also been appointed as Assistant Dean (Innovation and Entrepreneurship) in July 2021. He is currently an independent non-executive director of Bamboos Health Care Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 2293). Dr. Chan entered into a service contract with the Company on 1 December 2021.

Each of Mr. Jason Martin Westcott, Mr. Chan Sai On Bill and Mr. Ng Chun Chung have entered into a service agreement with the Company for a term of three years. Each of the independent non-executive Directors has entered into a service contract with the Company. Both Ms. Lin Weiqi Wendy and Mr. Wong Chi Kei has entered into a letter of appointment with the Company for a term of one year. Mr. Chan Kai Yue Jason has entered into a letter of appointment with the Company for a term of two years. All Directors are subject to retirement by rotation from the Board and then re-election in the annual general meeting of the Company in accordance with the Company’s Articles and the Listing Rules.

### Company Secretary

**Mr. Ng Chun Chung (吳振中) (“Mr. Ng”)**, aged 40, is our Company Secretary, Chief Finance Officer and Executive Director. The biography of Mr. Ng is set out in the section headed “Biographies of Directors and Senior Management — Executive Directors” of this report.

# Directors' Report

The Board ("**Board**") of directors ("**Director(s)**") is pleased to present this report together with the audited consolidated financial statements of the Group for the year ended 31 December 2021 ("**Year**").

## Principal Place of Business

The Company was incorporated in the Cayman Islands and is domiciled in Hong Kong and has its principal place of business at 1501, 15/F, 9 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong.

## Principal Activities

The Company is an investment company and its subsidiaries (collectively the "**Group**") are principally engaged in the design, development, manufacturing and selling of plastic household products.

## Business Review

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the "Director's statement" and the "Business Review, Management Discussion and Analysis" set out on pages 4 to 14 of this annual report. All these sections form part of this "Directors' Report".

## Principal risks and uncertainties

There are certain risks involved in our Group's operations, many of which are beyond the Group's control, including but not limited to those relating to our business and the industry. Some of the major risks the Group facing include the following:

- increases in the prices or the unstable supply of the raw materials we use in our products may have a negative effect on our business;
- we may experience shortage of labour, high turnover rate of our manufacturing staff and our labour costs may continue to increase which may affect our operations and financial condition;
- we derive a significant portion of our revenue from our major customers with whom we have not entered into any long-term sales contracts;
- we rely on a few major suppliers for our principal raw materials and their discontinuation to supply to us may affect our business and financial condition; and
- our operations may be subject to transfer pricing adjustments by competent authorities.

Detailed discussion of the risk factors is set out in the section headed "Risk Factors" in the prospectus of the Company dated 21 September 2018 ("**Prospectus**").

## Compliance with the Relevant Laws and Regulations

During the Year, as far as the Board and management are aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the businesses and operation of the Group.

## Directors' Report

### Key Relationships with Employees, Customers and Suppliers

The Group recognises that employees are one of the significant assets of the Group. The Group aims to continue establishing a caring environment to employees and emphasis the personal development of its employees.

The Group maintains a good relationship with our customers, subcontractors and suppliers. The Group aims to continue providing quality services to our customers and establishing cooperation strategy with our subcontractors and suppliers.

### Results and Appropriations

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 83.

The Directors do not recommend the payment of a dividend and resolve not to declare any final dividend and special dividend in respect of the year ended 31 December 2021 (2020: Nil).

### Charitable Donations

During the Year, the Group did not make any charitable donations (2020: Nil).

### Property, Plant and Equipment

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

### Distributable Reserves

As at 31 December 2021, the Company's reserves available for distribution to the Shareholders is Nil (2020: Nil).

### Share Capital

Details of the movements in the share capital during the Year are set out in note 21 to the consolidated financial statements.

### Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association of the Company (the "**Articles**") or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

### Relief of Taxation

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Shares.

### Purchase, Sale or Redemption of Listed Securities of the Company

During the Year, neither the Company nor any of its subsidiaries had purchased or redeemed any of the listed shares of the Company.

### Permitted Indemnity Provision

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) when the Report of the Board of the Directors prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance (Chapter 622 of the laws of Hong Kong).

### Group 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 144 of this report.

### Directors

The list of Directors of the Company during the Year and up to the date of this annual report is set out below:

#### Executive Directors

Mr. Jason Martin Westcott (*Chief Executive Officer*) (appointed on 16 February 2022)

Mr. Chan Sai On Bill

Mr. Ng Chun Chung

#### Independent Non-executive Directors

Mr. Wong Chi Kei (appointed on 20 September 2021)

Ms. Lin Weiqi Wendy (appointed on 26 July 2021)

Dr. Chan Kai Yue Jason (appointed on 1 December 2021)

Pursuant to Article 84(1) of the Articles, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to the retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. Accordingly, Mr. Jason Martin Westcott and Ms. Lin Weiqi Wendy shall retire from office by rotation at the 2022 AGM and, being eligible, shall offer themselves for re-election at the 2022 AGM.

## Directors' Report

Article 83(3) of the Articles provides that the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. 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. Accordingly, Mr. Jason Martin Westcott should hold office until the 2022 AGM and being eligible for re-election at the 2022 AGM.

### Directors' Service Contracts

Each of the Executive Directors has entered into a service agreement with the Company for a term of three years commencing from respective appointment dates. Either party has the right to terminate the service agreement by giving not less than three months' written notice to the other party.

Mr. Jason Martin Westcott has entered into a service agreement with the Company in relation to his appointment as an executive Director and Chief Executive Officer for an initial term of three years commencing from 16 February 2022 and 4 February 2022, respectively, unless terminated by not less than three months' notice in writing served by either party on the other or otherwise pursuant to the terms of the said agreement expiring at the end of the initial term.

Both Ms. Lin Weiqi Wendy and Mr. Wong Chi Kei has entered into a letter of appointment with the Company as an Independent Non-executive Director for a term of one year. Ms. Lin Weiqi Wendy has entered into a letter of appointment with the Company commencing from 26 July 2021 and Mr. Wong Chi Kei has entered into a letter of appointment with the Company commencing from 20 September 2021. Either party has the right to terminate the letter of appointment by giving not less than three month's written notice to the other party.

Dr. Chan Kai Yue Jason has entered into a letter of appointment as an Independent Non-executive Director with the Company, for a term of two years, commencing from 1 December 2021. Either party has the right to terminate the letter of appointment by giving not less than one month's written notice to the other party.

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

### Confirmation of Independence

The Company has received from each of the Independent Non-executive Directors, a confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the Independent Non-executive Directors are independent.

### Directors' Rights to Acquire Shares or Debentures

At no time during the Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or their associates to acquire benefits by means of acquisition of shares in or debentures of, the Company or in any other body corporate.

## Directors' Material Interests in Transactions, Arrangements or Contracts

No significant transaction, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly or indirectly subsisted at 31 December 2021 or at any time during the Year.

## Contracts with Controlling Shareholders

No contract of significance was entered into between the Group, or any of its subsidiaries, and any of the controlling shareholders or any of their subsidiaries during the Year.

## Directors' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2021, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, are set out below:

### (i) Long positions in our Shares

Name of Directors	Capacity	Long position/ short position	Number of shares/underlying shares	Approximately percentage the issued capital of Company (%)	Note
Mr. Tong Ying Chiu	Interest of a controlled corporation/interest of spouse	Long position	270,256,500	50.05	1
Ms. Ng Siu Kuen Sylvia	Interest of a controlled corporation/interest of spouse	Long position	270,256,500	50.05	1
Mr. Chan Kam Hon Ivan	Beneficial owner	Long position	98,613,000	18.26	2

Notes:

- These Shares are held by Uni-Pro Limited, a company incorporated in the BVI and is wholly-owned by Sun Cheong Creative Development Limited ("Sun Cheong Creative"). Sun Cheong Creative is a company incorporated in Hong Kong and is held as to 50% by Mr. Tong Ying Chiu and as to 50% by Ms. Ng Siu Kuen Sylvia. Mr. Tong Ying Chiu is the spouse of Ms. Ng Siu Kuen Sylvia. Both of Mr. Tong Ying Chiu and Ms. Ng Siu Kuen Sylvia have resigned as an executive director on 7 December 2019.
- Mr. Chan Kam Hon Ivan has resigned as an executive director on 10 June 2020.



## Directors' Report

### (ii) Long position in the ordinary shares of associated corporations

Name of Director	Name of associated corporation	Capacity	Long position/short position	Number of shares held in the associated corporation	Percentage of shareholding
Mr. Tong Ying Chiu	Uni-Pro Limited	Interest of a controlled corporation/ interest of spouse	Long position	1 share of US\$1 (note)	100%
Ms. Ng Siu Kuen Sylvia	Uni-Pro Limited	Interest of a controlled corporation/ interest of spouse	Long position	1 share of US\$1 (note)	100%
Mr. Tong Ying Chiu	Sun Cheong Creative	Beneficial owner/interest of spouse	Long position	5,000 shares	50%
Ms. Ng Siu Kuen Sylvia	Sun Cheong Creative	Beneficial owner/interest of spouse	Long position	5,000 shares	50%

Note:

The share is held by Sun Cheong Creative, a company incorporated in Hong Kong and which is held as to 50% by Mr. Tong Ying Chiu and as to 50% by Ms. Ng Siu Kuen Sylvia. Both of Mr. Tong Ying Chiu and Ms. Ng Siu Kuen Sylvia have resigned as an executive director on 7 December 2019.

Save as disclosed above, none of the Directors, or chief executives of the Company or 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 defined in Part XV of the SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 December 2021.

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

As at 31 December 2021, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that, other than the interests of the Directors and the chief executives of the Company, the following shareholders had notified the Company of relevant interests or short position in shares and underlying shares of Company as follows:

Name of Shareholders	Capacity	Long position/short position	Number of shares/underlying shares held	Approximate the issued share capital of the Company (%)	Note
Uni-Pro Limited	Beneficial owner	Long position	270,256,500	50.05	1
Sun Cheong Creative	Interest of a controlled corporation	Long position	270,256,500	50.05	1

Notes:

1. Uni-Pro Limited is a company incorporated in the BVI and is wholly-owned by Sun Cheong Creative.
2. These Shares are held by Uni-Pro Limited, a company incorporated in the BVI and is wholly-owned by Sun Cheong Creative Development. Accordingly, Sun Cheong Creative Development is deemed to be interested in the Shares held by Uni-Pro Limited under the SFO.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2021.

### Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the Year.

### Share Option Scheme

A share option scheme (the “**Scheme**”) was conditionally adopted by the written resolutions of the Company’s then shareholders passed on 16 August 2018. During the Year and as of the date of this report, no option has been granted, agreed to be granted, exercised, cancelled or lapsed under the Scheme.

#### Purpose of the Scheme

The Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions eligible participants had or may have made to our Group. The Scheme will provide eligible participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (a) motivate eligible participants to optimise their performance efficiency for the benefit of our Group; and
- (b) attract and retain or otherwise maintain on-going business relationship with eligible participants whose contributions are or will be beneficial to the long-term growth of our Group.

#### Participants of the Scheme

The Board may, at its discretion, offer to grant an option to the following persons:

- (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;
- (ii) any Directors (including the Independent Non-executive Directors) of the Company or any of its subsidiaries;
- (iii) any advisers (professional or otherwise), consultants, suppliers, customers and agents to our Company or any of its subsidiaries; and
- (iv) related entities who, in the sole opinion of the Board, will contribute or have contributed to our Group.

## Directors' Report

### Shares available for issuance

The maximum number of the Shares in respect of which options may be granted under the Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue upon listing, being 54,000,000 Shares. The Company may, subject to the issue of a circular, the Shareholders' approval in general meeting and/or such other requirements prescribed under the Listing Rules, refresh this limit at any time to 10% of the Shares in issue as at the date of the Shareholders' approval and/or grant options beyond the 10% limit to eligible participants specifically identified by the Board. The above is subject to the condition that the maximum number of the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of the Company (including the Scheme) if this will result in the 30% limit being exceeded.

As at the date of this report, the outstanding number of share options available for grant under the Scheme is 54,000,000 share options to subscribe for the Shares, representing approximately 10% of the issued share capital of the Company.

### Maximum entitlement of each eligible participant

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular, the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules.

### Time for exercising option and duration of the Scheme

An option may be exercised in accordance with the terms of the Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

### The minimum period for which an option must be held before it can be exercised

There is no minimum period for which an option granted must be held before it can be exercised otherwise imposed by the Directors.

### Payment on acceptance of the option

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance or payment in favour of the Company of HK\$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date.

To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

### **Basis of determining exercise price of the option**

The subscription price of a Share in respect of any particular option granted under the Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

- (i) the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

### **Non-Competition Undertakings**

Each of the controlling Shareholders has made an annual declaration in respect of their compliance with the terms of non-competition undertaking.

Details of the non-competition undertaking are set out in the section headed "Relationship with Controlling Shareholders" on page 199 of the Prospectus.

### **Directors' Interests in Competing Business**

None of the Directors or their respective close associates 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, within the Group's business at any time for the Reporting Period and at any time before and up to the date of this report.

### **Equity-Linked Agreements**

No other equity-linked agreements were entered into by the Group, or existed during the Year.

### **Subsidiaries**

Details of subsidiaries of the Company as at 31 December 2021 are set out in note 31 to the consolidated financial statements.

### **Borrowings**

Particulars of the borrowings of the Group as at 31 December 2021 are set out in note 20 to the consolidated financial statements.

### **Major Customers and Suppliers**

During the Year, the percentage of revenue attributable to the largest customer and the five largest customers of the Group accounted for approximately 49.7% and 89.1% of the Group's total revenue respectively.

During the Year, the percentage of purchase attributable to the largest supplier and the five largest suppliers of the Group accounted for approximately 31.7% and 93.5% of the Group's total cost of sales respectively.

None of the Directors, their associates or any other Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

## Directors' Report

### Emolument Policy

The remuneration offered to the employees of the Group generally includes salaries, medical benefits and bonus. In general, the Group determines salaries of its employees based on each employee's qualifications, position and seniority. The Group will review our remuneration package annually. The Group provides a defined contribution to the Mandatory Provident Fund as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for our eligible employees in Hong Kong. The Group also participates in various social welfare schemes including pension, medical, maternity, work-related injury insurances, unemployment insurance and housing provident fund contributions as required by PRC regulations.

The Company has adopted share option schemes as incentive to eligible employees, details of the Schemes are set out in the section headed "Share Option Scheme".

### Directors' Emoluments

Details of the remuneration of the Directors for the Year are set out in note 11 to the consolidated financial statements.

The emoluments of the Directors and senior management of the Group are determined by the Remuneration Committee of the Company with reference to their relevant qualifications, experience, competence and the prevailing market conditions. None of the Directors waived or agreed to waive any emoluments during the Year and up to the date of this annual report.

### Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules for the Reporting Period and at any time before and up to the date of this report.

### Audit Committee

The Audit Committee currently consists of three Independent Non-executive Directors, namely Dr. Chan Kai Yue Jason (Chairman), Ms. Lin Weiqi Wendy and Mr. Wong Chi Kei. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the Year.

### Related Party Transactions

Details of the related party transactions undertaken by the Group are set out in note 23 to the consolidated financial statements. The Directors consider that those related party transactions did not fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent Shareholders' approval requirements under the Listing Rules. The Group has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

### Management Contracts

No contracts concerning the management and administration of the whole and any substantial part of the business of the Company were entered into or existed during the Year.

### Changes in the Information of Director

Pursuant to Rule 13.51B of the Listing Rules, the changes of information of the Directors since the date of the Company's 2021 Interim Report are set out below:

With effect from 4 February 2022, Mr. Jason Martin Westcott has been appointed as an Chief Executive Officer of the Company. He was further been appointed as an executive Director with effect from 16 February 2022. Further details were disclosed in the corresponding announcement dated 16 February 2022.

### Compliance with Laws and Regulations

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. The Board reviews and monitors the Group's policies and practices on compliance with legal and regulatory requirements in a regular basis. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time. During the Year, to the best of the Company's knowledge, the Company has complied with the requirements under the Articles, the Listing Rules, the SFO, the Companies Law of the Cayman Islands and other laws applicable to the Company. Details of the Company's compliance with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in the Listing Rules are provided in the Corporate Governance Report from pages 15 to 32 of this annual report.

### Auditors

The consolidated financial statements of the Company for the year ended 31 December 2018 were audited by Deloitte Touche Tohmatsu ("**Deloitte**"). Deloitte has resigned as the auditor of the Company with effect from 12 March 2020. KTC Partners CPA Limited has been appointed as the auditor of the Company with effect from 20 May 2020 to fill the casual vacancy following the resignation of Deloitte.

The consolidated financial statements of the Company for the Year have been audited by KTC Partners CPA Limited, who retire and, being eligible, offer themselves for reappointment at the forthcoming AGM of the Company.

By order of the Board

**Chan Sai On Bill**

*Executive Director*

Hong Kong, 31 March 2022

# Environmental, Social and Governance Report

## About the Report

The Group is pleased to present its third Environmental, Social and Governance Report (the “**ESG Report**” or the “**Report**”) for the year ended 31 December 2021 to allow all stakeholders to learn more about the Group’s progress and development direction in respect of operation and sustainable development. This ESG Report is prepared in accordance with disclosure obligations under the “comply or explain” provisions contained in the “Environmental, Social and Governance Reporting Guide” (the “**ESG Guide**”) as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). This Report shall be published both in Chinese and English on the websites of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Company. Should there be any discrepancy between the Chinese and the English versions, the English version shall prevail.

## Applicable Scope and Reporting Period of The Report

This Report covers the Group’s overall environmental, social and governance (“**ESG**”) performance and selected key performance indicators (“**KPI**”) during the period from 1 January 2021 to 31 December 2021 (the “**Reporting Period**”). A complete index is appended in the last chapter hereof for reading this Report in accordance with the ESG Guide. The data collected herein refers to the operation locations in Hong Kong of the Group. Unless otherwise stated, we obtained ESG Key Performance Indicators information through the Group’s and its subsidiaries’ operational control mechanisms. We will continue to expand the scope of disclosure in the future after the Group’s data collection system becomes more mature and its work on sustainable development is strengthened.

Information relating to the Group’s governance section can be found in the Corporate Governance Report as incorporated in the 2021 Annual Report.

## Explanations on Data

Financial data in the report are extracted from the 2021 Annual Report. Other data are extracted from the Company’s internal management system and statistics, and partly comprise of data from previous years. Unless otherwise stated, Hong Kong dollars is used in this report as its functional currency. The intensity disclosed for the Reporting Period was calculated by dividing the amount of the emission/waste/resources consumption by the Group’s revenue of approximately HK\$23.5 million for the year ended 31 December 2021.

## Confirmation and approval

The information contained herein is sourced from official documents and statistics data of the Group, management and operation information collected in accordance with the Group's systems. This report has been confirmed and approved by the board ("**Board**") of directors ("**Director(s)**") of the Company.

## Opinions and Feedback from Stakeholders

The Group attaches great importance to valuable the opinions of stakeholders. If you are in any doubt or have any opinion or recommendation about the content or form of reporting of this Report, you are welcome to contact the Group by the following methods:

Address: Unit 1501, 15/F, 9 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong

E-mail: [bill@cknassociates.com](mailto:bill@cknassociates.com)



# Environmental, Social and Governance Report

## Stakeholders Engagement and Materiality

Stakeholder engagement is essential in formulating our environmental and social strategy, defining our objectives, assessing materiality, and establishing policies. Our key stakeholders include government, shareholders and investors, employees, customers, suppliers/partners, peer/industry associations, market regulator and public and communities. The following table illustrates the issues of concern of our major stakeholders and the ways we communicate with stakeholders:

Stakeholder	Expectation	Engagement channel	Measures
Government	<ul style="list-style-type: none"> <li>— To comply with laws</li> <li>— Proper tax payment</li> <li>— Promote regional economic development and employment</li> </ul>	<ul style="list-style-type: none"> <li>— On-site inspections and checks</li> <li>— Research and discussion through work conferences, work reports preparation and submission for approval</li> <li>— Public information disclosed on the Stock Exchange website, such as: interim reports, annual reports and announcements</li> <li>— Company website</li> </ul>	<ul style="list-style-type: none"> <li>— Operated, managed and paid taxes according to laws and regulations, strengthened safety management; accepted the government's supervision, inspection and evaluation (if any), and actively undertook social responsibilities.</li> </ul>
Shareholders and Investors	<ul style="list-style-type: none"> <li>— Return on investment</li> <li>— Information disclosure and transparency</li> <li>— Protection of interests and fair treatment of Shareholders</li> <li>— Business risk management</li> </ul>	<ul style="list-style-type: none"> <li>— Annual general meeting and other Shareholder meetings</li> <li>— Public information disclosed on the Stock Exchange website, such as: interim reports, annual report and announcements</li> <li>— Meeting with investors and analysts</li> <li>— Company website</li> </ul>	<ul style="list-style-type: none"> <li>— Issued notices of general meeting and proposed resolutions according to regulations, disclosed Company's information by publishing announcements/circulars and periodic reports in the Year.</li> </ul>
Employees	<ul style="list-style-type: none"> <li>— Safeguard rights and interests of employees</li> <li>— Working environment</li> <li>— Career development opportunities</li> <li>— Health and safety</li> <li>— Self-actualisation</li> </ul>	<ul style="list-style-type: none"> <li>— Employee opinion surveys</li> <li>— Training, seminars and briefing sessions</li> <li>— Intranet and emails</li> <li>— Regular performance review</li> <li>— Employee newsletter and broadcasting</li> </ul>	<ul style="list-style-type: none"> <li>— Provided a healthy and safe working environment; developed a fair mechanism for promotion.</li> </ul>
Customers	<ul style="list-style-type: none"> <li>— Safe and high-quality products</li> <li>— Stable relationship</li> <li>— Information transparency</li> <li>— Integrity</li> <li>— Business ethics</li> </ul>	<ul style="list-style-type: none"> <li>— Company website, brochures, interim reports, annual reports and announcements</li> <li>— Email and customer service center</li> <li>— Customer satisfaction surveys and opinion forms</li> <li>— Regular meetings</li> <li>— International certification</li> </ul>	<ul style="list-style-type: none"> <li>— Strengthened quality management to ensure stable service quality, entered into long-term strategic cooperation agreements and obtained international certifications from professional institutions.</li> </ul>

## Environmental, Social and Governance Report

Stakeholder	Expectation	Engagement channel	Measures
Suppliers/Partners	<ul style="list-style-type: none"> <li>— Long-term partnership</li> <li>— Honest cooperation</li> <li>— Fair and open</li> <li>— Information resources sharing</li> <li>— Risk reduction</li> </ul>	<ul style="list-style-type: none"> <li>— Business meetings, supplier conferences, phone calls and interviews</li> <li>— Regular meetings</li> <li>— Review and assessment</li> <li>— Email, circulars and manual</li> <li>— Company website</li> </ul>	<ul style="list-style-type: none"> <li>— Invited tenders publicly to select the best suppliers and contractors, performed contracts obligation according to agreements, enhanced daily communication, and established long-term cooperation with quality suppliers and contractors.</li> </ul>
Peer/Industry associations	<ul style="list-style-type: none"> <li>— Experience sharing</li> <li>— Corporations</li> <li>— Fair competition</li> </ul>	<ul style="list-style-type: none"> <li>— Industry conferences</li> <li>— Site visit</li> <li>— Trainings</li> <li>— Seminars</li> </ul>	<ul style="list-style-type: none"> <li>— Stuck to fair play, cooperated with peer to realize win-win results, shared experiences and attended different seminars of the industry so as to promote sustainable development of the industry.</li> </ul>
Market regulator	<ul style="list-style-type: none"> <li>— Compliance with the law and regulations</li> <li>— Information disclosures</li> </ul>	<ul style="list-style-type: none"> <li>— Information disclosure</li> <li>— Regular performance reports</li> </ul>	<ul style="list-style-type: none"> <li>— Complied with regulatory requirements in a strict manner, disclosed and reported real information in a timely and accurate manner according to law.</li> </ul>
Public and communities	<ul style="list-style-type: none"> <li>— Community involvement</li> <li>— Social responsibilities</li> <li>— Employment promotion</li> <li>— Transparent information</li> </ul>	<ul style="list-style-type: none"> <li>— Voluntary work</li> <li>— Community investment programs</li> <li>— Company website</li> </ul>	<ul style="list-style-type: none"> <li>— Gave priority to local people seeking jobs from the Company so as to promote community building and development; protected the communities' ecological environment and provided timely compensation and assistance.</li> </ul>

Based on the stakeholders engagement, we have identified issues with significant environmental and social impact and issues concerning stakeholders. The results of materiality assessment prioritised stakeholder inputs and made us focused on the material aspects for actions, achievement and reporting. Through the materiality analysis, the Group identified "use of resources", "privacy protection" and "health and safety" as issues of high importance, priced the risks and opportunities hidden behind these mater and elaborated more under different sections of this ESG Report. We present below the relevant and required disclosure.

# Environmental, Social and Governance Report

## Environmental Aspects

The Group recognises the value of a practice to protect the natural environment for the benefit of mankind. We are committed to doing everything we can to reduce the degrading of the biophysical environment. For such purpose, the Group formulates and implements “Environmental Manual”, aims to uphold its stated principles of “pollution prevention, energy conservation, environmental products, constant self-improvement, people-oriented practices, and green operations”.

### A1: Emissions

Emissions refer to air and greenhouse gas emission, discharges into water and land, and generation of hazardous and non-hazardous waste.

The Group strictly complies with the “Environmental Protection Law of the People’s Republic of China (《中華人民共和國環境保護法》)”, “Law of the People’s Republic of China on the Prevention and Control of 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》)”, “Law of the People’s Republic of China on the Prevention and Control of Pollution from Environmental Noise (《中華人民共和國噪聲污染防治法》)”, “Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution of Solid Waste (《中華人民共和國固體廢物污染環境防治法》)”, “Air Pollution Control Ordinance (《空氣污染管治條例》)” of Hong Kong, and other environmental protection related laws and regulations in PRC and Hong Kong. The Group has established the policy of environmental protection and responsibility to actively implement environmental protection measures for the pollution generated from its operational process.

During the Reporting Period, the Group was not aware of any material non-compliance with the relevant local environmental laws and regulations relating to air and greenhouse gas, emissions, sewage discharge into water and land, and generation of hazardous and non-hazardous wastes.

In addition to formulating the “Environmental Target and Indicators and Plan Management Procedures”, “Environmental Manual”, “Procedures for Identifying and Controlling Environmental Factors”, “Compliance Control Procedures”, “Environment-related Laws and Regulations and Other Required Management Procedures”, “Environmental Inspection Management Procedures”, and “Operation Control Procedures”, the Group has formulated, revised, and implemented our environmental targets and indicators so as to exercise effective control over pollutants generated from our production and offices, including wastewater, exhaust gas, noise, and waste, manage such wastes in order, and oversee the implementation of environmental protection measures, the effective implementation of the environmental management system, and the realization of environmental targets and indicators at various departments of the Group.

Emissions disclosed as KPIs are calculated based on the consumption data collected and applicable emission factors. Since certain emission factors of the PRC are not accessible or updated from official sources, we have applied relevant emission factors which are available from recognised or reputable sources. If certain emission factors of the PRC are not available, available consumption data collected, waste produced, or emission measured is disclosed.

## **Exhaust Emission**

During the Reporting Period, the sources of exhaust gas emissions derive from the fuels used by vehicles. We have adopted the following emission reduction measures against the emission sources:

### *Exhaust gas from plastic injection*

The high-temperature melting process during our daily production activities will generate volatile organic compounds, forming organic exhaust gas that irritates the eyes, respiratory system, and skins. Therefore, we have formulated the “Design Plan to Purify and Treat Exhaust Gas from Plastic Injection” (《注膠廢氣淨化治理工程設計方案》), pursuant to which, we plan to invest in and construct three treatment facilities specialized in organic exhaust gas collection and deep purification to ensure that such purified and treated exhaust gas will meet the emission concentration and speed requirements under the “Emission Limits of Air Pollutants from Existent Polluting Sources”, Class II Criteria of the second period of the “Emission Standard for Air Pollutants” (DB44/27-2001) issued by the local government in Guangdong before being discharged into the atmosphere.

### *Emergency power generators*

- Deliver messages to our employees regarding energy conservation; and
- Research and develop production technologies related to energy conservation and emission reduction.

### *Vehicle Exhaust Gas*

- Optimize operating procedures for increasing the loading rate of vehicles and lowering the idle rate; and
- Conduct regular maintenance and repair of vehicles to effectively reduce fuel consumption, which further reduce carbon emissions and exhaust gas emissions.

During the Reporting Period, exhaust emissions of the Group is not applicable.

# Environmental, Social and Governance Report

## Greenhouse Gas Emissions

There is consensus that human activity is causing climate change. The warming climate has significant negative impact on human health. The Group is committed to take sustainable, long-term actions to manage the carbon footprint of our own operations.

The elevated greenhouse gas (“GHG”) concentrations in the atmosphere has resulted in increased atmospheric heat retention and rising global average temperatures. The largest contribution of the Group’s carbon footprint came from combustion of gasoline and diesel from transportation and purchased electricity.

We continue to work on reducing travel, encourage the employees to conduct conference calls or video conferences instead of face-to-face meetings. Electronic documents, both-side printing and recycle paper are also encouraged to be used. We also optimize our production process and improve machines to reduce emission. In addition, we also develop energy saving policies (as mentioned in the section “Use of Resources”) regarding the procedures of energy conservation.

This report focuses on emissions of equivalent carbon dioxide emission and includes: Scope 1, which are direct emissions from the stationary and mobile combustion sources owned by the Group; Scope 2, which is indirect emission generated by consumption of purchased electricity by the Group and Scope 3, which is indirect emission from air business trips by employees of the Group.

### KPI A1.2: GHG Emission

Type of Emission	Amount of Emission (Tonnes of carbon dioxide equivalent)	Intensity (Tonnes/Revenue of HK\$ million)
Scope 1 (Direct Emission)	N/A	N/A
Scope 2 (Indirect Energy Emissions)	2,567	153.92
Scope 3 (Other Indirect Emissions)	N/A	N/A
<b>Total</b>	<b>2,567</b>	<b>153.92</b>

## **Waste**

### *Hazardous Waste*

During our production, we will endeavour to minimize or avoid use of hazardous substances or production techniques that may generate hazardous substances. If hazardous substances are used in and hazardous wastes are generated from the processes of production, equipment repair, and office activities, including used oily gloves and lamp scraps, they will be handled in accordance with the “Hazardous Chemicals Management Regulations” and “Waste Management Regulations”. In accordance with the GB13690–92 “Classification and Labels of Dangerous Chemical Substances Commonly Used”, we register and classify hazardous chemicals, while disposing expired or obsolete hazardous chemicals and related packaging and containers in accordance with the aforesaid regulations. The relevant hazardous wastes will be collected by our factories and recycled by qualified companies. We will maintain the recycle contracts and transfer statement stubs that contain records of the relevant hazardous wastes.

Since the Group has put a great effort in avoiding the use of hazardous substances in the processes of production, equipment repair, and office activities, the Group therefore did not identify any material hazardous waste during the Reporting Period.

### *Non-hazardous Waste*

Solid waste from production processes and office operations are prohibited from unauthorized disposal to prevent secondary pollution, collection of which will be processed by the Plant Work Department in compliance with the “Waste Management Regulations” and “Regulations for Water, Electricity, and Paper Consumption”.

To promote waste reduction, we evangelize sortation of wastes and reduction of waste at source. To this end, we are committed to building an e-application office environment, where the internet system will be fully utilised for delivery of notices regarding general affairs and transmission of information through the network system. In the meantime, printing and photocopying will be avoided as much as possible to reduce use of paper, and double-sided office paper is encouraged. We recommend our employees should differentiate recyclables from non-recyclables, such as paper waste and paper-based packaging boxes or cases, which will be listed and disposed as “recyclables”. Through the above waste reduction measures, employees’ awareness of waste reduction has increased. During the Reporting Period, non-hazardous waste was not applicable to the operation locations of the Group in Hong Kong.

### *Sewage*

We have developed environmental operation control procedures to monitor the production, office and domestic sewage to comply with the relevant laws and regulations and to meet the local government’s sewage discharge standards. In addition, we will inspect and test the drinking water and water sample within the living quarters and production areas within the factory premises to ensure the water quality is in compliance with the CJ94–2005 “Water Quality Standard for Fine Drinking Water” and the GB/T5750–2006 “Standards for Drinking Water Quality”. During the Reporting Period, sewage was not applicable to the operation locations of the Group in Hong Kong.

Domestic water mainly includes toilet wastewater. We establish discharging pipelines and venues for domestic sewage generated from washing and cleaning. In general, domestic water discharged to the municipal pipeline network will be processed by local wastewater treatment plants. The Group establishes septic tanks, the fermentation and isolation processes of which will treat toilet wastewater before such toilet wastewater is discharged into local sewage pipelines. On the other hand, local public hygiene departments will clean out isolated waste on a regular basis.

# Environmental, Social and Governance Report

## A2: Use of Resources

The Group places high priority on the efficient use of resources. The major resources used by the Group are electricity, water, and paper. The Group strives to improve the efficient use of natural resources, such as minimizing waste/emissions and implementing effective recycling program. During the Reporting Period, the Group has complied with relevant laws and regulations in relation to the use of energy.

### Electricity

The Group acknowledges the importance of electricity and energy saving and the fact that reducing electricity consumption will indirectly reduce greenhouse gas emissions. Therefore, the Group encourages various energy saving measures, including:

- Using electricity-saving equipment, electrical appliances, and lamps for production, office, and domestic electricity use;
- Forbidding the running of idle equipment, and the unreasonable electric wiring distribution;
- Using LED lamps in offices and factories;
- Requiring our employees to turn on electrical equipment, including lighting equipment, air conditioners, fans, etc. during business hours depending on actual needs, and encouraging them to turn off the power when not in use or before off duty; and
- Enhancing the maintenance and overhaul of equipment, maintaining the best condition of all electronic equipment for effective use of electricity.

In addition, the Group posts power-saving reminder at prominent locations. It raises the employee's awareness of energy conservation and environmental protection in the work and life. Through these energy-saving measures, employees' awareness on energy conservation has been increased.

During the Reporting Period, the operation locations of the Group in Hong Kong consumed approximately 3,615 kilo-Watt-hours ("KWh") of electricity and the use of electricity and the Scope 2 greenhouse gas emissions generated by the operation locations of the Group in Hong Kong as follows:

	Consumption (KWh)	CO2 equivalent emissions (Tonnes)
<b>Operation locations in Hong Kong</b>		
Electricity <sup>1</sup>	3,615	2,567
<b>Group total emission</b>		2,567
<b>Group emission intensity<sup>2</sup></b>		153.92

Notes:

- <sup>1</sup> The electricity bills of some rented premises are included in monthly rental and the landlords were no able to provide the electricity consumption data related to the business of the Group. Therefore, the electricity consumptions in such context are not disclosed in this Report.
- <sup>2</sup> The emission intensity is calculated by dividing the amount of the resources consumption by the Group revenue (in HK\$ million) for the year ended 31 December 2021.

## Water

Water conservation has been given attention by the Group. We post water saving tips in the restroom and pantry to remind staff of their water use behaviours. Furthermore, we have replaced old facilities with water conservation equipment. There is no issue in sourcing water during the Reporting Period.

To boost the water consumption efficiency, we have adopted the following measures:

- Applying water-saving appliances in water facilities as much as possible
- The faucets should be closed in time after using water to prevent the wastage and leakage of water; and
- If abnormal conditions are detected, the relevant department should be notified in time to prevent any wastage of water resources

The Group has been enhancing its water-saving promotion, posting water-saving slogans, and reminding employees to use water reasonably. The Company also has management systems in place to conserve water for production purposes and domestic water used by our employees, in which case, expenses incurred by water consumption are reduced and the awareness of water consumption among our employees has been effectively enhanced. Through the above water-saving measures, employees' awareness on water conservation has been increased. Considering the production model and geographic locations of our factories and offices, we do not have any issue relating to access to appropriate water sources.

During the Reporting Period, the water consumption for the operation locations of the Group in Hong Kong is as follows:

	2020/2021 (Tonnes)
<b>Water Resources</b>	
<i>Operation locations in Hong Kong</i>	
Total <sup>1</sup>	3.43
Intensity <sup>2</sup>	0.15

Notes:

- <sup>1</sup> The water bills of some of the rented premises are included in the rental and the landlords have not provided the water consumption data related to the business of the Group. Therefore, their water consumptions are not disclosed in this Report.
- <sup>2</sup> The emission intensity is calculated by dividing the amount of the resources consumption by the Group revenue (in HK\$ million) for the year ended 31 December 2021.



# Environmental, Social and Governance Report

## Paper

Reduction in paper use indirectly reduces the overall GHG emission. The Group has been promoting “paperless office” concept to reduce paper consumption, including:

- Go digital
- Printing internal documents on both sides of a page and in reduced format
- Reusing single-side paper for internal staff documents

In order to perform our commitment to environment protection, the Group chooses green package materials which are harmless to human health, protective to the ecological environment and can be recycled and reused. The main packaging material used were plastic bags, paper bags and cartons.

The Group will keep recording its resource consumption for reviewing effectiveness of its conservation measures in the future and formulating more specific improvement measures and objectives.

During the Reporting Period, the operation locations of the Group in Hong Kong has consumed approximately 0.04 tonnes of paper and packaging material used by the operation locations of the Group in Hong Kong is not applicable.

## A3: The Environment and Natural Resources

The Group pursues the best environmental practices and focuses on its impact on the environment and natural resources from its business operation. In addition to complying with environment-related regulations and international standards to appropriately protect the natural environment, we have integrated the concept of environmental protection into its internal management and daily operational activities, and are committed to achieving environmental sustainability.

With the “Environmental Protection Policy and Environmental Targets” in place, the Group maintains our production experience and philosophy of “Closer to Man and Nature” (“更接近人類·更接近自然”). We prioritize and consider the development of environmental management systems, comply with environmental regulations, and conserve energy. Furthermore, we produce environmental and green products and include health and safety into our systems. By constantly improving our own conditions and actions, we build a green culture to fulfil our sincere community commitments.

Our environmental policy comprises six aspects, including pollution prevention, energy conservation, environmental products, constant self-improvement, people-oriented practices, and green operations. Our environmental objectives include elimination of pollution — zero pollution; compliance with the emission standards — the compliance rate of 100% for emissions and wastes; and environmental protection and energy conservation — new technologies that meet the low-carbon and energy conservation requirements.

## *Environmental Factor Assessment*

The Group has established the “Procedures for Identifying and Controlling Environmental Factors”, which aims to control the process of assessing environmental factors, and identify which environmental factors are controllable or susceptible to influences, for the purposes of determining material environmental factors. In identifying environmental factors and environmental impacts, we take into consideration three statuses (being normal, abnormal, and unforeseeable emergency) and five aspects (possible occurrence of environmental impacts, possibility of testing, laws and regulations, the materiality of environmental impacts, and its scope of impacts).

## *Production Process Improvement Management*

The Engineering Department and Production Department will be responsible for making appropriate improvement to production processes and raw materials, and endeavour to use raw materials with less pollution and minimize environmental pollution during the production process. While executing the manufacturing procedures in strict compliance with the production processes to reduce generation of wastes and energy consumption, we increase the efforts to manage the use of recyclables to lower the scrap rate.

## *Noise Management*

The Production Department and Plant Work Department will conduct maintenance and repair on various equipment at the Production Department on a regular basis, thereby ensuring that the production equipment operates in good conditions without generating much noise caused by equipment anomalies. Equipment that generates extremely loud noise will be insulated. Oily rags used for repair work shall be handed over to the Plant Work Department for disposal instead of improper disposal. Scrapped components from the inspection and repair work shall be subject to approval by the equipment management personnel, in which case, such components, if repairable, are recycled, or otherwise handed over to the Plant Work Department. (KPI A3.1)

## **A4: CLIMATE CHANGE**

The Group is aware that the impact related to climate change may bring risks to the Group’s operations. As such, we regularly assess and review the risks of climate change and take precautions against financial risks that may arise in the future.

In recent years, there are increasingly stringent climate change-related regulations regarding operations, products and services will lead to an increase in operating costs, including compliance costs and product development costs. The Group’s factories had implemented energy-saving and emission-reduction measures, and fully abided by all environmental laws.

In the long-term, the gradual changes in the natural environment caused by climate change, including rainfall changes, extreme fluctuations in weather patterns and emergence of unknown viruses, will affect the health and work pattern of employees, which will increase medical insurance premiums and incur extra costs of work pattern transformation. After the COVID-19 epidemic, the Group has intensified occupational, health and safety measures for employees, such as allowing employees to work from home during the epidemic, so that the Group can resume operations more quickly.

## Social Aspects

### B1: Employment

We believe that the employees are the most important and valuable assets of the Group. We put great emphasis on the protection of the legitimate rights and interests of all employees. During the Reporting Period, the Group strictly complied with labour legislations and related regulations in the PRC and Hong Kong. The Group was not involved in any confirmed violation relating to employment that have a significant impact on the Group.

We are committed to be an ideal employer of choice and providing a healthy working environment where our employees can thrive. The Group's staff handbook sets out the standards for compensation and dismissal, promotion and salary review, working hours, rest periods, equal opportunity and other benefits and welfare. The Group entered into separate labour contracts with each of our employees in accordance with the applicable labour laws of Hong Kong and PRC.

As at 31 December 2021, the Group had approximately 53 (2020: 3) employees in Hong Kong and PRC.

#### *Recruitment and Promotion*

Our staff is the cornerstone of our corporate operation and development. Therefore, we have a fair and equitable talent selection system, which undergoes optimization from time to time for talent recruitment. The Company uses various channels, including talent recruitment fairs, online recruitment, recruitment notices at the corporate gates, recruitment advertisements on public community recruitment bulletin boards, internal referrals and other methods. In general, our Group determines employee's remuneration based on each employee's qualifications, position and seniority and remuneration policies established by us. Our Group has designed an appraisal system to assess the performance of our employees, which forms the basis of our decisions with respect to salary adjustments, bonus and promotions. We believe that the above arrangement can maintain good relationship with our employee.

#### *Remuneration and Benefits*

We offer reasonable and competitive salary and benefits to staff. Employees are awarded with salary adjustment, bonus and promotion based on their job performance as well as progress achievement and the results of performance appraisal. We make timely contribution to social insurances (i.e., pension, medical insurance, unemployment insurance, maternity insurance, and occupational injury insurance) and the housing fund (五險一金), mandatory provident fund and employees' compensation insurance in strict accordance with the Social Security Law of the People's Republic of China and the Labor Law of the People's Republic of China, Mandatory Provident Fund Schemes Ordinance of Hong Kong and Employees' Compensation Ordinance of Hong Kong. We also offer medical insurances, the share option scheme and the retirement benefits scheme to staff.

## Environmental, Social and Governance Report

The Group sincerely safeguards the legitimate interests of labourers in accordance with the requirements of the national and local laws and regulations (e.g. the “Labour Law of the People’s Republic of China (《中華人民共和國勞動法》)”), respects the rights of employees to rest and leave, and regulates their working hours and their rights for various types of rest times and holidays. All employees of the Company enjoy the benefits of paid marriage leave, paid funeral leave, paid maternity leave, sick leave, work-related injury leave, leave of absence, etc. We follow the “Regulation on Paid Annual Leave of the Employees” (《職工帶薪年休假條例》) and other relevant regulations to implement the paid leave system for employees. Meanwhile, overtime wage is paid for employees’ exceeding statutory working hours.

### ***Equal Opportunities and Diversity***

The Group is committed to providing a fair and equitable workplace where all individuals are treated equally in every aspect of their work or employment. Candidates and employees have equal opportunities to employment, remuneration and promotion. We will not conduct or tolerate discrimination or harassment against individuals on the basis of age, gender, race, marital status, religion healthy status or any legally protected ground or on any other ground which we consider inappropriate and unacceptable.

We also place high value on female employees’ career development by ensuring that they have the same promotion opportunities as male staff. We also comply with the requirements of the Law on the Protection of Women’s Rights and Interests of the People’s Republic of China, which stipulates that female employees are entitled to basic salary and their employment contracts will not be released or terminated, without cause, during their pregnancy, maternity leave or breastfeeding period.

### ***Dismissal Policy***

With regards to the policies relating to dismissal of employees, if an employee has committed serious misconduct and fails to improve in spite of repeated warnings, his/her supervisor and the senior management of the Company will have a thorough internal discussion and allow the employee to answer and explain before the dismissal is announced. The reasons for the dismissal will be conveyed to the employee clearly. The dismissal procedure must be in accordance to applicable laws and regulations as well.

### ***Staff Communication***

We appreciate the significance of communication with and care for our employees. We believe that maintaining a close relationship with our staff allows us to better understand their needs. Besides employee orientation with introduction of corporate system, culture and other information. A suggestion box is deployed at the staircase of the cafeteria inside the living quarters of the Company, encouraging our employees to freely express their opinions, file complaints, or report acts of terrorism or other actions prejudicing corporate interests, in which case, the whistle-blowers will receive incentives if the matter is verified. We resolve employees’ problems in the expression of demand, the handling of contradictions and other issues through various methods, and to ensure employees’ rights to participate, know and supervise.

# Environmental, Social and Governance Report

## *Working Hours and Rest Periods*

The Group has formulated its policy based on local employment laws including the Provisions of the State Council on Employees' Working Hours (“國務院關於職工工作時間的規定”) to determine working hours and rest periods for employees. Specially, the Group has installed the attendance management system that could keep monitoring its employee's working hours compensate those work overtime with extra pay or additional days off. In addition to basic paid annual leave and statutory holidays, the employees are also entitled to leave benefits such as marriage leave, maternity leave and compassionate leave.

## **B2: Health and Safety**

The Group is committed to ensuring a sound and safe working environment for our employees to prevent injury and illness, in compliance with all relevant legislation. People are crucial to the sustainable development of our Group. We manage the safety of the office in accordance with relevant occupational health and safety laws and regulations, including “Labour Law of the People's Republic of China (《中華人民共和國勞動法》)”, “Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》)”, “Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》)”, “Fire Protection Law of the People's Republic of China (《中華人民共和國消防法》)” and “Occupational Safety and Health Ordinance of Hong Kong 香港《職業安全及健康條例》”. We strive for the highest standards of safety and health performance by taking into consideration of all possible precautionary measures to achieve a zero-incident working environment and corporate the health and safety policy.

Following the outbreak of COVID-19 in early 2020, a series of precautionary measures have been adopted by the Group, according to the instruction from government.

## *Safety Production Management System*

The Group has formulated the “EHS Procedures for Environmental Safety and Health Management” and “Policy on Healthy and Safety” to govern the safe production of the Group. We have also established a healthy and safe production policy of “Full Participation, Primary Prevention, Health and Safety, Compliance with Laws and Regulations, and Continuous Improvement” for carrying out comprehensive governance methods, including in-person management, technology-driven precautions, and legal regulations, for the purposes of safety oversight and management. We also infuse all employees with the ideology of “Employees' Lives first, Health First, Safety Production Guarantee First, and Safety Education and Training First” to enhance their sense of responsibility and urgency on safe production. The Group has strengthened safety production supervision and management, defined safety production responsibilities, and implemented various national laws and regulations relating to safety to prevent and reduce safety accidents and ensure the safety of employees' assets and the national assets.

## Environmental, Social and Governance Report

The Group identifies and evaluates the potential hazards affecting the health and safety of employees and customers in the Group's activities, products and services, prioritizes the level of risk, and implements effective control and management, which provides basis for establishing target indicators and preventing hazards. We have always focused on standardizing the management system to regulate the Company's occupational health and safety management. In addition to the "EHS Procedures for Environmental Safety and Health Management", we also formulate the "Administrative Procedures for Emergency Preparation and Response" to ensure that the corresponding countermeasures will be taken to address potential environmental accidents or emergencies. In response to identified potential hazard, the Group takes training and drills to improve the ability of all staffs to respond to emergencies in production and other experimental processes, so that all staffs facing the emergency conditions or accidents can quickly and effectively take emergency measures to reduce the impact of various types of dangers, including injuries to personnel, property losses and adverse effects on the environment. The Group's professional safety supervisors monitor and evaluate safety measures on a regular basis and will immediately correct them to prevent accidents and work injury.

### ***Production Safety***

The Group's production facilities are equipped with a huge array of production equipment, including plastic injection machines. To prevent any physical harm to our workers during production activities, we formulate the "Operation Safety Guide for Plastic Injection Machines", whereby detailing the operating procedures and safety warnings to prevent and control work-related injuries caused by plastic injection machines.

We also include procedures in regard to safety protection, production safety, and medical emergency treatment in the relevant chapters and sections of the "Employee Manual". To prevent harms from transmissible blood-borne pathogens or other organisms against our employees facing blood exposure, we formulate the "Procedures for Preventing Transmission of Blood-Borne Pathogen", whereby providing the definition of blood exposure, the responsibilities of relevant personnel, and common medical treatments. In a safe and fast response towards incidents of blood exposure, the abovementioned preventative procedures provide that emergency boxes should be deployed inside the emergency response cabinets installed to each building, and emergency items are listed in the preventative procedures. In case of any shortage of supplies, the infirmary shall be timely notified and restock such supplies.

### ***Safety Production Training and Employee Health Management***

The Group creates a good working environment and safe production conditions for employees. We enhance safety inspections, and ensure the safety of production equipment and facilities. Protective facilities, equipment, first aid supplies, and washing and rinsing equipment are purchased and provided to our employees. We further provide employees with production safety education and training and their relevant records are properly maintained, so that they have the necessary production safety knowledge, are familiar with the relevant production safety regulations and operating procedures, and have the necessary safety operation skills for their respective positions. The training covers, including but not limited to, annual production safety training, training on precautions against occupational diseases and hazards, safety training on elevator operations, safety training on cranes, safety training for technicians at the Plastic Injection Department.

## Environmental, Social and Governance Report

In order to prevent occupational diseases and injuries, the Group helps employees understand occupational hazards that may arise from production activities, potential consequences and protective measures. On top of that, the Group provides occupational health tests for employees and retains the “Staff Occupational Health Monitoring Records”.

### *Fire Safety*

The Group recognizes the importance of fire safety within the factory premises, designs and conducts production plants and buildings in accordance with the national engineering building fire control standards. Fire-fighting equipment and facilities, including fire hydrants, fire pumps, fire extinguishers, and emergency lights, are installed alongside signs indicating the locations. The Plant Work Department conducts safety inspections over and maintains records of major electrical facilities, main circuits, and storage conditions for flammables to reduce potential hazards.

The factories establish the voluntary fire-fighting brigade and other taskforces, which mainly comprise of the Plant Work Department and the management officers at various departments. At noticeable locations of the factories and office buildings, the factories attach posters regarding lists of crews, task division, the “Evacuation Plan” for fire incidents, and meeting places. To raise the fire safety awareness among our employees, we will organize at least one fire safety drill and maintain a proper record each year. We will also ensure that all relevant departments at our factories maintain contact with the relevant government departments, including fire-fighting, hospitals, and environmental departments, so as to access information related to safety and environmental issues.

During the Reporting Period, there was no accident of work-related injuries/fatalities and no lost days due to work injury recorded by the Group. We will continue to foster greater safety awareness amongst our employees through series of on-the-job training.

### **B3: Development and Training**

The Group recognises the importance of training for the development of our employees as well as our Group. Staff are encouraged to proactively identify their training needs and seek development opportunities to fulfill their personal and career aspirations. The new employees will receive on-the-job training. The programs cover, including but not limited to, factory-wide safety training; training of corporate regulations and rules, and awareness for counter-terrorism and security threats; and training of HACCP and SSOP know-how, and production safety of plastic injection. If determined as qualified after the tests, these newly hired employees will be officially employed. These programs help them adapt to the work environment and perform their duties as quickly as possible. The Group also provided training for employees in key positions such as technical personnel, security team in the factory, heads of different departments, team leaders, clerks, factory staff and so on.

To further enhance the professional skills of its employees and meet the Group’s development goal, employees are highly encouraged to attend external trainings and take professional qualification examinations.

The Group also offers tailor-made trainings and exams to enhance the capacity of staff. For example, the inventory management team would be trained with the factory quality standard and targets, product material management, collect and deliver of record requirements and other relevant contents. The training programs cover business skills, which include but are not limited to social etiquette, interpersonal communications, management skills and approaches to manage employee relationship are also offered to staff.

The Group also recognizes the importance of safety production training to ensure the personal safety of employees. The relevant policies have been described in detail in Aspect B2 headed "Safety Production Training and Employee Health Management".

### **B4: Labour Standards**

The Group is fully aware that child labour and forced labour violate fundamental human rights and pose threat to sustainable social and economic development. The Group strictly complies with the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, Employment Ordinance of Hong Kong and other relevant labour laws and regulations in Hong Kong and PRC.

The Group strictly prohibits the employment of any child labour and forced labour in its business in PRC. The Group clearly stipulates in recruitment guidelines that only employees over the age of 16 can be recruited, and that new employees should provide true and accurate personal data when they join the Group. Recruiters rigorously review the entry data including physical examination certificates, academic credentials, identity cards, and bank account information. The Group has established a complete recruitment process to examine candidates' background and official reporting procedures to handle any exceptions. It also conducts regular reviews and inspections to prevent any child labour or forced labour in its operation. Teenagers or children under 16 found in the Group as employees should be treated in strict accordance with the "Administrative Procedures Against Child and Minor Labour".

In addition, the Group has established a forty-hour working time. Employees work overtime only in accordance with the principle of voluntariness. Calculation of overtime wage is based on 1.5 times as much as the normal rate. In accordance with the national labour laws, daily overtime will be two hours for the purposes of production requirements, and under special circumstances the overtime cannot exceed three hours, in which case, the monthly overtime cannot exceed 36 hours. No personnel from any department of the Company is permitted to withhold the employees' identity card, security deposit, or salary for any reason, nor is labour in exchange for settling debts permitted. Furthermore, the Group opposes any physical discipline, mental torture, or monetary penalty policy. The Group also prohibits punitive measures, management methods and behaviors such as verbal abuse, corporal punishment, violence, mental oppression, sexual harassment (including inappropriate language, posture and physical contact) and sexual abuse for any reason.

At the same time, the Group also will not appoint such suppliers and contractors who are known to have engaged in child labour or forced labour in their operations to provide products and services.

During the Reporting Period, the Group has complied with policies and relevant laws and regulations regarding prevention of child labour or forced labour.



# Environmental, Social and Governance Report

## **B5: Supply Chain Management**

The Group works closely with its suppliers who are committed to high quality, environmental, health and safety standards. As part of our commitment to environmental protection, product quality and social responsibility, we recognised the great importance of supply chain management and formulated internal policies and guidelines and selection of external suppliers.

The Group purchases polypropylene resins mainly from suppliers located in Hong Kong, and to our best knowledge, they source polypropylene resins which are manufactured in countries including South Korea, the United Arab Emirates and Brazil. We also purchase packaging materials from suppliers located in PRC. We believe our good supply chain management represents the key to our business success. On the other hand, we will implement various measures for the supply chain to ensure that compliance with the quality, environment, safety, and social requirements will meet our desired standards. To this end, we formulate the “Procurement Control Procedures” and “Administrative Procedures for Supplier Assessment” to regulate the entire purchase processes and examination procedures for such purchase processes. We will assess the suppliers in terms of their quality, environmental, safety, and social levels. For example, we will assess completeness of internal control systems of various suppliers, including but not limited to ISO9001, ISO14001 and SA8000, while assessing the quality control and quality assurance procedures of the suppliers to safeguard product quality.

The Group obtains certifications or test results from our suppliers showing that the polypropylene resins they supply meet certain safety standards and requirements. Such certifications or test results remain valid for that particular polypropylene resins unless there are changes in the safety standards and requirements. We also obtain the relevant certifications or test results from our suppliers on these new types of polypropylene resins and new safety standards and requirements. Upon discovery of any sub-standard or defective polypropylene resins, we will request for a refund of the purchase price or a set-off of the purchase price of the defective polypropylene resins against our outstanding purchase price with the supplier. For defective packaging materials, we will arrange for return or substitute of the packaging materials with our suppliers.

Apart from product quality, the Group also has a stringent supplier selection process and management approach. We will take multiple selection criteria and supplier assessment into account when accessing suppliers' profile and principles, such as labour standards, environmental and quality management and ethical business conduct. We strive to cooperate only with the suppliers who share the same principles with us.

Thus, we believe there are no significant environmental and social risks for our management decision on supply chain management.

## **B6: Product Responsibility**

The Group endeavours to offer high-quality products and services. Upholding the quality policy of “Customer-oriented, Quality first; Continuous improvement, Customer satisfaction”, we actively monitor the quality of our products and services through internal controls and are committed to producing high quality products that meet international industry standards. We also maintain communication with our customers to ensure customers' needs and expectations are understood and satisfied and get to know customers' level of satisfaction. Thus, we are able to continuously improve our products and services.

## Environmental, Social and Governance Report

The Group takes the initiative to comply with the “Trade Descriptions Ordinance” of Hong Kong, “Product Quality Law of the People’s Republic of China”, “Law of the People’s Republic of China on Protection of Consumer Rights and Interests”, “Advertising Law of the People’s Republic of China”, “Copyright Law of the People’s Republic of China”, “Patent Law of the People’s Republic of China”, and “Trademark Law of the People’s Republic of China”, “Trade Marks Act 1995 (Cth)” and “Copyright Act 1968 (Cth)” in Australia, “Consumer Guarantees Act” and “Fair Trading Act 1986” in New Zealand, “Directive 1999/44/EC of the European Parliament and of the Council”, “Directive 85/374/EEC of the EU Council”, “General Product Safety Regulations 2005”, “German Product Safety Act” and “German Product Liability Act”, and “Product Liability Laws” and “Consumer Product Safety Act” in the US, and many other laws and regulations.

During the Reporting Period, we had no violation record on relevant laws and regulations that have a significant impact on the Group relating to quality assurance.

### *Quality assurance*

The Group recognizes great importance of the quality control in our productions. We formulate the “Internal Audit Procedures for Quality Control System”, whereby establishing the planning, execution, and reporting procedures of internal audit procedures for the quality management system. At least one internal audit over the quality control system will be conducted each year to ensure that the operation of such system complies with the quality management standards for the purposes of achieving constant improvement in the management system. To facilitate labeling, cataloguing, collection, documentation, inspection, storage, safekeeping, and processing of quality records, we have formulated the “Quality Record Control Procedures”. We established the “Finished Product Inspection Guide”, whereby explicitly listing defect items and descriptions of faulty issues arising from the inspection over physical appearance, functional performance, and weights for easy reference during our quality inspection. In addition, we established the “Control Procedures for Product Labeling and Traceability”, ensuring that the processing and quality status of products at different stages, including the stages of incoming materials, production processes, and shipment of finished products at our factories, can be effectively identified, and wherever necessary, be traced.

We have specifically formulated the “Standard Inspection Procedure” (SIP) to ensure that the quality of incoming materials will meet the specification requirements of customers and the Company so that quality risks can be reduced and the quality assurance system can be improved. All materials will be sampled and inspected in accordance with the relevant standards, in which case, any non-compliant material failing the acceptance standards will be rejected, and the “Incoming Material Inspection Report” will be produced and approved by the competent officer before such material is returned to the supplier. The standards for accepting incoming materials shall be stricter than or equal to the acceptance standards of our customers in regard to finished products. As a result, where the customers set higher acceptance standards for finished products than the abovementioned standards, or where the customers have additional requirements, the customers’ standards shall prevail. Items subject to inspection comprise of, including but not limited to, paper boxes or paper cover, stickers, linerboard or color boxes, plastic raw materials, toners, springs (hardware), plastic bags, silicone rings, glasses, ceramics, thermal bags, and sealing tapes. Besides the abovementioned guide, we also have the “Specification in Process” (SIP), whereby inspecting and controlling unfinished products over the course of production in terms of physical appearance, color, try-out packaging, deformation, and weight.

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In accordance with the ISO 9001 requirements, we have implemented the quality control measures during the entire production process from quality control over incoming materials to delivery of finished products. Apart from the documents as referred in the preceding paragraph, we also formulate the “Management, Assessment and Control Procedures for Quality Control System” and “Quality Manual”. On one hand, the operating procedures in regard to regular assessments over management systems are established to safeguard the applicability, sufficiency, and effectiveness of the systems so that the management systems continue to improve. On the other hand, on the external front, the Company’s quality control system demonstrates that it meets the standards of the selected quality control system; on the internal front, these procedures and manuals serve as the basis for controlling various quality-driven activities so as to secure customer trust and satisfy customers by delivering products that meet or excel the expected quality standard.

Our quality control manager is in charge of the overall quality control of the production. Our quality control staff are mandated to identify any quality control issues and provide solutions to the production team to address the quality control issues. Our production team with our quality control staff are tasked with examination of our products at each key stage of production to ensure that the quality of our products is satisfactory to our internal standards and customers’ requirements. Members of our production team and quality control staff are trained to look out for certain quality control issues.

During the production process, our quality control personnel conduct random sample check on the products covering aspects of quality and appearance. Those products that fail to meet the quality standards are disposed of and are subject to failure analysis to identify the root cause of failures and determine corrective actions. Our production personnel and quality control personnel meet regularly to discuss the causes of the quality problems of our goods and the corresponding solution to improve and ensure the quality of our products.

Before packaging and delivery of our finished products, we conduct final control check to ensure that outgoing products comply with the relevant standards and specifications. We require our quality control personnel to conduct random visual or standardised inspection and safety testing on our finished products in accordance with our internal quality control policy. The finished products must pass our final quality testing before packaging. Those products that fail to meet the quality standard will be subject to disposal and those which meet the requisite standard will be subject to final inspection by our customers, if necessary.

## **Product Responsibility**

### *Product design and development*

To ensure that the design and development of our products will meet the requirements of the contracts, customers, and production, and are even better than the relevant laws, regulations, and standards, we have formulated the “Control Procedures for Product Design and Development” that will control the entire processes of designing and developing products. The control procedures detail various procedures, management and related documents, including the design and development proposals, the design and development inputs, design assessments, design and development planning, design process of packaging materials, confirmation of samples, product design and development outputs, BOM and release of drawing data to production lines, design updates for official release of production drawing data, and management of design and development technology documents.

### *Disposal of non-compliant products*

We have established the “Control Procedures for Non-compliant Products” to ensure that all non-compliant products are under control and will not be mistakenly used. The Production Department is responsible for disposing non-compliant products, analyzing the causes of such non-compliance, and making improvements, while the Engineering Department will assist the Production Department in analyzing the causes of such non-compliance. On the other hand, the Quality Department is responsible for identifying non-compliant products, attaching clear labels, and following up the improvement results, while the Warehousing Department is in charge of isolating and storing non-compliant products. In case any non-compliant product is identified during our assessment, we will label, record, and isolate it. Based on the assessment results, non-compliant products will be returned, or selected by the suppliers or our in-house personnel for processing or reworking. Upon being reworked or repaired, the non-compliant products are subject to another quality inspection. If determined non-compliant, rectification, wherever necessary, shall be made in accordance with the “Control Procedures for Corrective Actions”.

To ensure effective rectification and implement corrective actions, we have established the “Control Procedures for Corrective Actions”. The Chief Executive is responsible for providing the required resources, as well as carrying out the duties of oversight, coordination, and rectification, and the Quality Department is responsible for making plans for constant improvement in the systems and products. Upon identifying the existent or potential quality issues, all departments are responsible for making corresponding rectifications, preventing reoccurrences, and making improvements. Besides these, they take the responsibility for following up and verifying the improvement effectiveness. The major measures of making rectification and constant improvement include technological transformation, optimization of processing, resource reallocation, increasing the quality awareness of the employees and their ability, enhancing internal management systems, and strengthening measurement and monitoring efforts.

## Environmental, Social and Governance Report

### *Customer Service*

The Group recognizes the great importance of customer services, and believes that customer satisfaction plays a critical factor in the production and business sustainability of the Group. To this end, the Group has formulated the "Customer Complaint Handling Procedures" to ensure that rectification and corrective actions as requested by customers will be correctly carried out by the relevant department to their satisfaction. Set out below are the Group's procedures for handling complaints:

1. Upon receiving any customer complaint or feedback on improvement (including verbal customer complaints and email complaints or feedback on improvement), personnel from the Business Department shall complete the "Customer Complaint Handling Form" or forward the email message containing customer complaints to the Quality Department for handling.
2. Upon receiving the "Customer Complaint Handling Form" or email messages containing customer complaints from the Business Department, the Quality Department shall conduct analyses by timely launching an investigation, and determines who or what is held accountable before passing on the "Customer Complaint Handling Form" or the email messages to the head of the responsible department. If the Quality Department determines that our factories are not held accountable, the Quality Department will advise the Business Department to issue responses or issue direct responses to the customers.
3. Upon receiving the "Customer Complaint Handling Form", the relevant responsible department shall record real causes of such complaints in accordance with the requirements under the "Control Procedures for Corrective actions", and produce and pass on the "corrective actions" to the related division for improvement.
4. The relevant responsible department shall duly complete and submit the "Customer Complaint Handling Form" to the senior management of the Company for approval, and subsequently the business department shall directly relay such information to the customers. Where timely improvements cannot be made to customer complaints, or their causes or vesting of accountability remain uncertain, the Quality Department will convene a special meeting with the relevant department(s) to determine the causes of customer complaints and the effectiveness of countermeasures, the finding of which will be recorded in the "Customer Complaint Handling Form" and submitted to the senior management of the Company for approval.
5. The head of the Business Department will timely make responses to the customers with the approved "Customer Complaint Handling Form", in which case, where the disagreement remains, both parties will continue negotiations until an agreement is reached.

## **Privacy Protection**

The Group takes privacy issues of our clients, internal employees, data, and external partners and suppliers very seriously. We have established confidentiality guidelines in order to demonstrate our firm commitment to privacy issue.

The Group manages customer profiles on a prudent and meticulous basis to prevent the divulgence of customer privacy. Customer information and data is treated as part of the Group's resources, sales, sharing, or disclosure of which is not permitted regardless of any purpose. Each employee is required to safeguard customer information and data in accordance with the corporate regulations. We have formulated the "Computer Management and Information Security Policy", whereby regulating the management of and access to the Group's information and data to prevent the divulgence of customer information.

## ***Intellectual Property Rights***

For the purposes of effective management of intellectual property rights of the Group, we have formulated the "Control Procedures for Intellectual Property Right", whereby stipulating all matters applicable to intellectual property rights of the Company, including trademarks, patents, internet domain names, and copyrights. The "Control Procedures for Intellectual Property Rights" stipulates the procedures of registering intellectual property rights, as well as the methods and procedures of safeguarding intellectual property rights of the Group. Where we take note of infringements by others upon intellectual property rights of the Group, including malicious registration or false use of trademarks, the Group will consult the relevant lawyers and special consultants on the implementation of safeguards for the intellectual property rights of the Company, including appeals and dismissals. In case of infringements upon our intellectual property rights, we will file litigation to the court in accordance with the Article 213 of the "Criminal Law of the People's Republic of China" for the purposes of safeguarding the legitimate rights and interests of those intellectual property rights as held by the Group. In addition, we will avoid infringements upon the intellectual property rights of others. In this regard, we will make inquiries into patents with respect to products of similar types, or texts, graphics, or their combinations similar to or analogous to trademarks used or registered for our service projects, while conducting analyses over products or technical functions of analogous or similar types, as well as their patents, so that infringements upon these intellectual property rights can be avoided.

## ***Advertising and Labeling***

We have appointed a professional sales and marketing team to continue the promotion of our "clipfresh" brand, and take further steps to promote the market awareness of the "clipfresh" brand by utilizing various media channels, including placing advertisements on the internet and participating in trade fairs. Over the course of promotion, we strictly require our sales and marketing team to comply with the relevant laws and regulations governing use of advertisements and labels in order to prevent any form of false advertisement.

### **B7: Anti-Corruption**

Our Group believes the integrity and commitment of our employees are our critical factors to success. The Group has implemented “Code of Conduct” with its formulation of Anti-business Corruption Regulation based on the Anti-Money Laundering Law of the People’s Republic of China (《中華人民共和國反洗錢法》), the Prevention of Bribery Ordinance (《防止賄賂條例》) (Cap. 201 of the Laws of Hong Kong) and other national or regional laws and regulations to set out our commitment to preventing all forms of corrupt practices. “Company Law of the People’s Republic of China (《中華人民共和國公司法》)”, “Bidding Law of the People’s Republic of China (《中華人民共和國招標投標法》)”, “Criminal Law of the People’s Republic of China (《中華人民共和國刑法》)”, “Anti-Unfair Competition Law of the People’s Republic of China (《中華人民共和國反不正當競爭法》)” and “Interim Provisions on Banning Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》)”, and “Prevention of Bribery Ordinance” of Hong Kong (《香防止賄賂條例》). The Group requires our employees, particularly the management, to uphold honest, fiduciary, and incorruptible practices as part of the fundamental code of conduct, and absolutely prohibits any malpractices and corruption, graft and acceptance of bribes, speculative practices, intentional omissions, and abuse of power to seek personal gains, in which case, severe punishment measures will be taken if such practices are identified. We also have the same expectations for our suppliers and other business partners.

During the Reporting Period, the Group did not notice any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud and money laundering.

#### **Whistle-Blowing Policy**

The Group sets up a mechanism to handle the advises and complaints from staff to encourage employees to raise concerns about suspected misconduct, malpractice or irregularities in confidence. All reported cases are promptly and thoroughly investigated by the designated personnel while the confidentiality is respected in order to protect individuals. The Board or the members of the Audit Committee authorized by the Board are required to observe the principle of confidentiality without disclosing the cases as reported by such employees and the issues in question, or divulging pending cases. If there is sufficient evidence to suggest that a case of possible corruption exists, the case will be reported to the relevant local authorities.

During the Reporting Period, there was no incident of non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to corruption, bribery, extortion, fraud and money laundering.

#### **Publicity and Education**

In addition, the Group has been adopting the following education measures to promote anti-corruption campaigns and cultivate a culture of anti-corruption within the Group:

- Promoting the code of conduct of integrity and anti-commercial bribery; and
- Providing training of anti-corruption and anti-bribery procedures to all factory employees

### **B8: Community Investment**

The Group believes that companies represent social cells that grow with the nurturing of social maternity, while shouldering the responsibility of giving back to the communities.

The Group hopes to foster a sense of social responsibility among its employees. Therefore, it has been encouraging employees to participate in charity activities during their working and personal time to make greater contributions to the community. The Group encourages our employees to participate in social charity and fundraising activities, including visits to nursing homes, orphanages, and blood donations, to convey their message of community care. The Group believes these engagements will not only improve the employees' moral standards and personal character, but also deliver the message of care and love to those in need. We believe that through directly participating in these activities that contribute to the community, our staff could build up positive value and eventually be a socially responsible citizen.

During the reporting period, the Group has no community investment.



# Environmental, Social and Governance Report

## Index to the Environmental, Social and Governance Reporting Guide

Subject areas, aspects, general disclosures and KPIs	Section	Page
<b>Environmental Aspects</b>		
<b>Aspect A1: Emissions</b>		
General Disclosure	Information on: (a) the policies; and (b) 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.	"Emissions" 50-53
KPI A1.1	The types of emissions and respective emissions data.	"Emissions" 51
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	"Emissions" 52
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	"Emissions" N/A
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	"Emissions" N/A
KPI A1.5	Description of measures to mitigate emissions and results achieved.	"Emissions" and "Use of Resources" 50-57
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	"Emissions" 53
<b>Aspect A2: Use of Resources</b>		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	"Use of Resources" 54-56
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).	"Use of Resources" 54
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	"Use of Resources" 55
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	"Use of Resources" 54-56

# Environmental, Social and Governance Report

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KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	"Use of Resources"	55
KPI A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	"Use of Resources"	N/A
<b>Aspect A3: The Environment and Natural Resources</b>		
General Disclosure Policies on minimising the issuer's significant impact on the environment and natural resources.	"Use of Resources"	56-57
KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	"Emissions" and "Use of Resources"	57
<b>Aspect A4: Climate Changes</b>		
KPI A.4.1 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"	57
<b>Social Aspects (Note 1)</b>		
<b>Employment and Labour Practices</b>		
<b>Aspect B1: Employment</b>		
General Disclosure Information on: (a) the policies; and (b) compliance with relevant 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"	58-60
KPI B1.1 Total workforce by gender, employment type, age group and geographical region.	"Employment"	N/A
KPI B1.2 Employee turnover rate by gender, age group and geographical region.	"Employment"	N/A

# Environmental, Social and Governance Report

Subject areas, aspects, general disclosures and KPIs		Section	Page
<b>Aspect B2: Health and Safety</b>			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer, relating to providing a safe working environment and protecting employees from occupational hazards.	"Health and Safety"	60-62
KPI B2.1	Number and rate of work-related fatalities	"Health and Safety"	N/A
KPI B2.2	Lost days due to work injury.	"Health and Safety"	N/A
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	"Health and Safety"	60-62
<b>Aspect B3: Development and Training</b>			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	"Development and Training"	62-63
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	"Development and Training"	N/A
KPI B3.2	The average training hours completed per employee by gender and employee category.	"Development and Training"	N/A
<b>Aspect B4: Labour Standards</b>			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer, relating to preventing child and forced labour.	"Labour Standards"	63
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	"Labour Standards"	63
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	"Labour Standards"	63

# Environmental, Social and Governance Report

Subject areas, aspects, general disclosures and KPIs		Section	Page
<b>Operating Practices</b>			
<b>Aspect B5: Supply Chain Management</b>			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	"Supply Chain Management"	64
KPI B5.1	Number of suppliers by geographical region.	"Supply Chain Management"	N/A
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"	N/A
KPI B.5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	"Supply Chain Management"	64
KPI B.5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	"Supply Chain Management"	64
<b>Aspect B6: Product Responsibility</b>			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer, relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	"Product Responsibility"	64-69
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	"Product Responsibility"	N/A
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	"Product Responsibility"	N/A
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	"Product Responsibility"	69
KPI B6.4	Description of quality assurance process and recall procedures.	"Product Responsibility"	65-68
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	"Product Responsibility"	69

# Environmental, Social and Governance Report

Subject areas, aspects, general disclosures and KPIs		Section	Page
<b>Aspect B7: Anti-corruption</b>			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer, relating to bribery, extortion, fraud and money laundering.	"Anti-Corruption"	70
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"	N/A
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	"Anti-Corruption"	70
KPI B.7.3	Description of anti-corruption training provided to directors and staff.	"Anti-Corruption"	70
<b>Community</b>			
<b>Aspect B8: Community Investment</b>			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	"Community Investment"	71
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	"Community Investment"	N/A
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	"Community Investment"	N/A

Note:

1. Pursuant to Appendix 27 of the Listing Rules, KPIs in this section are recommended disclosures only.

# Independent Auditor's Report

**To the Shareholders of Sun Cheong Creative Development Holdings Limited**  
*(incorporated in the Cayman Islands with limited liability)*

## Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Sun Cheong Creative Development Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 83 to 143, 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.

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

## Basis for Disclaimer of Opinion

### 1. UNRECORDED LIABILITIES

As disclosed in note 27 to the consolidated financial statements, the joint and several provisional liquidators of the Company (the “**JPLs**”) circulated a letter with the JPLs order from Cayman Court to the known or potential creditors of the Company regarding the details of the JPLs arrangement. The JPLs have received several claims against the Company from multiple unknown creditors and the former directors of the Company demanding for the repayment of bonds and loans in an aggregate amount of approximately HK\$135.7 million (the “**Claims**”). Since the Company and the JPLs have proposed the Creditors Scheme, all claims received by the JPLs that are substantiated will be considered for restructuring purposes. However, due to the lack of sufficient supporting documents to corroborate the Claims, the Directors are of the opinion that the Claims are unsubstantiated, thus no provision or other liability is recognised in the consolidated financial statements of the Group for the years ended 31 December 2021 and 2020. Up to the date of this report, the Claims are not yet substantiated by the JPLs. Due to this lack of sufficient supporting documents, we were unable to obtain sufficient appropriate audit evidence and explanation to satisfy ourselves as to the validity of the Claims. There were no alternative audit procedures that we could perform to satisfy ourselves as to the completeness of liabilities recognised in the consolidated financial statements and hence whether they were free from material misstatements. Any adjustments that might have been found necessary may have a consequential effect on the Group's net liabilities as at 31 December 2021 and 2020 and the financial performance and cash flows of the Group for the years then ended and the elements making up the consolidated financial statements, and the related disclosures thereof in the consolidated financial statements.

### 2. MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

As disclosed in note 1 to the consolidated financial statements, the Group incurred a loss of approximately HK\$18,103,000 for the year ended 31 December 2021; and had net current liabilities and net liabilities of approximately HK\$217,875,000 and HK\$210,964,000 respectively in the consolidated statement of financial position of the Group as at 31 December 2021, and have pending litigations and winding up petitions against the Company. The Group also had late payment issues with financial institutions and other creditors. These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. In view of the extent of the uncertainties relating to the future working capital sufficiency of the Group, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

### 3. CORRESPONDING FIGURES

The matters described in sub-paragraphs (a) to (f) below were amongst the matters that led us to issue a disclaimer of opinion on the consolidated financial statements of the Group for the year ended 31 December 2020. Any adjustments that might have been found to be necessary in respect of these matters might have a consequential significant effect on the financial performance and cash flows of the Group for the year ended 31 December 2020 and the elements making up the consolidated financial statements and their related disclosures and might result in additional information being disclosed in the consolidated financial statements. Hence our disclaimer of opinion on the current year's consolidated financial statements is also modified because of the possible effects of these matters on the comparability of the current year's figures and the corresponding figures in the consolidated financial statements.

#### (a) *DECONSOLIDATION OF CERTAIN SUBSIDIARIES OF THE GROUP*

The directors of the Company (the "**Directors**") were unable to obtain access to complete set of accounting books and records together with the supporting documents of 深圳新昌塑膠用品有限公司 (Shenzhen Xincang Plastic Article Co., Ltd.) and 佛山市海昌新材料科技有限公司 (Foshan Haichang New Materials Technology Co., Ltd.) (which were subsidiaries of the Group in the People's Republic of China and together referred to as the "**Deconsolidated Subsidiaries**"), during the course of the preparation of the consolidated financial statements of the Group for the year ended 31 December 2019, due to the non-cooperation of Mr. Tong Ying Chiu ("**Mr. Tong**"), the former ultimate controlling party and former executive director of the Company and the legal representative of the Deconsolidated Subsidiaries. The factories of the Deconsolidated subsidiaries were sealed off by the Shenzhen Longgang District People's Court on 17 January 2020.

Due to the non-cooperation of the management personnel of the Deconsolidated Subsidiaries and the sealing off of the factories of the Deconsolidated subsidiaries, the Directors were unable to have access to the complete accounting books and records of the Deconsolidated Subsidiaries. As a result, the Directors were of the opinion that the Company was unable to govern the financial and operating decisions of the Deconsolidated Subsidiaries and the control over the Deconsolidated subsidiaries was lost upon Mr. Tong's resignation as the executive director of the Company on 7 December 2019 (the "**Deconsolidation Date**"). In this connection, the financial results, assets and liabilities of the Deconsolidated Subsidiaries have been deconsolidated from the consolidated financial statements of the Group since the Deconsolidation Date.

During the financial year ended 31 December 2020, Chase On Development Limited (together with its subsidiaries referred to as "**Chase On**"), a wholly owned Hong Kong subsidiary of the Company which was the intermediate holding company of the Deconsolidated Subsidiaries, was wound up under a winding-up order dated 31 March 2020 (see note 3). The deconsolidation of Chase On upon its winding-up had resulted in a net loss on deconsolidation of approximately HK\$1,829,000 recognised in consolidated profit or loss for the year ended 31 December 2020. The net loss from deconsolidation of Chase On was determined by the Group based on the unaudited management accounts of Chase On. We have not been provided with sufficient information and explanations on the deconsolidation of the Deconsolidated Subsidiaries with effect from 7 December 2019 and there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Group had lost control over the Deconsolidated Subsidiaries on the Deconsolidation Date, or on 31 March 2020 when Chase On was wound up, and hence as to whether it was appropriate to deconsolidate the assets and liabilities of the Deconsolidated Subsidiaries and cease consolidating their results of operations in the consolidated financial statements of the Group with effect from the Deconsolidation Date. We were also unable to perform audit procedures on the management accounts of Chase On and hence unable to satisfy ourselves as to whether the loss on deconsolidation of Chase On was materially misstated.

Consequently, we were also unable to carry out audit procedures that we consider necessary to satisfy ourselves as to the completeness and existence or occurrence of any other significant transactions, inter-group transactions, contingent liabilities, commitments and related party transactions relating to the Deconsolidated Subsidiaries.

Any adjustments that might have been found to be necessary in respect of the above would have a consequential significant effect on the financial performance and cash flows of the Group for the year ended 31 December 2020 and the elements making up the consolidated financial statements and their related disclosures and may result in additional information being disclosed in the consolidated financial statements as to the nature of the transactions and any contingent liabilities, commitments, related party transactions and significant non-adjusting subsequent events relating to the Deconsolidated Subsidiaries.

### **(b) INVESTMENT IN JOINT VENTURE COMPANY**

On 12 November 2019, Chase On entered into a business cooperation agreement ("**Agreement**") with Bridging Wealth Capital Management Limited ("**JV Partner**"), an independent third party, relating to formation of a joint venture company "Chase On Plastic Houseware Limited" (formerly known as Ocean Regal Enterprises Limited) (the "**JV company**") to explore the market for the trading and wholesaling of variety of household products worldwide.

Pursuant to the Agreement, the Group and the JV Partner own 49% and 51% respectively of the JV company. In consideration for the 49% shareholding in the joint venture company, the Group provided business support including expertise in plastic business and transferred Chase On's certain trademarks, whose carrying amount was zero, to the JV company.

However, subsequent to the formation of the JV company, the former executive directors of the Company, Mr. Tong and his son, Mr. Tong Kam Nam Billy resigned from their directorship in the JV company on 9 December 2019 and 9 January 2020 respectively. Since their resignations, the Company was unable to obtain the financial information of the JV company. Under these circumstances, no financial information including the investment cost of the JV company has been accounted for by the Group in its consolidated financial statements.



## Independent Auditor's Report

In the absence of the financial information of and explanations in relation to the JV company, there were no alternative audit procedure that we could perform to satisfy ourselves as to the nature of the Group's interests in the JV company and whether and how the JV company should be accounted for in the consolidated financial statements of the Group up until 31 March 2020, the date Chase On was wound up. Any adjustments that might have been found to be necessary in respect of the above issues would have a significant effect on the net loss of the Group for the year ended 31 December 2020 and the elements making up the consolidated financial statements, and the related disclosures in the consolidated financial statements.

### **(c) AMOUNTS DUE FROM THE DECONSOLIDATED SUBSIDIARIES**

During the year ended 31 December 2019, Chase On recorded an impairment loss in respect of amounts due from the Deconsolidated Subsidiaries of approximately HK\$147,053,000 due to the circumstances described in paragraph (a) above. We were unable to obtain sufficient appropriate audit evidence regarding the validity, existence and impairment assessment of the amounts due from the Deconsolidated Subsidiaries because: (i) there was inadequate documentary evidence available for us to verify the validity, existence and nature of the amounts due from the Deconsolidated Subsidiaries; (ii) we were unable to carry out any effective confirmation procedures in relation to the amounts due from the Deconsolidated Subsidiaries for the purpose of our audit; (iii) there was inadequate documentary evidence available for us to satisfy ourselves as to whether the impairment testing in respect of the amounts due from the Deconsolidated Subsidiaries were properly carried out and recorded and accounted for and in compliance with the requirements of applicable Hong Kong Financial Reporting Standards ("HKFRSs"); and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the amounts due from the Deconsolidated Subsidiaries were free from material misstatement. In addition, the scope limitation explained in (a) above as to the date when the Group lost control over the Deconsolidated Subsidiaries would also affect the appropriate accounting period in which the impairment loss should be recognised.

Any adjustments that might have been found necessary may have a significant consequential effect on the carrying amount of, and impairment loss on, the amounts due from the Deconsolidated Subsidiaries included in the net liabilities of Chase On as at 31 March 2020, the date of deconsolidation of Chase On, and hence the net loss on deconsolidation of Chase On and the loss and cash flows of the Group for the year ended 31 December 2020 and the elements making up the consolidated financial statements, and the related disclosures thereof in the consolidated financial statements.

### **(d) CONTINGENT LIABILITIES AND COMMITMENT**

Due to the lack of access to the books and records of the Deconsolidated Subsidiaries and the incomplete records of the Group, we were unable to obtain sufficient appropriate audit evidence and explanations as to whether the contingent liabilities and commitments committed by the Group were properly recorded and accounted for and in compliance with the requirements of applicable Hong Kong Financial Reporting Standards, including HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and HKFRS 9 "Financial Instruments". There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the contingent liabilities and commitments were free from material misstatements. Any adjustments that might have been found necessary may have a consequential effect on the net liabilities of Chase On as at 31 March 2020 and hence net loss on deconsolidation of Chase On and the loss and cash flows of the Group for the year ended 31 December 2020 and the elements making up the consolidated financial statements, and the related disclosures thereof in the consolidated financial statements.

**(e) RELATED PARTIES TRANSACTIONS**

Due to the lack of access to the books and records of the Deconsolidated Subsidiaries and the incomplete records of the Chase On, we have not been able to obtain sufficient appropriate audit evidence as to whether the related party transactions and balances were properly recorded and accounted for and in compliance with the requirements of applicable Hong Kong Financial Reporting Standards, including Hong Kong Accounting Standard 24 "Related Party Disclosures". There were no practical alternative procedures that we could perform over the related party transactions and balances which occurred during the year ended 31 December 2020. Any adjustments that might have been found necessary may have a consequential effect on the fair presentation of the financial performance and cash flows of the Group for the year ended 31 December 2020 and the elements making up the consolidated financial statements, and the related disclosures thereof in the consolidated financial statements.

**(f) FINANCIAL GUARANTEE CONTRACT**

As disclosed in note 3 to the consolidated financial statements, Chase On has issued financial guarantees to banks in respect of banking facilities granted to companies owned by Mr. Tong of an aggregate amount of approximately HK\$4,000,000, which represented the aggregate maximum amounts that the Group could be required to pay if the guarantees were called upon in entirety. At 1 January 2020, the amount of approximately HK\$542,000 was recognised as financial guarantee obligations in the consolidated statement of financial position. We have not been provided with documentary evidence and explanations of the fair value measurement of the financial guarantee obligations as at the inception of the financial guarantees and the assessments of expected credit loss allowances as at 31 December 2019, and we have been unable to obtain sufficient appropriate audit evidence in respect of the financial guarantee obligations. There were no other satisfactory audit procedures that we could perform to satisfy ourselves as to whether the aforesaid balance was materially misstated as at 1 January 2020 and the date of deconsolidation of Chase On.

Any adjustments that might have been found necessary may have a significant consequential effect on the net liabilities of Chase On as at 31 March 2020 and hence the net loss on deconsolidation of Chase On and the loss and cash flows of the Group for the year ended 31 December 2020 and the elements making up the consolidated financial statements, and the related disclosures thereof in the consolidated financial statements.

## Independent Auditor's Report

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

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

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

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

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA and to issue an auditors' report. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

#### **KTC Partners CPA Limited**

*Certified Public Accountants (Practising)*

Chow Yiu Wah, Joseph  
Audit Engagement Director  
Practising Certificate Number P04686

Hong Kong, 31 March 2022

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year Ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Revenue	5	23,487	21,468
Cost of sales		(20,866)	(19,032)
<b>Gross profit</b>		<b>2,621</b>	2,436
Other income	6	32	–
Other gains and losses	7	63	424
Impairment loss on property, plant and equipment		–	(54,315)
Loss on deconsolidation of subsidiaries	3	–	(1,829)
Administrative and other expenses		(10,350)	(12,168)
Finance costs	8	(10,469)	(10,469)
<b>Loss before tax</b>		<b>(18,103)</b>	(75,921)
Income tax expense	9	–	–
<b>Loss and total comprehensive loss for the year</b>	10	<b>(18,103)</b>	(75,921)
Loss and total comprehensive loss for the year attributable to:			
Owners of the Company		(18,103)	(75,921)
Loss per share			
Basic (HK cents)	12	(3.35)	(14.06)

# Consolidated Statement of Financial Position

At 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	6,911	7,576
<b>CURRENT ASSETS</b>			
Trade and other receivables	16	5,804	808
Bank balances and cash	17	427	42
		<b>6,231</b>	850
<b>CURRENT LIABILITIES</b>			
Trade and other payables	18	54,361	32,860
Contract liabilities	19	1,318	–
Bank and other borrowings	20	165,898	165,898
Bank overdraft	20	2,529	2,529
		<b>224,106</b>	201,287
<b>NET CURRENT LIABILITIES</b>		<b>(217,875)</b>	(200,437)
<b>NET LIABILITIES</b>		<b>(210,964)</b>	(192,861)
<b>CAPITAL AND RESERVES</b>			
Share capital	21	5,400	5,400
Reserves		(216,364)	(198,261)
Deficit attributable to owners of the Company		<b>(210,964)</b>	(192,861)

The consolidated financial statements on pages 83 to 143 were approved and authorised for issue by the board of directors on 31 March 2022 and are signed on its behalf by:

**Mr. Chan Sai On Bill**  
DIRECTOR

**Mr. Ng Chun Chung**  
DIRECTOR

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company						Non-controlling interests	Total
	Share capital	Share premium	Capital reserve (note a)	Accumulated losses	Subtotal			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>At 1 January 2020</b>	5,400	142,028	(15,512)	(248,856)	(116,940)	4	(116,936)	
Loss and total comprehensive loss for the year	-	-	-	(75,921)	(75,921)	-	(75,921)	
Acquisition of non-controlling interest of a subsidiary (note b)	-	-	-	-	-	(4)	(4)	
<b>At 31 December 2020</b>	5,400	142,028	(15,512)	(324,777)	(192,861)	-	(192,861)	
Loss and total comprehensive loss for the year	-	-	-	<b>(18,103)</b>	<b>(18,103)</b>	-	<b>(18,103)</b>	
<b>At 31 December 2021</b>	<b>5,400</b>	<b>142,028</b>	<b>(15,512)</b>	<b>(342,880)</b>	<b>(210,964)</b>	-	<b>(210,964)</b>	

Notes:

- a. Capital reserve represents the amounts arising on the Group reorganisation underwent prior to the listing of the Company's shares on the Main Board of the Stock Exchange in 2018. Details were set out in the Company's prospectus dated 21 September 2018.
- b. On 3 February 2020, the Company's subsidiary, Top Leader International Limited has acquired the remaining 40% equity interest in Champion Motor Group Hong Kong Limited ("**Champion Motor**") for a consideration of HK\$4,000 from independent third parties. Accordingly, Champion Motor became a wholly owned subsidiary of the Company.

# Consolidated Statement of Cash Flows

For the year Ended 31 December 2021

	2021 HK\$'000	2020 HK\$'000
<b>OPERATING ACTIVITIES</b>		
Loss before tax	<b>(18,103)</b>	(75,921)
Adjustments for:		
Depreciation of property, plant and equipment	<b>859</b>	802
Loss on Deconsolidation of Subsidiaries	–	1,829
Gain on early termination of lease, net	–	(27)
Finance costs	<b>10,469</b>	10,469
Impairment losses on property, plant and equipment	–	54,315
Operating cash flows before movements in working capital	<b>(6,775)</b>	(8,533)
Increase in trade and other receivables	<b>(5,059)</b>	(808)
Increase in trade and other payables	<b>10,901</b>	9,055
Increase in contract liabilities	<b>1,318</b>	–
Cash generated from/(used in) operations	<b>385</b>	(286)
Income Tax paid	–	–
<b>NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES</b>	<b>385</b>	(286)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>385</b>	(286)
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<b>(2,487)</b>	(2,201)
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	<b>(2,102)</b>	(2,487)
Represented by		
Bank balances and cash	<b>427</b>	42
Bank overdrafts	<b>(2,529)</b>	(2,529)
	<b>(2,102)</b>	(2,487)

# Notes to the Consolidated Financial Statements

For the year Ended 31 December 2021

## 1. Corporate information

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 22 March 2016 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on the Stock Exchange on 4 October 2018. On 9 June 2020, Mr. Cheung Hok Hin, Alan of Wing United CPA Limited was appointed as the receiver over the shares of the Company (collectively the “**Charged Shares**”) which were registered under the name of Uni-Pro Limited (“**Uni-Pro**”) and Mr. Chan Kam Hon Ivan respectively (the “**Receivership**”). The Receivership may result in the sale of the Charged Shares to other third-party purchasers.

In the opinion of the Directors, as at 31 December 2021, its parent was Uni-Pro and its ultimate parent was Sun Cheong Creative Development Limited (incorporated in Hong Kong under compulsory winding up) (“**Sun Cheong**”). Its ultimate controlling party was Mr. Tong Ying Chiu (“**Mr. Tong**”) and Ms. Ng Siu Kuen Sylvia (“**Ms. Ng**”), spouse of Mr. Tong. Mr. Tong is the former Chairman and one of the former executive directors of the Company while Ms. Ng is also a former executive director of the Company (together referred to as the “**Former Controlling Shareholders**”).

The Company is an investment holding company. Its subsidiaries (together with the Company referred to as the “**Group**”; the Group excluding the Deconsolidated Subsidiaries referred to as the “**Remaining Group**”) are principally engaged in plastic products business.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company. The Directors consider HK\$ is the appropriate presentation currency for the users of the Group’s financial statements.

The Group incurred a loss of approximately HK\$18,103,000 for the year ended 31 December 2021 and as at 31 December 2021 the Group had net current liabilities and net liabilities of approximately HK\$217,875,000 and HK\$210,964,000 respectively, and there are pending litigations and winding up petitions against the Company. The Group also had late payment issues with financial institutions and other creditors. These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.



# Notes to the Consolidated Financial Statements

For the year Ended 31 December 2021

## 1. Corporate information (Continued)

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

- (i) David Martin Griffin of FTI Consulting (Cayman) Limited and Fok Hei Yu of FTI Consulting (Hong Kong) Limited were appointed as joint and several provisional liquidators (the "**JPLs**") of the Company on 30 July 2020 for restructuring purposes. On 8 November 2021, the Company and the JPLs entered into the restructuring agreement with One Oak Tree Limited (the "**Lender**" or "**One Oak**"), pursuant to which the Company will implement the restructuring (the "**Restructuring**") which involves the restructuring of business, debts and liabilities, capital structure and share capital of the Company including, among others, (i) the share consolidation and increase in authorised share capital in the Company; (ii) the subscription of new shares of the Company for HK\$80,000,000 and proposed scheme of arrangement (the "**Creditors Scheme**") involving possible grant of the share options and put option, as set out in the announcement of the Company dated 8 November 2021.

Following the entering into of the restructuring agreement, the Company submitted the resumption proposal on 15 December 2021, containing details of the Restructuring to the Stock Exchange for the purpose of seeking a resumption of trading of the Company's shares on the Main Board.

For details, please refer to the announcements of the Company dated 8 November 2021 and 30 November 2021.

On 17 March 2022, the Company and the JPLs entered into the supplemental restructuring agreement and the supplemental subscription agreement with One Oak, pursuant to which the parties agreed to amend and supplement certain terms of the restructuring agreement and the supplemental subscription agreement. Further details are set out in the Company's announcement dated 17 March 2022.

The Directors believe that the Creditors Scheme will be successfully effective in around June 2022.

- (ii) On 17 September 2021, One Oak as lender, the Company as borrower and the JPLs entered into a funding agreement (the "**One Oak Funding Agreement**"), pursuant to which One Oak conditionally agreed to grant (i) an initial credit facility in the principal amount of up to HK\$50 million; and (ii) a further credit facility in the principal amount of up to HK\$50 million, at an interest rate of 3.0% per annum to the Company subject to and upon the terms and conditions of the One Oak Funding Agreement to facilitate the preparation and implementation of the restructuring plan of the Company and support the business operation and expansion of the Group. For details please refer to the announcement of the Company on 17 September 2021.

On 17 March 2022, One Oak as lender, the Company as borrower and the JPLs entered into the amended and restated Funding Agreement ("**Amended and Restated Funding Agreement**") to amend and restate the terms and conditions of the One Oak Funding Agreement. Further details are set out in the Company's announcement dated 17 March 2022.

# Notes to the Consolidated Financial Statements

For the year Ended 31 December 2021

## 1. Corporate information (Continued)

- (iii) On 17 March 2022, One Oak, as lender and CK & Associates Limited (“**CKA**”), a direct wholly-owned subsidiary of the Company, entered into a loan agreement (the “**CKA Loan Agreement**”), pursuant to which One Oak conditionally agreed to grant a term loan in the principal amount of up to HK\$70.0 million at an interest rate of 3.0% per annum to CKA. For further details, please refer to the Company’s announcement dated 17 March 2022.

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful implementation and outcome of the above measures to be undertaken by the Group. The Directors are of the opinion that, taking into account the above measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from 31 December 2021. The Directors are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the carrying values of the Group’s assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

## 2. Application Of Amendments To Hong Kong Financial Reporting Standards (“HKFRSs”)

### AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16      Interest Rate Benchmark Reform — Phase 2

In addition, the Group has early applied the Amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021, and applied the agenda decision of the IFRS Interpretations Committee (the “**Committee**”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

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

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

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

The application has had no impact to the opening accumulated losses at 1 January 2021.

# Notes to the Consolidated Financial Statements

For the year Ended 31 December 2021

## 2. Application Of Amendments To Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

### AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR (Continued)

#### 2.2 *Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform — Phase 2*

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 Financial Instruments: Disclosures (“**HKFRS 7**”).

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for debt instruments and bank borrowings measured at amortised cost.

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

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

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

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

## 2. Application Of Amendments To Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

### AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR (Continued)

#### 2.4 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 <sup>2</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>2</sup>
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use <sup>1</sup>
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

Except for the new and amendments to HKFRSs mentioned below, the Directors 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.

### AMENDMENTS TO HKFRS 3 REFERENCE TO THE CONCEPTUAL FRAMEWORK

The amendments:

- update a reference in HKFRS 3 Business Combinations so that it refers to the *Conceptual Framework for Financial Reporting 2018 issued in June 2018* (the “**Conceptual Framework**”) instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010* issued in October 2010);
- add a requirement that, for transactions and other events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

# Notes to the Consolidated Financial Statements

For the year Ended 31 December 2021

## 2. Application Of Amendments To Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

### **AMENDMENTS TO HKFRS 3 REFERENCE TO THE CONCEPTUAL FRAMEWORK** (Continued)

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

### **AMENDMENTS TO HKFRS 10 AND HKAS 28 SALE OR CONTRIBUTION OF ASSETS BETWEEN AN INVESTOR AND ITS ASSOCIATE OR JOINT VENTURE**

The amendments to HKFRS 10 *Consolidated Financial Statements* and HKAS 28 *Investments in Associates and Joint Ventures* deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent’s profit or loss only to the extent of the unrelated investors’ interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent’s profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

### **AMENDMENTS TO HKAS 1 CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT AND RELATED AMENDMENTS TO HONG KONG INTERPRETATION 5 (2020)**

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
  - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
  - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying *HKAS 32 Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group’s outstanding liabilities as at 31 December 2021, and the related terms and conditions stipulated in the agreements between the Group and the relevant lenders, the application of the amendments will not result in reclassification of the Group’s liabilities as at 31 December 2021.

## 2. Application Of Amendments To Hong Kong Financial Reporting Standards (“HKFRSs”) (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.

### **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.

### **AMENDMENTS TO HKAS 12 DEFERRED TAX RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION**

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The Group applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

# Notes to the Consolidated Financial Statements

For the year Ended 31 December 2021

## 2. Application Of Amendments To Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

### **AMENDMENTS TO HKAS 12 DEFERRED TAX RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION** (Continued)

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

### **AMENDMENTS TO HKAS 16 PROPERTY, PLANT AND EQUIPMENT — PROCEEDS BEFORE INTENDED USE**

The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with HKAS 2 Inventories.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

### **AMENDMENTS TO HKAS 37 ONEROUS CONTRACTS — COST OF FULFILLING A CONTRACT**

The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, the unavoidable costs under the contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

## 2. Application Of Amendments To Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

### AMENDMENTS TO HKFRSs ANNUAL IMPROVEMENTS TO HKFRSs 2018–2020

The annual improvements make amendments to the following standards.

#### *HKFRS 9 Financial Instruments*

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the “10 per cent” test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other’s behalf.

#### *HKFRS 16 Leases*

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

#### *HKAS 41 Agriculture*

The amendment ensures consistency with the requirements in HKFRS 13 Fair Value Measurement by removing the requirement in paragraph 22 of HKAS 41 to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

The Directors anticipate that the application of some of these new and amendments to HKFRSs may have effect on the Group’s financial positions and performance and/or on the disclosures set out in the consolidated financial statements.



# Notes to the Consolidated Financial Statements

For the year Ended 31 December 2021

## 3. Significant Accounting Policies

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

The consolidated financial statements have been prepared on the historical cost basis as explained in the accounting policies set out below.

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

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

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

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

The principal accounting policies are set out below.

### **BASIS OF CONSOLIDATION**

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

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

## 3. Significant Accounting Policies (Continued)

### **BASIS OF CONSOLIDATION** (Continued)

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

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

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

### **DECONSOLIDATION OF CERTAIN SUBSIDIARIES OF THE GROUP**

#### *For the Year ended 31 December 2020*

Following the winding-up petitions filed by banks under action numbers HCCW 374 of 2019 and HCCW 401 of 2019 in the High Court of the Hong Kong Special Administrative Region (the "**High Court**") against the Group's operating subsidiary in Hong Kong, namely Chase On Development Limited ("**Chase On**"), on 31 March 2020, the High Court ordered that Chase On be wound up. The Directors considered that the Group had lost its control to govern Chase On with effect from 31 March 2020. Accordingly, Chase On was deconsolidated from the Group with effect from 31 March 2020.

The Group had consolidated the assets and liabilities and results of Chase On up to 31 March 2020 in the consolidated financial statements. The deconsolidation of Chase On had resulted in a net loss on deconsolidation of approximately HK\$1,829,000 recognised in consolidated profit or loss for the year ended 31 December 2020.

The following is the financial information, before intra-group balances and transactions elimination, of Chase On as at 31 March 2020.

## Notes to the Consolidated Financial Statements

For the year Ended 31 December 2021

### 3. Significant Accounting Policies (Continued)

#### DECONSOLIDATION OF CERTAIN SUBSIDIARIES OF THE GROUP (Continued)

Statement of financial position of Chase On as at the date of deconsolidation

	2020 HK\$'000
Details of the net assets of Chase On as at 31 March 2020 are set out below:	
Trade and other receivables	14,670
Bank balances and cash	311
Lease liabilities	(785)
Trade and other payables	(6,303)
Tax payables	(5,522)
Financial guarantee	(542)
Net assets excluding bank and other borrowings	1,829
*Bank and other borrowings	(168,417)
Net liabilities	(166,588)
Loss on Deconsolidation:	
Net assets excluding bank and other borrowings of Chase On	1,829

\* The bank and other borrowings of Chase On were guaranteed by the Company and were assigned to the Company upon the issuance of the winding-up order.

Results of Chase On and its subsidiaries included in the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2020

	2020 HK\$'000
Revenue	–
Cost of sales	–
Gross loss	–
Other income	–
Other gains and losses	–
Selling expenses	–
Administrative expenses	–
Finance costs	–
Loss before tax	–
Income tax expense	–
Loss for the year	–

## 3. Significant Accounting Policies (Continued)

### INTEREST IN A SUBSIDIARY

Investment in a subsidiary included in the Company's statement of financial position is stated at cost less any identified impairment loss. The results of subsidiary are accounted for by the Company on the basis of dividends received or receivable.

### REVENUE RECOGNITION

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 customers.

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

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

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

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

A contract 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.

Specifically, revenue is recognised in profit or loss as follows:

Revenue from the sale of goods is recognised at the point in time that control of the goods has been transferred, i.e. when the goods have been delivered to customers. The Group does not give any right of return or warranties to its customers. The period between payment and transfer of associated goods in all sales contracts are less than one year and therefore the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

# Notes to the Consolidated Financial Statements

For the year Ended 31 December 2021

## 3. Significant Accounting Policies (Continued)

### LEASES

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

#### (b) The Group as a lessee

##### (i) Short-term leases and leases of low-value assets

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

##### (ii) Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets 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.

## 3. Significant Accounting Policies (Continued)

### LEASES (Continued)

#### (b) The Group as a lessee (Continued)

##### (iii) Refundable rental deposits

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

##### (iv) Lease liabilities

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

The lease payments include:

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

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/ 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.

# Notes to the Consolidated Financial Statements

For the year Ended 31 December 2021

## 3. Significant Accounting Policies (Continued)

### LEASES (Continued)

#### (b) *The Group as a lessee* (Continued)

##### (v) Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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 a lease component and one or more additional lease or non-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 and the aggregate stand-alone price of the non-lease components.

##### (vi) 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).

## 3. Significant Accounting Policies (Continued)

### LEASES (Continued)

#### (b) *The Group as a lessee* (Continued)

##### (vii) Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

### 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 exchange 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 Group's entities are translated into the presentation currency of the Group (i.e. HK\$) using exchange rate prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

### RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses are expensed in the period in which they are incurred.



# Notes to the Consolidated Financial Statements

For the year Ended 31 December 2021

## 3. Significant Accounting Policies (Continued)

### **BORROWING COSTS**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as and included in finance costs in the profit or loss in the period in which they are incurred.

### **GOVERNMENT GRANTS**

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

Government grants 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.

### **RETIREMENT BENEFIT COSTS**

Payments to the defined contribution retirement benefit plans, including government-managed retirement benefit schemes and the Mandatory Provident Fund Scheme (the “**MPF Scheme**”) are recognised as an expense when employees have rendered services entitling them to the contributions.

### **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 tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax asset 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.

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

## 3. Significant Accounting Policies (Continued)

### TAXATION (Continued)

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

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

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

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 assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss.

### PROPERTY, PLANT AND EQUIPMENT

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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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.

### INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a 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. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

# Notes to the Consolidated Financial Statements

For the year Ended 31 December 2021

## 3. Significant Accounting Policies (Continued)

### PROVISIONS

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

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

### IMPAIRMENT LOSSES ON TANGIBLE ASSETS

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

## 3. Significant Accounting Policies (Continued)

### FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

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

#### *Financial assets*

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 marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

#### Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15. All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

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

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

#### Amortised cost and effective interest method

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.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding ECL, through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the gross carrying amount on initial recognition.

# Notes to the Consolidated Financial Statements

For the year Ended 31 December 2021

## 3. Significant Accounting Policies (Continued)

### FINANCIAL INSTRUMENTS (Continued)

#### *Financial assets* (Continued)

##### Amortised cost and effective interest method (Continued)

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, 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. If, in subsequent reporting periods, 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.

Interest income is recognised in profit or loss and is included in the “other income” line item.

##### Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 and financial guarantee contract. 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, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for each debtor.

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

## 3. Significant Accounting Policies (Continued)

### FINANCIAL INSTRUMENTS (Continued)

#### *Financial assets* (Continued)

##### Significant increase in credit risk

In assessing whether the credit risk on a financial instrument 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 since initial recognition:

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

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

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

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.

# Notes to the Consolidated Financial Statements

For the year Ended 31 December 2021

## 3. Significant Accounting Policies (Continued)

### FINANCIAL INSTRUMENTS (Continued)

#### *Financial assets* (Continued)

##### Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- 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 analysis, 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.

##### Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- 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
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

##### 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, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any subsequent recoveries are recognised in profit or loss.

##### Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, 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 original effective interest rate.

## 3. Significant Accounting Policies (Continued)

### FINANCIAL INSTRUMENTS (Continued)

#### *Financial assets* (Continued)

##### Derecognition of financial assets

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

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 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 an entity after deducting all of its liabilities. Equity instruments issued by a group are recognised at the proceeds received, net of direct issue costs.

##### Financial liabilities subsequently measured at amortised cost

All of the Group's financial liabilities are subsequently measured at amortised cost using the effective interest method.

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



# Notes to the Consolidated Financial Statements

For the year Ended 31 December 2021

## 3. Significant Accounting Policies (Continued)

### FINANCIAL INSTRUMENTS (Continued)

#### *Financial liabilities and equity instruments* (Continued)

##### Financial guarantee contract

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within “trade and other payables” at fair value.

Subsequent to initial recognition, the amount initially recognised as financial guarantee obligations is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECL on the financial guarantees is determined to be higher than the amount carried in “trade and other payables” in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECL, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12m ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in above apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

##### 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, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

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

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

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

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

## 3. Significant Accounting Policies (Continued)

### RELATED PARTIES

A related party is a person or entity that is related to the Group.

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

# Notes to the Consolidated Financial Statements

For the year Ended 31 December 2021

## 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 are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

### CRITICAL JUDGEMENTS APPLYING ACCOUNTING POLICIES

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

#### *Going concern and liquidity*

As explained in note 1 to the consolidated financial statements, the financial position of the Group indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The assessment of the going concern assumptions involves making judgement by the management, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The management considers that the Group has ability to continue as a going concern and the major conditions that may cast significant doubt about the going concern assumptions are set out in note 1 to the consolidated financial statements.

### KEY SOURCES OF ESTIMATION UNCERTAINTY

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

#### *Estimated useful lives of property, plant and equipment*

In applying the accounting policy on property, plant and equipment with respect to depreciation, the Directors estimate the useful lives of various categories of property, plant and equipment according to the experiences over the usage of them and also by reference to the relevant industrial norm. If the actual useful lives of them are less than the original estimated useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charge for the remaining useful life.

As at 31 December 2021, the carrying amount of property, plant and equipment is HK\$6,911,000 (2020: HK\$7,576,000).

## 4. Critical accounting judgements and Key Sources of Estimation Uncertainty (Continued)

### KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

#### *Impairment of property, plant and equipment*

Property, plant and equipment are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, which in the case of value in use, is the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belong. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

An impairment loss on property, plant and equipment of approximately HK\$Nil (2020: HK\$54,315,000) was recognised during the year ended 31 December 2021.

#### *Provision of ECL for trade receivables*

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on aging of trade receivables groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 16 and 26.

## 5. Revenue and Segment Information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "CODM"), in order to allocate resources to segments and to assess their performance. During the Year, the CODM assesses the operating performance and allocates the resources of the Group as a whole as the Group is primarily engaged in designing, developing and selling plastic and other household products. Therefore, the management considers that the Group only has one operating segment. The Group mainly operates in Hong Kong and the PRC and the Group's non-current assets are mainly located in the PRC.

The CODM reviews the overall results and financial position of the Group as a whole based on the same accounting policies adopted by the Group and no further segment information is presented.

# Notes to the Consolidated Financial Statements

For the year Ended 31 December 2021

## 5. Revenue and Segment Information (Continued)

An analysis of the Group's revenue during the Year is as follows:

Types of Goods	2021 HK\$'000	2020 HK\$'000
Sale of plastic and other household products	<b>23,487</b>	21,468

All of the revenue of the Group is recognised on a point in time basis.

Based on the historical pattern, the Directors are of the opinion that the income from sale of plastic and other household products in respect of unsatisfied contracts as at the end of the financial reporting period are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.

### GEOGRAPHICAL INFORMATION

The Group's revenue is mainly derived from customers located in Hong Kong, the People's Republic of China ("PRC"), the United Kingdom ("UK") and the United States of America ("US"). The Group's revenue by the geographical locations of the customers determined based on the destination of goods delivered, irrespective of the origin of goods, is detailed below:

	2021 HK\$'000	2020 HK\$'000
Canada	<b>418</b>	–
Hong Kong	<b>12,075</b>	11,653
PRC	<b>5,113</b>	3,351
UK	<b>519</b>	648
US	<b>4,955</b>	5,474
New Zealand	–	8
Others	<b>407</b>	334
	<b>23,487</b>	21,468

### INFORMATION ABOUT MAJOR CUSTOMERS

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

	2021 HK\$'000	2020 HK\$'000
Customer A	<b>11,683</b>	10,888
Customer B	<b>5,113</b>	3,351
Customer C	<b>2,475</b>	2,102

# Notes to the Consolidated Financial Statements

For the year Ended 31 December 2021

## 6. Other Income

	2021 HK\$'000	2020 HK\$'000
Sundry income	32	–

## 7. Other Gains and Losses

	2021 HK\$'000	2020 HK\$'000
Net foreign exchange gain	63	429
Gain on early termination of lease, net	–	27
Others	–	(32)
	63	424

## 8. Finance Costs

	2021 HK\$'000	2020 HK\$'000
Interest expenses on:		
— bank and other borrowings and overdrafts	10,469	10,469

## 9. Income Tax Expense

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

No provision for Hong Kong profits tax had been made as there were no estimated assessable profits in Hong Kong for both years.

	2021 HK\$'000	2020 HK\$'000
Loss before tax	(18,103)	(75,921)
Tax at Hong Kong Profits Tax rate of 16.5% (note)	(2,987)	(12,526)
Tax effect of expenses not deductible for tax purposes	3,342	13,055
Tax effect of income not taxable for tax purposes	(355)	(529)
Income tax expense for the year	–	–

At 31 December 2021 and 2020, the Group does not have any unused tax losses or deductible temporary differences available for offset against future profits.

*Note: The domestic tax rate (which is the Hong Kong Profits Tax rate) in the jurisdiction where the sales and purchases of the Group is substantially based is used.*

## Notes to the Consolidated Financial Statements

For the year Ended 31 December 2021

### 10. Loss and Total Comprehensive Loss for the Year

Loss and total comprehensive loss for the year has been arrived at after charging/(crediting):

	2021 HK\$'000	2020 HK\$'000
Directors' remuneration		
— Fees	469	487
— Other emoluments, salaries and other benefits	960	2,558
— Retirement benefit scheme contributions	—	—
	<b>1,429</b>	3,045
Other staff salaries and allowances	2,593	1,631
Retirement benefit scheme contributions, excluding those of Directors	6	2
Total employee benefits expenses	<b>4,028</b>	4,678
Auditor's remuneration		
— current year	700	1,000
— over-provision in prior years	—	(476)
Cost of inventories recognised as an expense	20,866	19,032
Expenses relating to short-term leases	2,008	1,600
Depreciation of property, plant and equipment (included in cost of sales)	859	802

# Notes to the Consolidated Financial Statements

For the year Ended 31 December 2021

## 11. Directors', Chief Executive's and Employees' Emoluments

### (a) DIRECTORS' AND THE CHIEF EXECUTIVE'S EMOLUMENTS

Details of the emoluments paid or payable to the Directors and the chief executive of the Company (including emoluments for services as employees/directors of the group entities prior to becoming the Directors) during the year are as follows:

For the year ended 31 December 2021

Name of directors	Fee HK\$'000	Salaries and other allowances HK\$'000	Retirement benefit scheme contributions HK\$'000	Other benefits HK\$'000	Total HK\$'000
<b>Executive directors:</b>					
Mr. Ng Chun Chung	-	480	-	-	480
Mr. Chan Sai On Bill	-	480	-	-	480
Mr. Jason Martin Westcott (appointed on 16 February 2022)	-	-	-	-	-
	-	960	-	-	960
<b>Independent non-executive directors:</b>					
Mr. Wong Chi Kei (appointed on 20 September 2021)	33	-	-	-	33
Ms. Lin Weiqi Wendy (appointed on 26 July 2021)	130	-	-	-	130
Dr. Chan Kai Yue Jason (appointed on 1 December 2021)	15	-	-	-	15
Mr. Li Ka Chun (resigned on 16 August 2021)	113	-	-	-	113
Mr. Fung Wai Hang (resigned on 31 August 2021)	120	-	-	-	120
Mr. Sze Chun Wai (resigned on 24 June 2021)	58	-	-	-	58
	469	-	-	-	469
	469	960	-	-	1,429



# Notes to the Consolidated Financial Statements

For the year Ended 31 December 2021

## 11. Directors', Chief Executive's and Employees' Emoluments (Continued)

### (a) DIRECTORS' AND THE CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

For the year ended 31 December 2020

Name of directors	Fee HK\$'000	Salaries and other allowances HK\$'000	Retirement benefit scheme contributions HK\$'000	Other benefits HK\$'000	Total HK\$'000
<b>Executive directors:</b>					
Mr. Ng Chun Chung (re-designated on 10 June 2020)	-	535	-	-	535
Mr. Chan Sai On Bill (re-designated on 10 June 2020)	-	535	-	-	535
Mr. Tong Bak Nam Billy (removed on 27 May 2020 and resigned on 2 June 2020) (note i)	-	253	-	-	253
Mr. Chan Kam Hon Ivan (resigned on 10 June 2020)	-	546	-	-	546
Mr. Un Ga Wei (resigned on 10 June 2020)	-	291	-	-	291
Ms. Chan Jiselle Joey (resigned on 10 June 2020)	-	291	-	-	291
	-	2,451	-	-	2,451
<b>Independent non-executive directors:</b>					
Mr. Li Ka Chun (appointed on 10 June 2020 and resigned on 16 August 2021)	100	-	-	-	100
Mr. Fung Wai Hang (appointed on 10 June 2020 and resigned on 31 August 2021)	100	-	-	-	100
Mr. Sze Chun Wai (appointed on 7 February 2020 and resigned on 24 June 2021)	108	-	-	-	108
Mr. Cheung Ting Kin (resigned on 7 February 2020)	-	-	-	-	-
Ms. Hui Chi Yan Amy (resigned on 10 June 2020)	108	-	-	-	108
Mr. Ng Chun Chung (appointed on 21 February 2020 and redesignated on 10 June 2020)	71	-	-	-	71
	487	-	-	-	487
<b>Non-executive directors:</b>					
Mr. Chai Sai On Bill (appointed on 21 February 2020 and redesignated on 10 June 2020)	-	107	-	-	107
	-	107	-	-	107
	487	2,558	-	-	3,045

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

Note:

(i) Other benefits were the directors' quarters rental and relating expense.

# Notes to the Consolidated Financial Statements

For the year Ended 31 December 2021

## 11. Directors', Chief Executive's and Employees' Emoluments (Continued)

### (b) EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group during the year include three (2020: four) directors. The emoluments for the year of the remaining two (2020: one) individual, are as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries and other allowances	504	791
Retirement benefit scheme contributions	–	–
	<b>504</b>	<b>791</b>

	2021 No. of employees	2020 No. of employees
Nil to HK\$1,000,000	2	1
	<b>2</b>	<b>1</b>

During the years ended 31 December 2021 and 2020, no emolument was paid by the Group to any of the Directors or the chief executive of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors or the chief executive of the Group waived any emoluments during the years.

## 12. Loss Per Share

The calculation of the basic loss per share during the Year is based on the loss for the year attributable to owners of the Company of HK\$18,103,000 (2020: HK\$75,921,000) and the weighted average number of ordinary shares in issue during the Year of 540,000,000 (2020: 540,000,000).

No diluted loss per share is presented for both years as the Company did not have any potential ordinary share in issue during the years.

## 13. Dividends

The Directors did not recommend the payment or declaration of any dividend for the year ended 31 December 2021 (2020: nil).

# Notes to the Consolidated Financial Statements

For the year Ended 31 December 2021

## 14. Property, Plant and Equipment

	Moulds HK\$'000	Plant and machinery HK\$'000 (Note 2)	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>COST</b>					
At 1 January 2020	54,677	7,972	542	1,027	64,218
Exchange differences	3,580	524	–	–	4,104
At 31 December 2020	58,257	8,496	542	1,027	68,322
Written off	–	–	(542)	(1,027)	(1,569)
Exchange differences	<b>1,603</b>	<b>233</b>	–	–	<b>1,836</b>
At 31 December 2021	<b>59,860</b>	<b>8,729</b>	–	–	<b>68,589</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>					
At 1 January 2020	652	66	542	1,027	2,287
Provided for the year	–	802	–	–	802
Impairment (Note 1)	54,315	–	–	–	54,315
Exchange differences	3,290	52	–	–	3,342
At 31 December 2020	<b>58,257</b>	<b>920</b>	<b>542</b>	<b>1,027</b>	<b>60,746</b>
Provided for the year	–	<b>859</b>	–	–	<b>859</b>
Eliminated on written off	–	–	(542)	(1,027)	(1,569)
Exchange differences	<b>1,603</b>	<b>39</b>	–	–	<b>1,642</b>
At 31 December 2021	<b>59,860</b>	<b>1,818</b>	–	–	<b>61,678</b>
<b>CARRYING VALUE</b>					
At 31 December 2021	–	<b>6,911</b>	–	–	<b>6,911</b>
At 31 December 2020	–	7,576	–	–	7,576

The above items of property, plant and equipment are depreciated on a straight-line basis, as follows:

Moulds	14% per annum
Plant and machinery	10%–20% per annum
Furniture, fixtures and equipment	20% per annum
Motor vehicles	20% per annum

Notes:

1. The moulds of the Group were specifically used for production of certain plastic household products of the Group. During the year ended 31 December 2020, the Group has determined to come up with new plastic products and to cease producing certain plastic household products of the Group. Due to obsolescence, full impairment loss of approximately HK\$54,315,000 was recognised in respect of the moulds.
2. Since the Group incurred significant loss and due to outbreak of Covid-19, the management of the Group concluded there was indicator of impairment and conducted impairment assessment on plant and machinery. The Group estimated the recoverable amounts of the plant and machinery as at 31 December 2021 and 2020 based on higher of fair value less costs of disposal and value-in-use. The carrying amounts of the plant and machinery did not exceed the recoverable amounts based on value-in-use and no impairment has been recognised.

## Notes to the Consolidated Financial Statements

For the year Ended 31 December 2021

### 15. Right-of-use Assets

	Leased properties HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>COST</b>			
At 1 January 2020	6,624	1,326	7,950
Derecognised upon early termination of leases (Note 1)	(5,764)	–	(5,764)
Write-off	(860)	(1,326)	(2,186)
At 31 December 2020 and 2021	–	–	–
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>			
At 1 January 2020	1,340	1,326	2,666
Derecognised upon early termination of leases (Note 1)	(480)	–	(480)
Write-off	(860)	(1,326)	(2,186)
At 31 December 2020 and 2021	–	–	–
<b>CARRYING VALUES</b>			
At 31 December 2021	–	–	–
At 31 December 2020	–	–	–

Note:

- During the year ended 31 December 2020, one of the leases for the office occupied by the Group in Hong Kong for which the expiry was originally on 4 October 2022 was agreed to be early terminated on 1 January 2020 by both the Group and relevant landlord. Accordingly, the carrying amount of the right-of-use assets and lease liabilities with the net carrying amount at the termination date of approximately HK\$5,284,000 and HK\$5,311,000 respectively were derecognised, and the net amount of approximately HK\$27,000 was recognised in profit or loss during the year.

### 16. Trade and other receivables

	2021 HK\$'000	2020 HK\$'000
Trade receivables	231	–
Other receivables	5,573	808
	5,804	808
Less: Impairment loss allowance	–	–
	5,804	808

The Group allows credit periods mainly ranging from cash on delivery to 180 days to its customers.

## Notes to the Consolidated Financial Statements

For the year Ended 31 December 2021

### 16. Trade and other receivables (Continued)

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

	2021 HK\$'000	2020 HK\$'000
1–30 days	55	–
31–120 days	69	–
121–365 days	107	–
	<b>231</b>	–

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributed to customers and credit term granted to customers are reviewed regularly. All of the trade receivables that are neither past due nor impaired have no history of default on repayments. The Directors consider that these trade receivables are of good quality given the continuous settlement from customers throughout the year. As at 31 December 2021 and 2020, none of the trade and other receivables was impaired.

Details of impairment assessment of trade and other receivables are set out in note 26.

### 17. Bank Balances and Cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. As at 31 December 2021 and 2020, no bank balances were considered by management as credit impaired.

Bank balances carry interest at market rates which range from 0.00% to 0.01% (2020: 0.00% to 0.01%).

### 18. Trade and Other Payables

	2021 HK\$'000	2020 HK\$'000
Trade payables (Note i)	2,837	–
Payroll payables (Note ii)	6,018	4,455
Interest payables	20,938	10,469
Accrued professional fees	7,914	5,380
Other accrued expenses	7,475	4,425
Other payables (Note ii, iii)	9,179	8,131
	<b>54,361</b>	32,860

# Notes to the Consolidated Financial Statements

For the year Ended 31 December 2021

## 18. Trade and Other Payables (Continued)

Notes:

i An aging analysis of the Group's trade payables as at the end of the reporting period, based on invoice date, is as follows:

	2021 HK\$'000	2020 HK\$'000
1–30 days	1,909	–
31–120 days	928	–
	<b>2,837</b>	–

ii. As at 31 December 2021, the payroll payables and other payables with the principal amounts of approximately HK\$6,018,000 and HK\$9,179,000 respectively (2020: approximately HK\$4,455,000 and HK\$8,131,000 respectively) were in default for repayment and repayable on demand.

iii. Other payables with the principal amount of approximately HK\$4,181,000 was related to the professional fee paid by Cachet Group Limited on behalf of the Company for restructuring purpose.

The Group's trade and other payables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2021 HK\$'000	2020 HK\$'000
RMB	4,898	4,767

## 19. Contract Liabilities

Contract liabilities represents advance payments from customers of sales contracts of plastic and other household products, for which revenue is recognised at point in time.

The Group does not allow refund of the advance payments to the customers after the commencement of production of plastic household products to them. Based on the historical pattern, the Group does not recognise any refund liability as the Directors are of the opinion the amount involved is insignificant.

Movements in the contract liabilities are as follows:

	2021 HK\$'000	2020 HK\$'000
As at 1 January	–	311
Advances received from customers	1,318	–
Revenue recognised during the year that was included in contract liability at beginning of year	–	(311)
As at 31 December	<b>1,318</b>	–

## Notes to the Consolidated Financial Statements

For the year Ended 31 December 2021

### 20. Bank and Other Borrowings and Bank Overdrafts

	2021 HK\$'000	2020 HK\$'000
Bank and other loans	165,898	165,898
Bank overdrafts	2,529	2,529
	<b>168,427</b>	168,427
Analysed as:		
Secured	<b>168,427</b>	168,427
The carrying amounts of the above bank and other borrowings and bank overdrafts are repayable:		
– within one year	<b>168,427</b>	168,427

The ranges of effective interest rates on the Group's bank and other borrowings and bank overdrafts are as follows:

	2021 HK\$'000	2020 HK\$'000
Effective interest rates:		
Fixed-rate borrowings	<b>3.38% to 9.16%</b>	3.38% to 9.16%
Variable-rate borrowings	<b>4.13% to 6.3%</b>	4.13% to 6.3%
Variable-rate bank overdrafts	<b>3.25% to 5.18%</b>	3.25% to 5.18%

The Group's bank and other borrowings and bank overdrafts as at 31 December 2021 and 2020 are guaranteed by the following:

- (i) personal guarantees from certain former directors of the Company and/or their family members;
- (ii) corporate guarantees from the related companies which are controlled by the former directors of the Company; and
- (iii) corporate guarantees from certain subsidiaries of the Company.

As at 31 December 2021, bank and other borrowings included HK\$168,417,000 (2020: HK\$168,417,000) of bank and other borrowings of Chase On which were guaranteed by the Company and were assigned to the Company upon the issuance of the winding-up order of Chase On (see Note 3). As at 31 December 2021, the bank and other borrowings of approximately HK\$165,898,000 (2020: approximately HK\$165,898,000) were overdue and became immediately repayable. The lenders, CTBC and Orix Asia Limited had taken legal action against the Group for the immediate repayment of their loans of approximately US\$5,728,000 (equivalent to approximately HK\$44,604,000) and HK\$7,033,000 respectively, and they filed winding-up petitions against the Group as disclosed in note 29. The Group is now restructuring their debts with the lenders, and has proposed the Creditors Scheme for the lenders' consideration. For details of the restructuring, see note 1(i).

# Notes to the Consolidated Financial Statements

For the year Ended 31 December 2021

## 21. Share Capital

Details of movements of share capital of the Company are as follows:

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
<b>Authorised:</b>		
At 31 December 2020, 1 January 2021 and 31 December 2021	2,000,000,000	20,000
<b>Issued and fully paid:</b>		
At 31 December 2020, 1 January 2021 and 31 December 2021	540,000,000	5,400

## 22. Retirement Benefit Schemes

The Group participates in a defined contribution scheme which is registered under the MPF Scheme established under the Mandatory Provident Fund Schemes Ordinance. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees.

For members of the MPF Scheme, the Group contributes at the lower of HK\$1,500 per month or 5% of relevant payroll costs each month to the MPF Scheme, which contribution is matched by the employee.

The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions. During the year, the total amounts contributed by the Group to the scheme and cost charged to the profit or loss represents contributions paid/payable to the scheme by the Group at rates specified in the rules of the scheme. The retirement benefits scheme contribution expense recognised by the Group amounted to HK\$6,000 (2020: HK\$2,000) during the year ended 31 December 2021.

## 23. Related Party Disclosures

### (A) RELATED PARTY TRANSACTIONS

During the years ended 31 December 2021 and 2020, the Group's bank and other borrowings and bank overdrafts are guaranteed by certain related parties as disclosed in Note 20.

### (B) COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

	2021 HK\$'000	2020 HK\$'000
Salaries and other allowances	1,429	3,836
Retirement benefit scheme contributions	–	–
Other benefits	–	–
	<b>1,429</b>	<b>3,836</b>

The remuneration of Directors and key management personnel are determined having regard to the performance of the individuals and contribution to the Group.



# Notes to the Consolidated Financial Statements

For the year Ended 31 December 2021

## 24. Capital Risk Management

The Group manages its capital to ensure that the group companies 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 overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bank and other borrowings, net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained profits.

The Directors review the capital structure regularly. As part of this review, the Directors consider the cost and the risks associated with each class of the capital. Based on the recommendations of the Directors, the Group will balance its overall capital structure through the payments of dividends, new shares issue as well as issue of new debts and redemption of existing debts.

## 25. Share Option

Pursuant to a resolution passed on 16 August 2018 by the shareholders of the Company, a share option scheme (the "**Share Option Scheme**") was adopted.

The purpose of the Share Option Scheme is to provide incentives or rewards to eligible persons for their contribution or potential contribution to the Group.

The board of directors of the Company may, at its discretion, offer to grant an option to subscribe for such number of new shares as the board of directors of the Company may determine at an exercise price at a price which shall be at least the highest of: (i) the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; (ii) the average of the official closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

The Share Option Scheme will remain in force for a period of ten years commencing on the 16 August 2018 and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the shareholders in general meeting.

An offer for the grant of options must be deemed to have been granted and accepted when the duplicate offer document constituting acceptances of the options duly signed, together with a remittance or payment to the Company. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK\$1.

Save as determined by the board of directors and provided in the offer of the grant of the relevant options, there is no minimum period for which an option must be held before it can be exercised.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other share option scheme established by the Company, if any, is 54,000,000, representing 10% of the issued share capital of the Company upon listing. The total maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme, if any, shall not exceed 30% of the issued share capital of the Company from time to time.

No share options have been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption.

# Notes to the Consolidated Financial Statements

For the year Ended 31 December 2021

## 26. Financial Instruments

### (a) CATEGORIES OF FINANCIAL INSTRUMENTS

	2021 HK\$'000	2020 HK\$'000
<b>Financial assets</b>		
Financial assets at amortised cost	6,231	850
<b>Financial liabilities</b>		
Financial liabilities at amortised cost	222,788	201,287

### (b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables, bank and other borrowings and bank overdrafts.

Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (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 manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### *Market risks*

##### (i) Currency risk

The functional currency of the entities comprising the Group is HK\$.

- (a) The Group's exposure to foreign currency risk related primarily to certain bank balances and cash, trade and other receivables, trade and other payables and bank and other borrowings that are denominated in United States dollar (US\$) and Renminbi (RMB). The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As HK\$ is pegged to US\$, the Group considers the risk of movements in exchange rates to be insignificant.

# Notes to the Consolidated Financial Statements

For the year Ended 31 December 2021

## 26. Financial Instruments (Continued)

### (b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Market risks (Continued)

#### (i) Currency risk (Continued)

#### (a) (Continued)

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

	2021 HK\$'000	2020 HK\$'000
<b>Monetary liabilities</b>		
RMB	<b>4,898</b>	4,767

#### Sensitivity analysis

The Directors consider that the exposure of US\$ against HK\$ is limited as HK\$ is pegged to US\$ and the Group is mainly exposed to the currency risk of RMB against HK\$ during the year. The following table details the Group's sensitivity to a 5% increase and decrease in RMB against HK\$. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates a decrease in post-tax loss where RMB weakened 5% against HK\$. For a 5% strengthening of RMB against HK\$, there would be an equal and opposite impact on the profit or loss.

	2021 HK\$'000	2020 HK\$'000
RMB	<b>245</b>	238

In the Directors' opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

## 26. Financial Instruments (Continued)

### (b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### *Market risks* (Continued)

##### (ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to bank balances (note 17) and floating-rate bank and other borrowings and bank overdrafts (note 20) due to the fluctuation of the prevailing market interest rate. The Group currently does not have a policy on hedging interest rate risk. However, the management keeps monitoring the interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group is also exposed to fair value interest rate risk in relation to the fixed-rate bank and other borrowings (note 20).

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate arising from the Group's HK\$ borrowings and London Interbank Offered Rate arising from the Group's US\$ borrowings.

#### Sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2021 would increase/decrease by HK\$233,000 (2020: HK\$233,000).

No sensitivity analysis for bank balances is presented as the Directors consider that the exposure of the Group to interest rate risk on its variable-rate bank balances is limited as Directors do not anticipate a material change in interest rate on bank balances.

# Notes to the Consolidated Financial Statements

For the year Ended 31 December 2021

## 26. Financial Instruments (Continued)

### (b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise credit risk, the Group regularly monitors the external credit ratings on the financial institutions based on available information at each reporting date for its bank balances which are placed in their financial institutions with credit ratings ranging from good to acceptable. The credit rating information is supplied by independent rating agencies where available and, if not available, the credit management team uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on portfolio basis by estimation based on historical credit loss experience based on the past default experience of the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast conditions at the reporting date.

## 26. Financial Instruments (Continued)

### (b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### *Credit risk* (Continued)

For other receivables, the Group assessed the impairment individually based on past due information. In the opinion of the Directors, there were no significant increase in credit risk of the other receivables since initial recognition. ECL is estimated based on historical observed default rates over the expected life of debtors and is adjusted for forward-looking information that is available without undue cost or effort. Therefore, loss allowance of other receivables is assessed on 12m ECL basis. No loss allowance was made for other receivables as at 31 December 2021 and 2020 as the amounts involved were insignificant.

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

Internal credit rating	Description	Trade receivables	Other financial assets/ other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

## Notes to the Consolidated Financial Statements

For the year Ended 31 December 2021

### 26. Financial Instruments (Continued)

#### (b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

##### *Credit risk* (Continued)

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

2021	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount HK\$'000
<b>Financial assets at amortised cost</b>					
Bank balances	17	Aa to C	N/A	12m ECL	427
Trade receivables	16	N/A	Low risk	Lifetime ECL – not credit-impaired (individual assessment)	231
Other receivables	16	N/A	Low risk	12m ECL	5,573
2020	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount HK\$'000
<b>Financial assets at amortised cost</b>					
Bank balances	17	Aa to C	N/A	12m ECL	42
Other receivables	16	N/A	Low risk	12m ECL	808

## 26. Financial Instruments (Continued)

### (b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Liquidity risk

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

The following table details the Group's remaining contractual maturity for its financial liabilities. The tables have 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.

#### Liquidity tables

As at 31 December 2021

	Effective interest rate %	On demand or less than 1 year HK\$'000	1 year to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31 December 2021 HK\$'000
<b>Non-derivative financial liabilities</b>					
Trade and other payables	–	54,361	–	54,361	54,361
Bank overdrafts	3.25% to 5.18%	2,773	–	2,773	2,529
Bank and other borrowings					
– fixed rate	3.38% to 9.16%	138,555	–	138,555	121,754
– variable rate	4.13% to 6.30%	48,037	–	48,037	44,144
		243,726	–	243,726	222,788



## Notes to the Consolidated Financial Statements

For the year Ended 31 December 2021

### 26. Financial Instruments (Continued)

#### (b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

##### Liquidity risk (Continued)

##### Liquidity tables (Continued)

As at 31 December 2020

	Effective interest rate %	On demand or less than 1 year HK\$'000	1 year to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31 December 2020 HK\$'000
<b>Non-derivative financial liabilities</b>					
Other payables	–	32,860	–	32,860	32,860
Bank overdrafts	3.25% to 5.18%	2,651	–	2,651	2,529
Bank and other borrowings					
– fixed rate	3.38% to 9.16%	130,155	–	130,155	121,754
– variable rate	4.13% to 6.30%	46,090	–	46,090	44,144
		211,756	–	211,756	201,287

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

#### (c) FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

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

The Directors consider that the carrying amounts of financial assets and financial liabilities of the Group recorded at amortised cost in the consolidated financial statements at the end of the reporting period approximate their fair values as these financial instruments are short term in nature.

## 27. Contingent Liabilities

The following is the Group's contingent liabilities at the end of the reporting period:

### CLAIMS FROM MULTIPLE UNKNOWN CREDITORS AND THE FORMER DIRECTORS

As stated in note 1(i), the JPLs of the Company were appointed on 30 July 2020, and the JPLs circulated a letter with the JPLs order from Cayman Court to the known or potential creditors of the Company regarding the details of the JPLs arrangement. As at the date of this report, the JPLs have received several claims against the Company from multiple unknown creditors and the former directors, demanding for the repayment of bonds and loans in an aggregate amount of approximately HK\$135.7 million (the "**Claims**").

Since the Company and the JPLs have proposed the Creditors Scheme, all claims received by the JPLs that are substantiated will be considered for the restructuring purposes. However, due to the lack of sufficient supporting documents to corroborate the said creditors' claims, the Directors are of the opinion that the Claims are unsubstantiated, thus no provision or other liability is recognized in the consolidated financial statements of the Group for the years ended 31 December 2021 and 2020 in respect of the Claims.

## 28. Litigations

### HCA 2241 OF 2019

On 3 December 2019, a legal proceeding was initiated by Nanyang Commercial Bank, Limited ("**NCB**") as plaintiff under action number HCA 2241 of 2019 against Chase On, the Company, three former directors of the Company namely Mr. Tong and Ms. Ng, and Mr. Chan Kam Hon Ivan ("**Mr. Chan**"), in respect of Chase On's outstanding sums and interests due from banking facilities granted by NCB to Chase On. The Company and the aforesaid directors were guarantors of Chase On's liabilities to NCB.

NCB claims against Chase On, the Company and the aforesaid directors for (i) the outstanding balance of HK\$2,063,000 and its further interest payments accrued; and (ii) the outstanding principal of US\$2,231,000 and its outstanding interest of US\$16,000 (equivalent to approximately HK\$17,398,000 and HK\$123,000 respectively) and its interest accrued. As disclosed in Note 3, these liabilities were assigned to the Company upon the issuance of the winding-up order of Chase On.

By an order of the Hong Kong Court dated 3 September 2020 (the "**Recognition Order**"), it was ordered that except for the proceedings in HCCW 403/2019 and HCCW 28/2020, for so long as the Company remains in provisional liquidation in the Cayman Islands, no action or proceeding shall be proceeded with or commenced against the Company or its assets or affairs or its property within the jurisdiction of the courts of Hong Kong, except with leave of the Hong Kong Court and subject to such terms as the Hong Kong Court may impose. As such, the proceedings in HCA 2241 of 2019 have not been proceeded with as at the date of this report.

# Notes to the Consolidated Financial Statements

For the year Ended 31 December 2021

## 28. Litigations (Continued)

### HCA 2259 OF 2019

On 6 December 2019, a legal proceeding was initiated by Fubon Bank (Hong Kong) Limited (“**Fubon**”) as plaintiff under action number HCA 2259 of 2019 against Chase On, the Company, Mr. Tong and Mr. Chan, in respect of Chase On’s outstanding sums and interests due from banking facilities granted by Fubon to Chase On. The Company, Mr. Tong and Mr. Chan were guarantors of Chase On’s liabilities to Fubon.

Fubon claims against Chase On, the Company, Mr. Tong and Mr. Chan for the sums of US\$871,000 (equivalent to approximately HK\$6,796,000) and HK\$367,000 and their interests accrued. As disclosed in Note 3, these liabilities were assigned to the Company upon the issuance of the winding-up order of Chase On.

As stated above, pursuant to the Recognition Order, except for the proceedings in HCCW 403/2019 and HCCW 28/2020, for so long as the Company remains in provisional liquidation in the Cayman Islands, no action or proceeding shall be proceeded with or commenced against the Company or its assets or affairs or its property within the jurisdiction of the courts of Hong Kong, except with leave of the Hong Kong Court and subject to such terms as the Hong Kong Court may impose. As such, the proceedings in HCA 2259 of 2019 have not been proceeded with as at the date of this report.

### HCA 2395 OF 2019

On 24 December 2019, a legal proceeding was initiated by O-Bank Co., Ltd. (“**O-Bank**”) as plaintiff under action number HCA 2395 of 2019 against Chase On, the Company, and Mr. Tong, Ms. Ng, Mr. Chan, and Mr. Tong Bak Nam Billy (who resigned as director of the Company on 27 May 2020), in respect of Chase On’s outstanding sums and interests due from credit facilities granted by O-Bank to Chase On. The Company and the aforesaid directors were guarantors of Chase On’s liabilities to O-Bank.

The Plaintiff claims against Chase On, the Company and the aforesaid directors for the outstanding principal amounts of (i) HK\$6,182,000 and US\$3,647,000 (equivalent to approximately HK\$28,444,000), and (ii) the interest on the said principal amounts accrued. As disclosed in Note 3, these liabilities were assigned to the Company upon the issuance of the winding-up order of Chase On.

As stated above, pursuant to the Recognition Order, except for the proceedings in HCCW 403/2019 and HCCW 28/2020, for so long as the Company remains in provisional liquidation in the Cayman Islands, no action or proceeding shall be proceeded with or commenced against the Company or its assets or affairs or its property within the jurisdiction of the courts of Hong Kong, except with leave of the Hong Kong Court and subject to such terms as the Hong Kong Court may impose. As such, the proceedings in HCA 2395 of 2019 have not been proceeded with as at the date of this report.

## 28. Litigations (Continued)

### HCA 354 OF 2020

On 18 March 2020, a legal proceeding was initiated by DBS Bank (Hong Kong) Limited (“**DBS**”) as plaintiff under action number HCA 354 of 2020 against Chase On and the Company, in respect of Chase On’s outstanding sums and interests due from banking facilities granted by DBS to Chase On. The Company was guarantor of Chase On’s liabilities to DBS.

DBS claims against Chase On and the Company for the sums of US\$999,000 (equivalent to approximately HK\$7,779,000) and their interests accrued. As disclosed in Note 3, these liabilities were assigned to the Company upon the issuance of the winding-up order of Chase On.

As stated above, pursuant to the Recognition Order, except for the proceedings in HCCW 403/2019 and HCCW 28/2020, for so long as the Company remains in provisional liquidation in the Cayman Islands, no action or proceeding shall be proceeded with or commenced against the Company or its assets or affairs or its property within the jurisdiction of the courts of Hong Kong, except with leave of the Hong Kong Court and subject to such terms as the Hong Kong Court may impose. As such, the proceedings in HCA 354 of 2020 have not been proceeded with as at the date of this report.

### LBTC 3483 OF 2020

On 28 December 2020, five former employees of the Company commenced proceedings in the Labour Tribunal of Hong Kong against the Company, claiming for a total amount of approximately HK\$2,061,000 on the ground of inter alia the failure to pay their salaries, to provide annual leave and to pay in lieu of notice upon the termination of their employment, etc.

Pursuant to the orders of the Labour Tribunal dated 8 June 2021, the Labour Tribunal Proceedings are currently stayed indefinitely until further notice by the High Court.

As of the date of this report, the salary payables, in the amount of approximately HK\$1,331,000 were provided and included in other payables as at 31 December 2021.

### DCCJ 5164 OF 2020

On 24 September 2020, a legal proceeding was initiated by Strategic Financial Relations Limited as the plaintiff under action number DCCJ 5164 of 2020 against the Company for a claim of approximately HK\$139,000 for the provision of public relation services.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, no writ of summons had been duly served on the Company by Strategic Financial Relations Limited as at the date of this report.

Save as disclosed above, as at the date of this report, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

# Notes to the Consolidated Financial Statements

For the year Ended 31 December 2021

## 29. Winding-up Petitions

### HCCW 403 OF 2019

On 13 December 2019, the Company was served a winding-up petition filed by CTBC under action number HCCW 403 of 2019 in the High Court for an order that the Company be wound up by the High Court on the ground that the Company is insolvent and is unable to pay its debts of approximately US\$5,728,000 (equivalent to approximately HK\$44,604,000). The petition was filed against the Company as guarantor of Chase On's liability to CTBC.

The hearing in respect of the petition was originally adjourned until 21 March 2022 with liberty to restore by the Hong Kong Judiciary. Due to the outbreak of the fifth wave of the COVID-19 pandemic, on 4 March 2022, the Hong Kong Judiciary announced that in light of the latest public health situation and related developments, all hearings of the courts and tribunals originally scheduled between 7 March 2022 and 11 April 2022 will generally be adjourned (the "**General Adjourned Period**"). Due to the General Adjourned Period, the High Court directed that the hearing be re-fixed to 19 April 2022. Further announcement will be made by the Company regarding the winding-up petition as and when appropriate.

### HCCW 28 OF 2020

On 17 January 2020, the Company was served a winding-up petition filed by Orix Asia Limited ("**Orix**") under action number HCCW 28 of 2020 in the High Court for an order that the Company be wound up by the High Court on the ground that the Company is insolvent and is unable to pay its debts of approximately HK\$7,033,000 in total. The petition was ordered to be dismissed by the High Court on 21 September 2020, and Orix is now acting as a supporting creditor in the petition filed under action number HCCW 403 of 2019.

## Notes to the Consolidated Financial Statements

For the year Ended 31 December 2021

### 30. Statement of Financial Position and Reserves of the Company

	NOTE	2021 HK\$'000	2020 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Interest in a subsidiary		–	–
		–	–
<b>CURRENT ASSETS</b>			
Bank balances and cash		–	17
		–	17
<b>CURRENT LIABILITIES</b>			
Other payables		27,818	19,912
Bank overdrafts		10	10
Amount due to a subsidiary		887	–
		28,715	19,922
<b>NET CURRENT LIABILITIES</b>		<b>(28,715)</b>	(19,905)
<b>NET LIABILITIES</b>		<b>(28,715)</b>	(19,905)
<b>CAPITAL AND RESERVES</b>			
Share capital		5,400	5,400
Reserves	(a)	(34,115)	(25,305)
Total deficiency		(28,715)	(19,905)

#### (a) THE FOLLOWING ARE THE MOVEMENTS OF THE COMPANY'S RESERVES

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2020	142,028	(97,082)	44,946
Loss and total comprehensive loss for the year	–	(70,251)	(70,251)
At 31 December 2020	142,028	(167,333)	(25,305)
Loss and total comprehensive loss for the year	–	(8,810)	(8,810)
At 31 December 2021	142,028	(176,143)	(34,115)

## Notes to the Consolidated Financial Statements

For the year Ended 31 December 2021

### 31. Particulars of Subsidiaries of the Company

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

Name of subsidiary	Place and date of incorporation/ establishment	Place of operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power held by the Company		Principal activities
				2020	2021	
Top Leader*	BVI 19 May 2016	Hong Kong	US\$1	100%	<b>100%</b>	Investment holding
Chase On**	Hong Kong 16 June 1989	Hong Kong	HK\$10,000	–	–	Design and trading of plastic household products
Champion Motor Group Hong Kong Limited	Hong Kong 19 September 2019	Hong Kong	HK\$10,000	100%	<b>100%</b>	Design and trading of plastics household products
CK & Associates Limited	Hong Kong 22 October 2018	Hong Kong	HK\$100	100%	<b>100%</b>	Design and trading of plastics household products

\* *Directly held by the Company*

\*\* *Wound up on 31 March 2020*

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

## 32. Events Subsequent to Reporting Period

- i. On 7 January 2022, the meeting of the creditors was duly convened in accordance with the directions of the Hong Kong Court and Cayman Court for the purpose of approving the Creditors Schemes (the “**Scheme Meeting**”). The Creditors Schemes were approved by the requisite statutory majorities of the creditors. In light of the review hearing by the LRC as further mentioned in (ii) below, the Hong Kong Court and the Cayman Court directed that the sanction hearing of the Creditors Schemes be re-fixed for 7 June 2022 (Hong Kong time) and 15 June 2022 (Cayman time), respectively.

For details, please refer to the announcements of the Company dated 8 November 2021, 15 December 2021, 7 January 2022 and 31 March 2022, respectively.

- ii. The Company received a letter (the “**Letter**”) from the Stock Exchange dated 14 January 2022 stating that the Listing Committee of the Stock Exchange (the “**LC**”) decided to reject the Company’s request for extending the resumption deadline, and cancel the Company’s listing under Rule 6.01A of the Listing Rules (the “**Delisting Decision**”). It is indicated in the Letter that unless the Company applies for a review of the Delisting Decision pursuant to Chapter 2B of the Listing Rules, the last day of listing of the Shares would be on 28 January 2022, and the listing of the Shares would be cancelled with effect from 9:00 a.m. on 31 January 2022.

The Company disagreed with the decision made by the LC. On 21 January 2022, the Company submitted an application to the Listing Review Committee of the Stock Exchange (the “**LRC**”) and requested the LRC to overturn the decision of the LC and grant the Company an extension of time to resume trading of its Shares to 30 June 2022 for completion of the remaining procedures of the Creditors Schemes. A hearing for the review by the LRC has been scheduled to be held on 20 April 2022. The Company will make further announcement(s) to update the shareholders and potential investors of the Company on further development of the LRC Review in compliance with the Listing Rules as and when appropriate.

For details, please refer to the announcements of the Company dated 17 January 2022, 25 January 2022 and 31 March 2022, respectively.

- iii. On 17 March 2022, One Oak, as lender and CKA as borrower entered into the CKA Loan Agreement, pursuant to which One Oak conditionally agreed to grant a term loan in the principal amount of up to HK\$70.0 million at an interest rate of 3.0% per annum to CKA.

On 17 March 2022, One Oak as lender, the Company as borrower and the JPLs entered into the Amended and Restated Funding Agreement to amend and restate the terms and conditions of the One Oak Funding Agreement.

On 17 March 2022, the Company and the JPLs entered into the supplemental restructuring agreement and the supplemental subscription agreement with One Oak, pursuant to which the parties agreed to amend and supplement certain terms of the restructuring agreement and the supplemental subscription agreement.

For details, please refer to the announcement of the Company dated 17 March 2022.



# Five-Year Financial Summary

	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
<b>Results</b>					
Revenue	<b>23,487</b>	21,468	260,389	340,972	325,814
(Loss)/profit for the year attributable to owners of the Company	<b>(18,103)</b>	(75,921)	(296,797)	33,837	27,411
<b>Assets and liabilities</b>					
Total assets	<b>13,142</b>	8,426	82,213	564,955	366,611
Total liabilities	<b>224,106</b>	201,287	199,149	339,277	275,048
<b>Net assets</b>					
Non-controlling interests	–	–	4	5,321	5,615
(Deficit)/equity attributable to owners of the Company	<b>(210,964)</b>	(192,861)	(116,940)	220,357	85,948