**FULLWEALTH INTERNATIONAL GROUP HOLDINGS LIMITED**

**富 匯 國 際 集 團 控 股 有 限 公 司**

*(Incorporated in the Cayman Islands with limited liability)*

**Stock code: 1034**


富汇国际集团控股有限公司
Fullwealth International Group Holdings Limited

# Contents



# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Ms. LIU Xinyi *(Chief Executive Officer)* (appointed on 14 January 2021)
Mr. WONG Chun Man (appointed on 14 January 2021)
Mr. LAW Fu Keung (resigned on 14 January 2021)
Ms. CHENG Fung Yi (resigned on 14 January 2021)

### Non-executive Director

Ms. MA Xiaoqiu *(Chairlady)* (appointed on 14 January 2021)

### Independent Non-executive Directors

Mr. CHEN Wen (appointed on 14 January 2021)
Mr. LI Siu Bun (appointed on 1 July 2021)
Mr. PENG Peng (appointed on 14 January 2021)
Mr. LEUNG Ho Chi (appointed on 14 January 2021 and resigned on 1 July 2021)
Ms. LI On Lei (resigned on 14 January 2021)
Ms. SHUM Wing Ting (resigned on 14 January 2021)
Mr. LAW Kam Chuen (resigned on 14 January 2021)

## BOARD COMMITTEES

### Audit Committee

Mr. LI Siu Bun *(Chairman)* (appointed on 1 July 2021)
Mr. CHEN Wen (appointed on 14 January 2021)
Mr. PENG Peng (appointed on 14 January 2021)
Mr. LEUNG Ho Chi *(Chairman)* (appointed on 14 January 2021 and resigned on 1 July 2021)
Ms. LI On Lei (resigned on 14 January 2021)
Mr. LAW Kam Chuen (resigned on 14 January 2021)
Ms. SHUM Wing Ting (resigned on 14 January 2021)

### Remuneration Committee

Mr. CHEN Wen *(Chairman)* (appointed on 14 January 2021)
Ms. MA Xiaoqiu (appointed on 14 January 2021)
Mr. WONG Chun Man (appointed on 14 January 2021)
Mr, LI Siu Bun (appointed on 1 July 2021)
Mr. PENG Peng (appointed on 14 January 2021)
Mr. LEUNG Ho Chi (appointed on 14 January 2021 and resigned on 1 July 2021)
Mr. LAW Kam Chuen (resigned on 14 January 2021)
Mr. LAW Fu Keung (resigned on 14 January 2021)
Ms. CHENG Fung Yi (resigned on 14 January 2021)
Ms. LI On Lei (resigned on 14 January 2021)
Ms. SHUM Wing Ting (resigned on 14 January 2021)

### Nomination Committee

Ms. MA Xiaoqiu *(Chairlady)* (appointed on 14 January 2021)
Ms. LIU Xinyi (appointed on 14 January 2021)
Mr. LI Siu Bun (appointed on 1 July 2021)
Mr. CHEN Wen (appointed on 14 January 2021)
Mr. PENG Peng (appointed on 14 January 2021)
Mr. LEUNG Ho Chi (appointed on 14 January 2021 and resigned on 1 July 2021)
Mr. LAW Fu Keung (resigned on 14 January 2021)
Ms. CHENG Fung Yi (resigned on 14 January 2021)
Ms. LI On Lei (resigned on 14 January 2021)
Mr. LAW Kam Chuen (resigned on 14 January 2021)
Ms. SHUM Wing Ting (resigned on 14 January 2021)

## COMPANY SECRETARY

Mr. TAM Ying Wi (appointed on 14 April 2021)
Mr. WONG Chin Ming (appointed on 1 February 2021 and resigned on 14 April 2021)

## AUTHORISED REPRESENTATIVES

Ms. LIU Xinyi (appointed on 14 January 2021)
Mr. WONG Chun Man (appointed on 14 January 2021)
Mr. LAW Fu Keung (resigned on 14 January 2021)
Mr. CHOW Chi Keung (resigned on 14 January 2021)

## HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2202, 22/F, West Exchange Tower
322 Des Voeux Road Central
Sheung Wan,
Hong Kong

## REGISTERED OFFICE IN THE CAYMAN ISLANDS

Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

# Corporate Information

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

## LEGAL ADVISER AS TO HONG KONG LAW

CFN Lawyers in association with Broad & Bright
Units 4101-4104, 41st Floor
Sun Hung Kai Centre
30 Harbour Road
Wan Chai, Hong Kong

## PRINCIPAL BANKS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Chiyu Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
United Overseas Bank Limited, Hong Kong Branch

## AUDITOR

Crowe (HK) CPA Limited
9th Floor
Leighton Centre
77 Leighton Road
Causeway Bay
Hong Kong

## COMPANY'S WEBSITE

www.fullwealthgroup.com

## STOCK CODE

1034

# Chairman's Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Fullwealth International Group Holdings Limited (formerly known as Fullwealth Construction Holdings Company Limited) (the "**Company**") and its subsidiaries (collectively, the "**Group**"), I am pleased to present the annual report of the Group for the year ended 31 December 2021 (the "**Year**").

As mentioned in last year 2020, the Group would focus on its existing businesses, while striving to explore new business opportunities, in order to obtain new sources of income and enhance its profitability. For new business, in the Year, Hainan Fullwealth International Art Education Co., Ltd. (海南富匯國際藝術教育有限公司) ("**Fullwealth International Art Education**"), a new indirect wholly-owned subsidiary of the Company in Mainland China has obtained the relevant licenses for the education business from Hainan Province of the Mainland China, enabling the Group to engage in the education and training business related to performing arts and culture in the Mainland China. Fullwealth International Art Education has officially operated and launched its education and training course related to performing arts and culture from May 2021. The Group's revenue and net profit in this new business segment entertainment education business for the Year amounted to approximately HK$129.2 million and approximately HK$89.2 million respectively, representing a 36.8% and 112.7% respectively of the Group's total revenue and net profit for the Year. As previously announced during the Year, the Group is actively seeking and promoting its strategic cooperation with different leading enterprises and provincial institutions and organsations in the new energy development in Hainan province so as to further expand the Group's leading positions in the relevant business segment in Mainland China.

For existing business, the Group is a contractor engaging in civil engineering and building works in Hong Kong. During the Year, the Group continued to focus on undertaking building works, site formation, excavation and lateral support works and pile cap construction, and roads and drainage and waterworks. The Group has faced great challenges in respect of business environment as a result of continuing outbreaking of the COVID-19 pandemic on the Hong Kong economy and intensified market competition. Having said that, by the one-heart effort within the Group, in the Year, the Group recovered rapidly and chased back of progress in lots of the resulted delays caused by the outbreak of COVID-19 in last year 2020 regarding the work schedule of construction projects of the Group on hand and under construction. The Group's revenue in existing business segment civil engineering, building and other works for the Year amounted to approximately HK$222.3 million, representing a decrease of approximately HK$49.0 million or approximately 18.1% from that of the corresponding period in year 2020. The Group's net loss in this existing business segment for the Year amounted to approximately HK$3.9 million, representing a decrease of approximately HK$62.1 million or approximately 94.1% from that of the corresponding period in year 2020. The Group has been actively monitoring market conditions and taking appropriate measures to mitigate the impact resulted from unfavorable market factors. The Group continues to strengthen its cost control measures and resources management policies, and actively participate in tendering and bidding to maintain its market competitiveness despite the difficulties encountered.

Looking ahead, it is expected that the COVID-19 pandemic worldwide will be soon over with the significant boost of global vaccination rate and lifting of COVID-19 restrictions in many countries, which are definitely beneficial to the economies of Hong Kong and Mainland China. The Group will focus on its existing businesses in Hong Kong and Mainland China and at the same time explore new business opportunities in order to diversify and expand the Group's business, which is expected to benefit the Company and its shareholders as a whole in the long run.

Lastly, on behalf of the Board, I would like to take this opportunity to express my gratitude to all our shareholders, customers, employees, subcontractors, suppliers, and business partners for their continuous support.

**MA Xiaoqiu**
*Chairlady*

31 March 2022

# Management Discussion and Analysis

## BUSINESS REVIEW AND OUTLOOK

### In Mainland China

The board (the "**Board**") of directors (the "**Directors**") from time to time reviews its existing businesses and explores other business opportunities with a view to diversify the business of the Group. During the year ended 31 December 2021 (the "**Year**"), Hainan Fullwealth International Art Education Co., Ltd.（海南富匯國際藝術教育有限公司）("**Fullwealth International Art Education**"), a new indirect wholly–owned subsidiary of the Company in Mainland China has obtained the relevant licenses for the education business from Hainan Province of the Mainland China, enabling it to engage in the education and training business related to performing arts and culture in the Mainland China (collectively referred to as "**New Business Activities**"). Fullwealth International Art Education has officially operated and launched its education and training course related to performing arts and culture from May 2021. The Board believes that the New Business Activities will be an important step in the diversification and expansion of the Group's business, which is expected to benefit the Company and its shareholders as a whole in the long run.

### In Hong Kong

The Group has a long history of undertaking civil engineering works in Hong Kong with operation history since 1997. The Group's civil engineering works can be broadly categorized as (i) site formation; (ii) excavation and lateral support works and pile cap construction; and (iii) roads and drainage and waterworks. The Group is able to undertake civil engineering works as either a main contractor or a subcontractor. The Group is also qualified to carry out private sector building works as well as alteration and additions works as a main contractor.

During the Year, one new construction project was awarded. As at 31 Dec 2021, the Group had three projects on hand and the total initial contract sum of which amounted to approximately HK$181.2 million.

The construction industry was still full of challenges during the Year. The global outbreak of the COVID-19 pandemic has been lasting for over two years since Jan 2020 and caused unprecedented disruptions in business operations and the Hong Kong economy as a whole seriously in last year 2020. By the one-heart effort within the Group, in the Year, the Group recovered rapidly and chased back of progress in lots of the resulted delays caused by the outbreak of COVID-19 in last year 2020 regarding the work schedule of construction projects of the Group on hand and under construction.

The Board has been actively monitoring market conditions and taking appropriate measures to mitigate any negative impact on the business and performance of the Group. The Group will continue to strengthen its cost control measures and resources management policies, and actively participate in tendering and bidding to maintain its market competitiveness. Despite the difficulties encountered, the Board is conservatively optimistic that the Group's construction business would gradually recover as a result of the long-term housing development and land policy in Hong Kong.

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue

The Group's revenue increased from approximately HK$271.4 million for the year ended 31 December 2020 to approximately HK$351.6 million for the Year, representing an increase of approximately 29.5%. Such increase in revenue was mainly due to the chased back of progress in lots of the resulted delays caused by the outbreak of COVID-19 in last year 2020 regarding the work schedule of construction projects of the Group on hand and under construction during the Year. In addition, the Group started the new education and training business related to performing arts and culture in the Mainland China during the Year.

### Gross profit and gross profit margin

An increase from gross loss of approximately HK$54.9 million for the year ended 31 December 2020 to gross profit of approximately HK$108.0 million for the Year. An increase from gross loss margin of 20.2% for the year ended 31 December 2020 to gross profit margin of 30.7% for the Year. The increase in gross profit and gross profit margin was mainly due to:

(1) chased back of progress in lots of the resulted delays caused by the outbreak of COVID-19 in last year 2020 regarding the work schedule of construction projects of the Group on hand and under construction in Hong Kong which resulted in reduction of segment loss from civil engineering, building and other works for the Year; and

(2) the new education and training business related to performing arts and culture in the Mainland China started during the Year is in high profit margin.

### Other income

Other income was decreased by 16.9% from approximately HK$6.4 million for the year ended 31 December 2020 to approximately HK$5.3 million for the Year. The decrease in other income was mainly due to the decrease in COVID-19 government subsidy during the Year.

### General and administrative expense

General and administrative expenses increased from approximately HK$19.9 million for the year ended 31 December 2020 to approximately HK$25.1 million for the year ended 31 December 2021. It was mainly due to increase in marketing expense in the new education and training business related to performing arts and culture in the Mainland China during the Year.

### Finance costs

Finance costs decreased from approximately HK$0.7 million for the year ended 31 December 2020 to approximately HK$0.1 million for the Year. The decrease was attributable to the significant decrease in the average borrowings during the Year.

### Profit/(loss) and total comprehensive income/(expenses) for the year

As a result of the aforesaid and in particular the increase in gross profit, the Group recorded an earnings attributable to the equity shareholders of the Company of approximately HK$80.5 million for the Year (2020: loss of approximately HK$73.4 million).

# Management Discussion and Analysis

## Key financial ratios

| | Notes | As at/For the year ended 31 December 2021 | 2020 |
|---|---|---|---|
| Current ratio (times) | 1 | **3.0** | 2.1 |
| Quick ratio (times) | 2 | **3.0** | 2.1 |
| Gearing ratio | 3 | **8.5%** | 8.1% |
| Debt to equity ratio | 4 | **Net cash** | Net cash |
| Profit/(Loss)/Return on equity | 5 | **41.3%** | (66.0%) |
| Profit/(Loss)/Return on total assets | 6 | **29.5%** | (40.7%) |
| Interest coverage (times) | 7 | **729.1** | N/A |

Notes:

1. Current ratio is total current assets divided by total current liabilities.
2. Quick ratio is total current assets less inventories divided by total current liabilities.
3. Gearing ratio is total debt (i.e. sum of lease liabilities, amounts due to directors and bank loans) divided by total equity and multiplied by 100%.
4. Debt to equity ratio is total debt (i.e. sum of lease liabilities, amounts due to directors and bank loans) less cash and cash equivalents divided by total equity and multiplied by 100%.
5. Profit/(Loss)/Return on equity is profit/(loss) for the year divided by total equity and multiplied by 100%.
6. Profit/(Loss)/Return on total assets is profit/(loss) for the year divided by total assets and multiplied by 100%.
7. Interest coverage is profit before interest and tax divided by finance costs.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

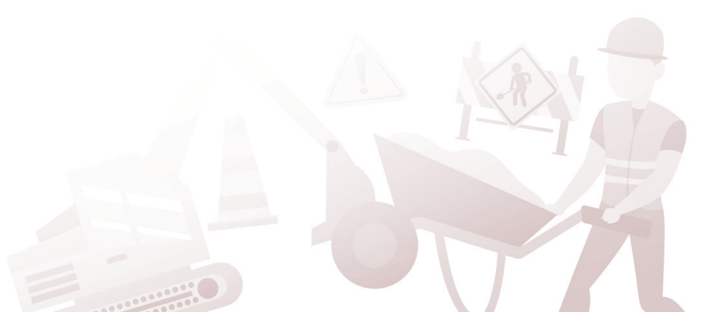
The Group finances its working capital requirements through a combination of funds generated from operations, borrowings and capital contribution from shareholders.

As at 31 December 2021, the Group had cash and cash equivalents of approximately HK$110.5 million (31 December 2020: approximately HK$34.9 million). The borrowings (including lease liabilities, amounts due to directors and bank loans) of the Group as at 31 December 2021 amounted to approximately HK$16.3 million (31 December 2020: approximately HK$9.1 million). The Group's cash and cash equivalents and borrowings (including lease liabilities) are all denominated in Hong Kong dollars and Renminbi. The Board closely monitors its liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements at all times.

There has been no change in the capital structure of the Group during the Year. The capital of the Group comprises ordinary shares and other reserves.

## GEARING RATIO

As at 31 December 2021, the gearing ratio of the Group, calculated as the total debt (including amounts due to directors and lease liabilities) divided by the total equity, was approximately 8.5% (31 December 2020: approximately 8.1%).



# Management Discussion and Analysis

## TREASURY POLICY

The Group's financing and treasury activities are centrally managed and controlled at the corporate level. It is the Group's policy not to enter into derivative transactions for speculative purposes.

## CHARGES ON ASSETS

The Group's plant and equipment with an aggregate carrying value of HK$nil (31 December 2020: approximately HK$38.2 million) as at 31 December 2021 were pledged to secure the Group's bank loans.

As at 31 December 2021, deposits with the value of approximately HK$3.7 million (31 December 2020: approximately HK$8.0 million) were placed with an insurance company as collateral to secure the main contractor's surety bonds issued by an insurance company in relation to the Group's construction projects and the deposit with the value of approximately HK$2.4 million (31 December 2020: HK$nil) was place with an insurance company for issuance of the Group's surety bond in favour of the Group's customer.

## FOREIGN EXCHANGE EXPOSURE

During the Year, the Group undertook certain transactions in foreign currencies, which exposed the Group to foreign currency risk, primarily relating to the Renminbi against Hong Kong dollars. The Group did not use any derivative contracts to hedge against its exposure to currency risk. The management manages the currency risk by closely monitoring the movement of the foreign currency rates and will consider hedging against significant foreign exchange exposure when the need arises.

## EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2021, the Group employed a total of 106 (31 December 2020: 122) employees (including executive Directors and independent non-executive Directors). Total staff costs including directors' remuneration for the Year was approximately HK$36.4 million (2020: approximately HK$47.4 million). The remuneration offered to employees generally includes salaries and bonus and are determined with reference to market norms and individual employees' performance, qualifications and experience. The Company has adopted a share option scheme under which options may be granted to Directors and eligible employees as an incentive.

The remuneration of the Directors is decided by the Board upon recommendation from the Remuneration Committee of the Company, taking into account the Group's operating results, responsibilities and individual performance of the Directors.

## SIGNIFICANT INVESTMENTS HELD

The Group did not hold any significant investments during the Year.

## MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures during the Year.

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed under the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 15 October 2018 (the "**Prospectus**"), the Group did not have any other plans for material investments or capital assets as at 31 December 2021.

## CONTINGENT LIABILITIES

### (a) Guarantees issued

As at 31 December 2021, surety bonds of HK$9.67 million (31 December 2020: HK$nil) was given by an insurance company to the Group in favour of the Group's customer as security for the due performance and observance of the Group's obligation under the contract entered into between the Group and their customer. The Group has provided guarantees of the above surety bond and the directors of a subsidiary have also unconditionally and irrevocably agreed to indemnify the aforesaid insurance company for claims and losses the insurance company may incur in respect of the surety bond. If the Group fails to provide satisfactory performance to its customer to whom the surety bond was given, such customer may demand the insurance company to pay to them the sum or sums stipulated in such demand. The Group will then become liable to compensate the insurance company accordingly. The surety bond will be released in accordance with the term of the surety bond agreement. Deposits are placed with an insurance company for issuance of surety bonds, details of which are set out in note 16 to the consolidated financial statements.

As at 31 December 2021, the Directors did not consider it is probable that a claim will be made against the Group.

### (b) Litigation

In the ordinary course of the Group's business, the Group has been subject to a number of claims due to personal injuries suffered by third parties, employees of the Group or the Group's subcontractors in accidents arising out of and in the course of their employment. The Directors are of the opinion that such claims are well covered by insurance and will not result in any material adverse impact on the financial position or results of operations of the Group. No provision has been made in respect of these claims in the consolidated financial statements.

## CAPITAL COMMITMENTS

Save as disclosed in note 23 to the financial statements, the Group had no other capital commitments as at 31 December 2021 (31 December 2020: Nil).

## SEGMENT INFORMATION

The Group is principally engaged in the civil engineering, building and other works in Hong Kong and education and training business related to performing arts and culture in the Mainland China. Details of the segment information of the Group are set out in note 4 to the consolidated financial statements.

## EVENTS AFTER THE REPORTING PERIOD

There is no other material subsequent event undertaken by the Company or the Group after 31 December 2021 and up to the date of this annual report.

# Management Discussion and Analysis

## USE OF PROCEEDS

The net proceeds of the share offer received by the Company in relation to the listing were approximately HK$94.2 million, after deducting listing and related expenses. These proceeds are intended to be applied in accordance with the proposed application set out in the section headed "Future plans and use of proceeds" in the Prospectus. The below table sets out the proposed application and usage of the net proceeds as at 31 December 2021:

| | **Planned use of net proceeds as at 31 December 2021** HK$'million | **Utilised amount of the net proceeds as at 31 December 2021** HK$'million | **Unutilised amount of the net proceeds as at 31 December 2021** HK$'million |
|---|---|---|---|
| Acquisition of machinery and equipment | 42.7 | 29.4 | 13.3 |
| Financing construction projects | 29.5 | 29.5 | – |
| Strengthening of project management team | 11.1 | 11.1 | – |
| Repayment of finance lease obligations | 5.3 | 5.3 | – |
| General working capital | 5.6 | 5.6 | – |
| | 94.2 | 80.9 | 13.3 |

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

As at 31 December 2021, approximately HK$80.9 million out of the net proceeds from the listing had been used. The remaining unutilised net proceeds of approximately HK$13.3 million were deposited in licensed banks in Hong Kong. As at the date of this report, there has not been any material change to the plan as to the use of the net proceeds except that in light of the material change in market and economic condition, the Group will utilise the balance of fund in a conservative manner. The Directors will continuously monitor the outbreak of COVID-19 and its impact to the global economy to evaluate the Group's business objectives and may change or modify the Group's plans against the changing market condition to attain sustainable business growth of the Group. The unutilised net proceeds are expected to be fully utilised on or before 31 December 2022, depending on the market and economic condition.

## FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (2020: Nil).

# Biographical Details of Directors and Senior Management

## EXECUTIVE DIRECTORS

**Ms. LIU Xinyi (劉心藝)** ("**Ms. Liu**"), aged 33, is the Chief Executive Officer and an executive Director of the Company. Ms. Liu was appointed as the Chief Executive Officer and an executive Director on 14 January 2021. She is also a member of the Nomination Committee of the Company.

Ms. Liu started her career as an artist in the performance arts and culture industry. Ms. Liu also has experience in senior corporate management roles and has been a marketing director of Shenzhen Yihewenhuachuanbo Company Limited (深圳市一合文化傳播有限公司) since 2017 and has been responsible for the management and assessment of investment projects in the areas of (i) marketing and events, exhibition for real estate projects; and (ii) real estate development in Shenzhen and Hainan. Ms. Liu is currently the founder and controlling shareholder of Hainan Xuannv Network Technology Company Limited* (海南玄女網絡科技有限公司) and has been involved in several investment projects including movie making and real estate investments. Ms. Liu is the daughter of Ms. Ma Xiaoqiu, the non-executive Director of the Company.

**Mr. WONG Chun Man (王俊文)** ("**Mr. Wong**") aged 46, is the executive Director of the Company. Mr. Wong was appointed as an executive Director on 14 January 2021. He is also a member of Remuneration Committee.

Mr. Wong obtained his bachelor's degree in business administration from The Chinese University of Hong Kong in 1999. Mr. Wong has more than 20 years of experience in the field of finance. He has attained the professional qualifications of the Royal Institution of Chartered Surveyors, the American Institute of Certified Public Accountants and Chartered Financial Analyst.

Mr. Wong has been an Vice-Chairman and non-executive director of TOMO Holdings Limited (stock code: 6928) since 21 July 2021. He has been an independent non-executive director of Zhaobangji Properties Holdings Limited (formerly known as Sanroc International Holdings Limited) (stock code: 1660) since 11 April 2018 and a non-executive director of Vico International Holdings Limited (stock code: 1621) since 1 April 2019. Shares of the above companies are listed on the Main Board of the Stock Exchange.

## NON-EXECUTIVE DIRECTOR

**Ms. MA Xiaoqiu (馬小秋)** ("**Ms. Ma**"), aged 61, is the Chairlady and a non-executive Director of the Company. Ms. Ma was appointed as Chairlady and a non-executive Director on 14 January 2021. She is also the Chairlady of the Nomination Committee and a member of the Remuneration Committee.

Ms. Ma is currently a chairlady and non-executive director of the China Investment Fund Company Limited (formerly known as China Ding Yi Feng Holdings Limited) (stock code:612), a company listed on the Main Board of the Stock Exchange, since 27 June 2017. Ms Ma is also the chairlady and executive director of the TOMO Holdings Limited (stock code:6928), a company listed on the Main Board of the Stock Exchange, since 21 July 2021. Ms. Ma is the mother of Ms. Liu, the Chief Executive Officer and an executive Director of the Company.

# Biographical Details of Directors and Senior Management

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. LI Siu Bun**（**李兆彬**）(“**Mr. Li**”), aged 37, is an independent non-executive Director of the Company. Mr. Li was appointed as an independent non-executive Director on 1 July 2021. He is also the chairman of the Audit Committee and a member of each of the Nomination Committee and Remuneration Committee.

Mr. Li obtained a bachelor’s degree in Business Administration from Lingnan University in 2006 and a master’s degree in Business Administration from The University of Hong Kong in 2013. Mr. Li is currently a member of The Hong Kong Institute of Certified Public Accountants. He has over 15 years of experience in financial management, corporate finance and auditing. Mr. Li was the chief financial officer, vice president and company secretary of several companies listed on the main board of the Stock Exchange.

**Mr. CHEN Wen**（**陳文**）(“**Mr. Chen**”), aged 45, is an independent non-executive Director of the Company. Mr. Chen was appointed as an independent non-executive Director on 14 January 2021. He is also the chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee.

Mr. Chen obtained a bachelor’s degree in mechanical and electronic engineering from Wu Han University of Technology in 1998 and a master’s degree in business administration from Hong Kong University of Science and Technology in 2011. He has extensive experience in supply chain management. He has held roles as an engineer, procurement engineer, manager and supply chain director in various of engineering and technology companies in China.

**Mr. PENG Peng**（**彭鵬**）(“**Mr. Peng**”), aged 55, is an independent non-executive Director of the Company. Mr. Peng was appointed as an independent non-executive Director on 14 January 2021. He is also a member of each of the Audit Committee, Nomination Committee and Remuneration Committee.

Mr. Peng obtained a doctor’s degree in History from Sun Yat-sen University in June 1994. He has been a founder of the Institute for Maritime Silk Road Studies at Shenzhen University（深圳大學海洋海上絲綢之路研究所）since 2008, a professor in the People’s College at Shenzhen University since 2010 and the Executive Dean of Shenzhen Liu Yuyi Art Institute（深圳劉宇一藝術院）since 2019. He also served as the cultural director of Guangzhou Puwen Science Education Culture Co., Ltd（廣州普文科教文化有限公司）from 1998 to 2010. Mr. Peng has over 20 years of extensive experience in cultural and artistic studies. He is currently a founder of Shenzhen Maker Association（深圳創客協會）, with the aim to promote life science and high-tech related work.

Save as disclosed in this annual report, each of the Directors (i) does not have any other interest in the Shares (within the meaning of Part XV of the SFO); (ii) does not hold any other positions in the Company or its subsidiaries; (iii) does not have any other relationship with any Directors, senior management, substantial Shareholders or controlling Shareholders; and (iv) has not held any directorship in any listed public companies in Hong Kong or overseas in the last three years.

## COMPANY SECRETARY

**Mr. TAM Ying Wi**（**譚鷹威**）(“**Mr. Tam**”), aged 54, was appointed as company secretary on 14 April 2021. Mr. Tam graduated from Curtin University, Australia with a Bachelor of Commerce in Accounting. He is currently a fellow member of the Hong Kong Institute of Certified Public Accountants. He has over 20 years of experience in finance and accountancy.

**Mr. Wong Chin Ming**（**黃展明**）(“**Mr. CM Wong**”), aged 47, was appointed as chief financial officer and company secretary on 1 February 2021 and resigned on 14 April 2021.

# Corporate Governance Report

The Board is committed to achieving and maintaining high standards of corporate governance as the Board believes that an effective corporate governance framework is fundamental to promoting and safeguarding interests of shareholders and other stakeholders and enhancing shareholders' value.

## CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") under Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") as its own code of corporate governance. Save for the deviation below, the Company has complied with the provisions set out in the CG Code during the Year and up to the date of this annual report (the "**Review Period**").

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the Year, Mr. Law was the Chairman and Chief Executive Officer, responsible for overall strategic development, project management and client management of the Group. The Board believed that vesting the roles of both Chairman and Chief Executive Officer in Mr. Law had the benefit of ensuring consistent and continuous leadership within the Group and also maximised the effectiveness and efficiency of overall planning and execution of the Group's strategies. The Board considered that the balance of power and authority, accountability and independent decision-making under the present arrangement would not be impaired in light of the diverse background and experience of the independent non-executive Directors, and the composition of the Board which comprises more number of independent non-executive Directors than executive Directors also provides added independence to the Board.

On 14 January 2021, the Company has appointed Ms. Liu Xinyi as the executive Director and the Chief Executive Officer of the Company and Ms. Ma Xiaoqiu as the non-executive Director and the Chairlady. Upon which, Mr. Law has resigned from the position as the executive director, the chairman and the chief executive officer of the Company. Upon the effective date of such change (i.e. 14 January 2021), the CG Code Provision A.2.1 has been complied with.

Following the sustained development and growth of the Company, the Company will continue to monitor and revise the Company's corporate governance policies in order to ensure that such policies can meet the general rules and standards required by the Stock Exchange.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the guidelines for the Directors' dealing in the securities of the Company. Having made specific enquiry of all Directors, the Company confirmed that all Directors 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.

# Corporate Governance Report

## BOARD OF DIRECTORS

### Composition of the Board

The composition of the Board during the Year and up to the date of this annual report is set out below:

| | |
|---|---|
| *Executive Directors:* | |
| Ms. LIU Xinyi *(Chief Executive Officer)* | *(appointed on 14 January 2021)* |
| Mr. WONG Chun Man | *(appointed on 14 January 2021)* |
| Mr. LAW Fu Keung | *(resigned on 14 January 2021)* |
| Ms. CHENG Fung Yi | *(resigned on 14 January 2021)* |
| *Non-executive Director:* | |
| Ms. MA Xiaoqiu *(Chairlady)* | *(appointed on 14 January 2021)* |
| *Independent non-executive Directors:* | |
| Mr. LI Siu Bun | *(appointed on 1 July 2021)* |
| Mr. CHEN Wen | *(appointed on 14 January 2021)* |
| Mr. PENG Peng | *(appointed on 14 January 2021)* |
| Mr. LEUNG Ho Chi | *(appointed on 14 January 2021 and resigned on 1 July 2021)* |
| Ms. LI On Lei | *(resigned on 14 January 2021)* |
| Ms. SHUM Wing Ting | *(resigned on 14 January 2021)* |
| Mr. LAW Kam Chuen | *(resigned on 14 January 2021)* |

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

## BOARD DIVERSITY POLICY

The Board adopted a board diversity policy (the "**Board Diversity Policy**") on 8 October 2018. The Company embraced the benefits of having a diverse Board, as such, the Board Diversity Policy aimed to set out the approach to maintain diversity of the Board. A summary of the Board Diversity Policy, together with the measurable objectives set for implementing the Board Diversity Policy, and the progress made towards achieving those objectives are disclosed as below.

### Summary of the Board Diversity Policy

When determining the composition of the Board, the Company will consider board diversity in terms of, among other things, gender, age, experience, cultural and educational background, expertise, skills and know-how. All Board appointments will be based on merits, and candidates will be considered against selection criteria, having due regard for the benefits of diversity on the Board.

### Measurable Objectives

Selection of candidates for Board membership will be based on a range of diversity perspectives, including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how.

### Monitoring, Reporting and Review

The Nomination Committee will disclose the composition of the Board annually in the corporate governance report and monitor the implementation of this Policy.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

## NOMINATION POLICY

The Board adopted a nomination policy (the "**Nomination Policy**") on 29 March 2019 in respect of the selection and appointment of Directors with a view to ensuring that the Board has a balance of skills, experience and diversity of perspectives suitable for the Company's business.

### Selection Criteria as the Measurable Objective

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

(a) Skills, knowledge and experience which are relevant to the operations of the Company and its subsidiaries;

(b) Diversity to compliment the existing composition of the Board including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how;

(c) Commitment to ensure the devotion of sufficient time to carry out their duties to attend board meetings and to participate in induction, trainings and other board associated activities, and reasonable consideration against the numbers of their services on other listed and non-listed companies;

(d) Integrity and character that satisfies the Board and the Stock Exchange; and

(e) Independence in particular for independent non-executive Directors as required under the Listing Rule.

### Nomination Process

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

(i) For the appointment of new Director, the Nomination Committee may take measures that it considers appropriate in connection with its identification and evaluation of a candidate. Upon compilation and interview of the list of potential candidates, the Nomination Committee will shortlist candidates for consideration by the Board based on the Criteria and such other factors that it considers appropriate;

(ii) For the re-election of Director subject to retirement obligations pursuant to the Company's articles of association ("**Articles**") at general meeting of the Company, the Board shall consider and, if consider appropriate, recommend such retiring Director to stand for re-election at general meeting; and

(iii) For the appointment through nomination by Shareholders to stand for election as a Director at a general meeting, a Shareholder circular containing, among others, biographical details of such nominated candidate, must be lodged with the company secretary of the Company within the lodgment period, thereafter, a supplementary circular containing particulars of the candidate so proposed will be sent to all Shareholders for information.

Notwithstanding the above, the Board has the final authority on determining suitable candidate for appointment as Director.

### Monitoring, Reporting and Review

The Nomination Committee will assess and report annually, in the Corporate Governance Report, on the composition of the Board.

The Nomination Committee will review the Nomination Policy, as appropriate, to ensure its effectiveness. The Nomination Committee will discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

# Corporate Governance Report

## DIVIDEND POLICY

The Board adopted a dividend policy (the "**Dividend Policy**") on 29 March 2019, the objective of which is to allow shareholders of the Company to participate in the Group's profits whilst retaining adequate reserves to sustain the Group's future growth.

According to the Dividend Policy, the recommendation of the payment of any dividend is at the discretion of the Board, and any declaration and payment of final dividend will be subject to the approval of the shareholders of the Company and all applicable requirements (including without limitation restrictions on dividend declaration and payment) under the relevant laws and the Articles. In proposing any dividend payout, the Board shall also take into account, inter alia, the actual and expected financial performance, cash flow and liquidity position, distributable reserves, debt level, working capital requirements and future expansion plans, general business conditions and strategies, contractual and regulatory restrictions.

Pursuant to the Dividend Policy, except for interim dividend, any dividends declared by the Company must be approved by an ordinary resolution of shareholders at the general meeting and must not exceed the amount recommended by the Board. The Board may from time to time pay to the shareholders such interim dividends as appear to the directors to be justified by the profits of the Company available for distribution.

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 this 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.

### Board meetings

The Board intends to hold Board meetings regularly at least four times a year at approximately quarterly intervals. 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 include matters in the agenda of meetings. For all other board meetings, reasonable notice period will be given.

The attendance record of each Director at the board meeting held during the Year is set out below:

| Name of Directors | Number of meetings attended/held |
|---|---|
| Ms. LIU Xinyi (appointed on 14 January 2021) | 4/4 |
| Ms. MA Xiaoqiu (appointed on 14 January 2021) | 4/4 |
| Mr. WONG Chun Man (appointed on 14 January 2021) | 4/4 |
| Mr. LI Siu Bun (appointed on 1 July 2021) | 4/4 |
| Mr. CHEN Wen (appointed on 14 January 2021) | 4/4 |
| Mr. PENG Peng (appointed on 14 January 2021) | 4/4 |

Minutes of the Board and committee meetings are prepared and kept by the company secretary of the Company and are open for inspection by Directors. Directors may seek external professional advice in appropriate circumstances at the Company's expenses.

Appropriate insurance cover has been arranged by the Company in respect of any legal action against Directors.

# Corporate Governance Report

## Role and responsibilities of the Board and management

The Directors, individually and collectively, must act in good faith, with due diligence and care, to discharge their duties in the best interests of the Company and its shareholders. The Board is responsible for the overall management of the Group's business and affairs by establishing the overall strategies, setting objectives and business development plans.

The Board has delegated its powers to the management for day-to-day management of the Group's operations. Under the leadership of the executive Directors of the Company, the management is responsible for implementing the strategies and plans established by the Board and the implementation of the risk management and internal control systems.

## Directors' training and continuous professional development

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 the individual training record of each Director received during the Year is as follows:

| **Name of Directors** | **Attending seminars/ reading materials relevant to the director's duties** |
|---|---|
| Ms. LIU Xinyi (appointed on 14 January 2021) | √ |
| Ms. MA Xiaoqiu (appointed on 14 January 2021) | √ |
| Mr. WONG Chun Man (appointed on 14 January 2021) | √ |
| Mr. LI Siu Bun (appointed on 1 July 2021) | √ |
| Mr. CHEN Wen (appointed on 14 January 2021) | √ |
| Mr. PENG Peng (appointed on 14 January 2021) | √ |

Each of the Directors complied with code provision A.6.5 of the CG Code.

# NON-EXECUTIVE DIRECTORS

The initial term of office of the non-executive Directors (excluding independent non-executive Directors) is one year, subject to re-election.

# INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors have been appointed by the Company for a fixed term of one year, subject to retirement by rotation and re-election in accordance with the Articles, which may be terminated by either party serving to the other party not less than three months' written notice of termination.

During the Year, the Company had three independent non-executive Directors which represent more than one-third of the Board members, and that at least one of the independent non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise. The Company has complied with Rules 3.10(1) and (2), and 3.10A of the Listing Rules.

Each of the independent non-executive Directors has given an annual confirmation of independence to the Company pursuant to Rule 3.13 of the Listing Rules, and the Company has reviewed and considered that all independent non-executive Directors are independent in accordance with the relevant requirements under the Listing Rules.

# Corporate Governance Report

## BOARD COMMITTEES

The Board has established three Board Committees on 8 October 2018, namely the Audit committee, the Remuneration Committee and the Nomination Committee, to oversee specific aspects of the Group's affairs. Each of the Board Committees has its own terms of reference in compliance with the CG Code relating to its authority and duties. All Board Committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary. The composition of each of the Committees as at the date of this report is as follows:

| Name of Directors | Audit Committee | Remuneration Committee | Nomination Committee |
|---|---|---|---|
| **Executive Directors:** | | | |
| Ms. LIU Xinyi (appointed on 14 January 2021) | – | – | Member |
| Mr. WONG Chun Man (appointed on 14 January 2021) | – | Member | – |
| Mr. LAW Fu Keung (resigned on 14 January 2021) | – | Member | Chairman |
| Ms. CHENG Fung Yi (resigned on 14 January 2021) | – | Member | Member |
| **Non-executive Director:** | | | |
| Ms. MA Xiaoqiu (appointed on 14 January 2021) | – | Member | Chairlady |
| **Independent non-executive Directors:** | | | |
| Mr. LI Siu Bun (appointed on 1 July 2021) | Chairman | Member | Member |
| Mr. Chen Wen (appointed on 14 January 2021) | Member | Chairman | Member |
| Mr. Peng Peng (appointed on 14 January 2021) | Member | Member | Member |
| Mr. Leung Ho Chi (appointed on 14 January 2021 and resigned on 1 July 2021) | Chairman | Member | Member |
| Ms. LI On Lei (resigned on 14 January 2021) | Chairlady | Member | Member |
| Ms. SHUM Wing Ting (resigned on 14 January 2021) | Member | Member | Member |
| Mr. LAW Kam Chuen (resigned on 14 January 2021) | Member | Chairman | Member |

### Audit Committee

The Audit Committee consists of three members who are all independent non-executive Directors and is delegated with the authority from the Board primarily to oversee the Group's financial reporting and internal control systems, and the adequacy of the external and internal audits. Details of the authority and duties of Audit Committee are set out in the Audit Committee's terms of reference which are available on the websites of the Company and the Stock Exchange.

The individual attendance record of each member at the Audit Committee meetings during the Year is set out below:

| Name of members | Number of meetings attended/held |
|---|---|
| Mr. LI Siu Bun (appointed on 1 July 2021) *(Chairman)* | 3/3 |
| Mr. CHEN Wen (appointed on 14 January 2021) | 3/3 |
| Mr. PENG Peng (appointed on 14 January 2021) | 3/3 |

The following is a summary of the work performed by the Audit Committee during the Review Period:

– reviewed the adequacy and effectiveness of the Group's internal control systems and its accounting, financial reporting and internal audit functions;

– reviewed the external auditor's independence;

– discussed the scope of 2020 audit with external auditor and approved the audit fees;

– reviewed, with external auditor, the key audit matters as included in the "Independent Auditor's Report";

– reviewed the Group's annual results for the Year;

– made recommendations to the Board on the re-appointment of the external auditor; and

– met with the external auditor, in the absence of the management.

## Remuneration Committee

The Remuneration Committee consists of five members, which comprises two executive Directors and three independent non-executive Directors and is delegated with the authority from the Board to establish, review, and make recommendations to the Board on the Group's remuneration policy and practices. Details of the authority and duties of Remuneration Committee are set out in the Remuneration Committee's terms of reference which are available on the websites of the Company and the Stock Exchange.

The individual attendance record of each member at the Remuneration Committee meeting during the Year is set out below:

| **Name of members** | **Number of meetings attended/held** |
|---|---|
| Mr. CHEN Wen *(Chairman)* (appointed on 14 January 2021) | 1/1 |
| Ms. MA Xiaoqiu (appointed on 14 January 2021) | 1/1 |
| Mr. WONG Chun Man (appointed on 14 January 2021) | 1/1 |
| Mr. LI Siu Bun (appointed on 1 July 2021) | 1/1 |
| Mr. PENG Peng (appointed on 14 January 2021) | 1/1 |

The following is a summary of the work performed by the Remuneration Committee during the Year:

– reviewed the remuneration of directors and senior management; and

– made recommendations to the Board on the remuneration of individual directors and senior management.

## Nomination Committee

The Nomination Committee consists of five members, which comprises two executive Directors and three independent non-executive Directors and is delegated with the authority from the Board to formulate and implement the policy for nominating Board candidates for election by Shareholders and assess independence of independent non-executive Directors. Details of the authority and duties of Nomination Committee are set out in the Nomination Committee's terms of reference which are available on the websites of the Company and the Stock Exchange.

# Corporate Governance Report

The individual attendance record of each member at the Nomination Committee meeting during the Year is set out below:

| Name of members | Number of meetings attended/held |
|---|---|
| Ms. MA Xiaoqiu *(Chairlady)* (appointed on 14 January 2021) | 1/1 |
| Ms. LIU Xinyi (appointed on 14 January 2021) | 1/1 |
| Mr. LI Siu Bun (appointed on 1 July 2021) | 1/1 |
| Mr. CHEN Wen (appointed on 14 January 2021) | 1/1 |
| Mr. PENG Peng (appointed on 14 January 2021) | 1/1 |

The following is a summary of the work performed by the Nomination Committee during the Year:

– reviewed the Board Diversity Policy;

– reviewed the independence of the independent non-executive Directors; and

– discussed and adopted the Nomination Policy.

## AUDITOR'S REMUNERATION

The remuneration paid or payable to the Company's auditor, Crowe (HK) CPA Limited, in respect of their audit and non-audit services for the Year was as follows:

| | HK$'000 |
|---|---|
| Annual audit services | 600 |
| Non-audit services | 50 |

### Directors' responsibility for the financial statements

The Board acknowledges its responsibility to prepare the Group's consolidated financial statements which give a true and fair view in accordance with the relevant accounting standards and principles and the disclosure requirements under applicable laws and regulations in Hong Kong. The Board considers that the Group has adequate resources to continue in business for the foreseeable future and is not aware of any material uncertainties relating to events or conditions which may cast doubts upon the Group's ability to continue as a going concern.

The responsibilities of the external auditor are set out in the section headed "Independent Auditor's Report" of this annual report.

## COMPANY SECRETARY

Mr. TAM Ying Wi ("**Mr. Tam**") has been the company secretary of the Company since 14 April 2021. Mr. Tam has confirmed that he has taken not less than 15 hours of relevant professional training during the year ended 31 December 2021 and has complied with Rule 3.29 of the Listing Rules. Mr. Wong Chin Ming, who was appointed on 1 February 2021, had resigned from his role as the company secretary of the Company and succeeded by Mr. Tam on 14 April 2021.

The biography of Mr. Tam is set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

## SHAREHOLDERS' RIGHTS

### Procedures for shareholders to convene general meeting

Pursuant to Article 64 of the Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting.

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

### Procedures by which enquiries may be put to the board

Shareholders may send their enquiries to the Board. Such enquiries can be addressed to the Company Secretary in writing by post to the Company's principal place of business in Hong Kong at Room 2202, 22/F, West Exchange Tower, 322 Des Voeux Road Central, Sheung Wan, Hong Kong or by email to comsec@fullwealthgroup.com.

Shareholders may also make enquiries to the Board at the annual general meeting (the "**AGM**") of the Company.

### Procedures to put forward proposals at shareholders' meeting

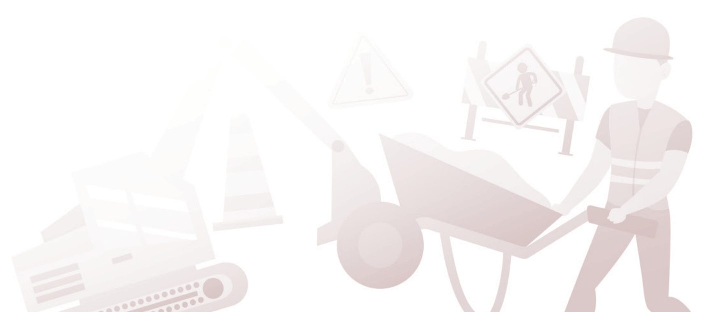
The Company is not aware of any provision in the Articles or the Companies Law of Cayman Islands for shareholders to propose new resolution at a general meeting. Shareholders who wish to put forward proposals may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph headed "Procedures for shareholders to convene general meeting".

## INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through AGM and other general meetings. At the AGM, Directors are available to meet shareholders and answer their enquiries.

Significant changes in constitutional documents

The Company adopted an amended memorandum and articles of association of the Company (the "**Constitutional Documents**") on 8 October 2018 which was effective upon Listing. A copy of the Company's updated Constitutional Documents is available on the websites of the Company and the Stock Exchange. During the Review Period, there is no change to the Constitutional Documents of the Company.



# Corporate Governance Report

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has the ultimate responsibility for evaluating and determining the nature and level of risk tolerance of the Company, establishing and maintaining appropriate and effective risk management and internal control systems. The Board is committed to oversee and review the design, implementation and monitoring of such risk management and internal control systems through the Audit Committee on an ongoing basis so as to safeguard shareholders' interest.

The Group established the risk management and internal control systems with aims to manage rather than eliminate the risk of failure to achieve business objectives, and provided reasonable and not absolute assurance against material misstatements or losses caused by judgment in decision making process, human error, fraud or other irregularities.

The Company has engaged an external consultant to establish an internal audit function during the Year. The external consultant has assisted the Audit Committee in carrying out an independent review on the adequacy and effectiveness of the risk management and internal control systems of the Group, and has reported the status of its review to the Audit Committee on a regular basis. The Group has formulated an internal audit charter to define the scope and duties and responsibilities of the internal audit function and its reporting protocol.

The Group has also conducted an annual risk assessment for the year to identify potential strategic risks, operational risks, financial risks and compliance risks of its major business. Each of potential risk was rated at different level under the consideration of internal and external risk factors. Respective internal control measures were proposed to mitigate the consequences of the potential risks to the Group.

Based on the risk assessment results and following a risk based audit approach, a continuous three-year audit plan was proposed which prioritised the risks identified into annual audit projects. An annual audit project was performed by the external consultant according to the audit plan with a view to assisting the Board and the Audit Committee to evaluate the effectiveness of the Group's risk management and internal control systems.

The Company has also formulated policies on handling and dissemination of inside information in accordance with "Guidelines on Disclosure of Inside Information" under the Securities and Future Commission, which set out procedures in handling inside information in a secure and proper manner as well as those aimed to avoid mishandling of inside information of the Group.

The Board has discussed and reviewed its risk management and internal control systems with the review covered the effectiveness of material controls (including strategical, financial, operational and compliance controls) at entity and operational levels. Based on the result of the review performed by the Company's Audit Committee and the external consultant, the Directors considered that the Group has maintained adequate and effective risk management and internal control systems for the Year.

# Directors' Report

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the Year.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in the education and training business related to performing arts and culture in the Mainland China and the civil engineering, building and other works in Hong Kong. Details of the principal activities of its subsidiaries are set out in note 12 to the consolidated financial statements.

## GROUP REORGANISATION

The Company was incorporated in the Cayman Islands on 19 January 2018 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

In preparation of the Listing, the companies now comprising the Group underwent the corporate reorganisation (the "**Reorganisation**") pursuant to which the Company became the holding company of the Group on 6 February 2018. For details of the Reorganisation, please refer to the section headed "History, Development and Reorganisation" in the Prospectus.

The Company's shares were listed on the Main Board of the Stock Exchange on 30 October 2018.

## BUSINESS REVIEW

The business review and outlook together with an analysis of the Group's performance using financial key performance indicators of the Group for the Year are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 4 to 10 of this annual report. The financial risk management policies and practices of the Group are set out in note 22 to the consolidated financial statements.

### Principal risks and uncertainties

The Group's business and operations is exposed to the following principal risks and uncertainties:

***Business risks***

*Failure to obtain new students and project customers*

The Group's business on entertainment education business is heavily dependent on the market recognition of the brand and reputation. If the Group is unable to maintain or sustain its brand reputation and recognition, it may adversely affect the Group's financial condition, results of operations and growth prospects.

The Group's business on civil engineering, building and other works is on a project-by-project basis and secured mainly through direct invitation for tender or quotation by customers which is not recurring in nature. As such, there is no guarantee that the Group will be able to retain its customers upon expiry of the contract period or that they will maintain their current level of business with the Group in the future.

# Directors' Report

*Training and Project cost overruns*

On entertainment education business, the actual time and costs in completing an education and training course may be adversely affected by uncontrollable factors such as shortage and cost escalation in finding skilled lectures, booking suitable training venues, COVID-19 restrictions, etc. These factors can result in unexpected cost overruns which in turn will diminish the margin of an education and training course.

On civil engineering, building and other works, the actual time and costs in completing a construction project may be adversely affected by uncontrollable factors such as shortage and cost escalation in materials/labour, difficult geological conditions, delay due to weather conditions etc. These factors can result in unexpected cost overruns which in turn will diminish the margin or overall loss of a project.

*Unexpected geological conditions for underground projects*

On civil engineering, building and other works, for underground projects, the Group is exposed to inherent project risk that the geological conditions of the sites are difficult to be anticipated and unforeseen problems may occur. Site survey and geotechnical reports may not be sufficient to reveal precisely the actual geological obstructions or identify any antiquities, monuments or structures beneath the site. All of these may lead to additional work procedures and time involved in completing the project and eventually result in cost overruns.

***Industry risks***

*Deterioration in market conditions*

On entertainment education business, the number of students it may admit depends highly on the level of tuition fee it is able to charge and the Group's ability to maintain and raise tuition fees which in turn is subject to the prevailing market conditions in the entertainment education industry, including availability of skilled lecturers, availability of suitable training venues, COVID-19 restrictions, etc. If there is any significant deterioration in any of these factors, the Group's operating results and financial conditions will be adversely affected.

On civil engineering, building and other works, the number of projects awarded to the Group depends highly on the prevailing market conditions in the construction industry, including shortage of skilled labour, availability of new projects in private sector, approval for funding proposals for public works contracts etc. If there is any significant deterioration in any of these factors, the Group's operating results and financial conditions will be adversely affected.

For further details of the risks and uncertainties of the Group, please refer to the section headed "Risk Factors"in the Prospectus.

## Environmental policies and performance

On entertainment education business, there is minimal impact to the environment.

On civil engineering, building and other works, the Group recognizes the importance of protecting the environment and strives to minimize the impact to the environment by reducing use of energies and other resources. Further information of the environmental policies and performance will be detailed in the Environment, Social and Governance Report of the Company which will be available on the websites of the Company and the Stock Exchange within two months after the publication of this annual report.

### Compliance with 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 business and operation of the Group.

### Events after the reporting period

There is no other material subsequent event undertaken by the Company or the Group after 31 December 2021 and up to the date of this annual report.

### Key relationships with employees, customers, suppliers and others

The Group recognises its employees as its valuable assets and the key to business growth and success. The Group provides competitive remuneration package and benefits to employees to attract and retain competent employees. The Group also provides on-the-job training and development opportunities to employees to enhance their career development.

The Group endeavours to develop and maintain long-term relationship with customers by delivering excellent works and quality services to them. The Group holds regular meeting with customers to receive customers' feedback to understand their needs and expectation.

The Group has strong and stable relationships with suppliers and subcontractors in order to ensure that quality goods and services are provided to the Group. Suppliers and subcontractors are assessed on their performances, safety records, non-compliance track records and environmental awareness on an on-going basis.

## FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years are included in the section headed "Financial Summary" on page 104 of this annual report.

## 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 pages 40 to 41 of this annual report.

The Board does not recommend the payment of a final dividend for the Year (2020: Nil).

There is no arrangement under which a shareholder of the Company has waived or agreed to waive any dividend.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 6 May 2022 to 11 May 2022, both dates inclusive, during which period no transfer of shares will be registered, in order to ascertain shareholders' entitlement to attend the forthcoming AGM which is scheduled to be held on 11 May 2022. In order to be eligible for attending and voting at the forthcoming AGM, non-registered shareholders must lodge all duly completed and stamped transfer forms accompanied by the relevant shares certificates with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 pm on 5 May 2022.

# Directors' Report

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Year are set out in note 11 to the consolidated financial statements.

## SHARE CAPITAL

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

## DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's reserves available for distribution to the shareholders amounted to approximately HK$82,020,000.

## RESERVES

Details of movements in the reserves of the Group during the Year are set out in the consolidated statement of changes in equity on page 43 of this annual report.

## MAJOR CUSTOMERS, SUBCONTRACTORS 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 25.1% and 56.6% of the Group's total revenue respectively.

During the Year, the largest subcontractor and the five largest subcontractors of the Group accounted for approximately 10.4% and 30.4% of the Group's total direct costs respectively.

During the Year, the largest supplier and the five largest suppliers of the Group accounted for approximately 2.7% and 9.4% of the Group's total direct costs 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 customers, subcontractors or suppliers above.

# Directors' Report

## DIRECTORS

The Directors during the Year and up to the date of this annual report were:

### Executive Directors

| | |
|---|---|
| Ms. LIU Xinyi *(Chief Executive Officer)* | *(appointed on 14 January 2021)* |
| Mr. WONG Chun Man | *(appointed on 14 January 2021)* |
| Mr. LAW Fu Keung | *(resigned on 14 January 2021)* |
| Ms. CHENG Fung Yi | *(resigned on 14 January 2021)* |

### Non-executive Director

| | |
|---|---|
| Ms. MA Xiaoqiu *(Chairlady)* | *(appointed on 14 January 2021)* |

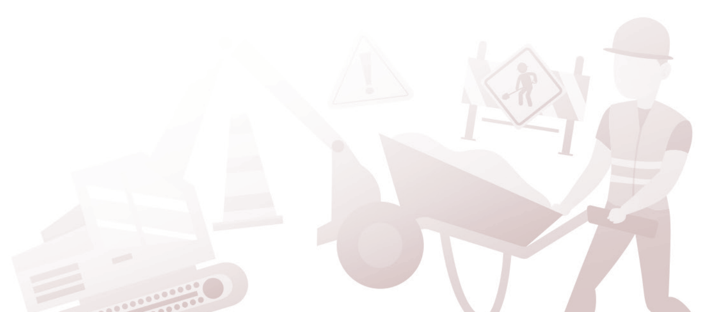
### Independent Non-executive Directors

| | |
|---|---|
| Mr. LI Siu Bun | *(appointed on 1 July 2021)* |
| Mr. CHEN Wen | *(appointed on 14 January 2021)* |
| Mr. PENG Peng | *(appointed on 14 January 2021)* |
| Mr. LEUNG Ho Chi | *(appointed on 14 January 2021 and resigned on 1 July 2021)* |
| Ms. LI On Lei | *(resigned on 14 January 2021)* |
| Ms. SHUM Wing Ting | *(resigned on 14 January 2021)* |
| Mr. LAW Kam Chuen | *(resigned on 14 January 2021)* |

In accordance with Article 108 of the Articles, at each AGM of the Company, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Further, according to Articles 111 and 112 of the Articles, any Director appointed by the Board or by ordinary resolution in general meeting either to fill a causal vacancy or as an addition to the existing Board shall hold office only until the next following AGM of the Company. The Directors to retire at an AGM of the Company shall not be taken into account in determining who are to retire by rotation at such AGM.

At the forthcoming AGM, Mr. WONG Chun Man and Mr. LI Siu Bun, being Directors appointed by the Board after the last annual general meeting, will retire at the AGM and eligible, offer themselves for re-election.



# Directors' Report

## DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a service agreement or letter of appointment with the Company which may be terminated by either party serving to the other party not less than three months' written notice of termination.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

## MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence during the Year.

## DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' emoluments and the five highest paid individuals are set out in notes 8 and 9 to the consolidated financial statements respectively.

## SENIOR MANAGEMENT'S REMUNERATION

The remuneration of the senior management of the Group for the Year falls within the following band:

| Remuneration Band | Number of senior management |
|---|---|
| HK$nil to HK$1,000,000 | 3 |

## EQUITY-LINKED AGREEMENTS

No equity-linked agreement has been entered into during the Year or subsisted at the end of the year.

## PERMITTED INDEMNITY OF DIRECTORS

The Articles provide that every director shall be indemnified out of the assets of the Company against all losses and liabilities incurred or sustained by him as a director in the execution of his duties or otherwise in relation thereto, provided that such indemnity shall not extend to any matter in respect of fraud or dishonesty which may attach to such director.

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

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, either directly or indirectly, subsisted at the end of the Year or at any time during the Year.

## CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no contract of significance to which the Company or any of its subsidiaries was party and in which the controlling shareholders of the Company or an entity connected with the controlling shareholders had a material interest, either directly or indirectly, subsisted at the end of the Year or at any time during the Year.

## SHARE OPTION SCHEME

A share option scheme (the "**Scheme**") was conditionally adopted by the written resolution of the Company's then sole shareholder on 8 October 2018. No share option has been granted, exercised, cancelled or lapsed under the Scheme since its adoption on 8 October 2018 and there is no outstanding share option as at 31 December 2021.

### Purpose of the Scheme

The purpose of the Scheme is to attract and retain the best available personnel of the Group, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

### Participants of the Scheme

The Board may, at its absolute discretion and on such terms as it may think fit, grant options to any employees (full-time or part-time), directors (including independent non-executive Directors), consultant, or advisor, substantial shareholders, distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, who have contribution or potential contribution to the Group.

### Maximum number of shares

The maximum number of the shares issuable upon exercise of all options to 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 as at the Listing Date i.e. 160,000,000 Shares.

The 10% limit may be refreshed at any time by obtaining approval of shareholders in general meeting provided that the total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option scheme of the Company must not exceed 10% of the shares in issue as at the date of approval of the refreshed limit. The Company may seek separate approval of the shareholders in general meeting in granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by the Company before such approval is sought.

# Directors' Report

## Maximum entitlement of each participant

The total number of shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Scheme and any other option scheme of the Company in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue.

## Time of exercise of option

An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine but shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

## Minimum period

The minimum period for which an option must be held before it can be exercised will be determined by the Board in its absolute discretion at the time of grant.

## Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. 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.

## Subscription price

The subscription price of a share in respect of any particular option granted under the Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of:

(i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of the option, which must be a business day;

(ii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant of the option; and

(iii) the nominal value of a Company's share.

## Duration of the Scheme

The Scheme will remain in force for a period of ten years commencing from 8 October 2018 and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by shareholders in general meeting.

## COMPETING BUSINESS

During the Year, none of the controlling shareholders or the Directors of the Company and their respective associates is interested in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which were (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) recorded in the register required to be kept under section 352 of the SFO; or (c) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, were as follows:–

### (a) Long position in ordinary shares of the Company

| Name of director/ chief executive | Nature of interest | Number of shares held/interested | Percentage of shareholding in the Company |
|---|---|---|---|
| Ms. LIU Xinyi | Interest of a controlled corporation | 1,200,000,000 | 75% |

Notes:

1. Ms. LIU beneficially owns the entire issued share capital of Victory Way Global Company Limited ("**Victory Way**"). Therefore, Ms. LIU is deemed or taken to be, interested in all Shares held by Victory Way for the purpose of the SFO.

### (b) Long position in shares of the associated corporation of the Company

| Name of director/ chief executive | Name of the associated corporation | Nature of interest | Number of shares held/interested | Percentage of shareholding in the associated corporation of the Company |
|---|---|---|---|---|
| Ms. LIU Xinyi | Victory Way | Beneficial owner | 50,000 | 100% |

Notes:

1. The issued share capital of Victory Way is fully owned by Ms. LIU.

Save as disclosed above, as at 31 December 2021, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2021, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interest or short position in shares and underlying shares of the Company which fell to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

| Name of shareholder | Nature of interest | Number of shares held/interested | Percentage of shareholding in the Company |
|---|---|---|---|
| Victory Way | Beneficial owner | 1,200,000,000 | 75% |

Save as disclosed above, as at 31 December 2021, none of the substantial or significant shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had any interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

## 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.

## PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Year, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

## CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" on pages 13 to 22 of this annual report.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles or the Laws of the Cayman Islands, 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 Company's shares.

## SUFFICIENCY OF 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 during the Year and up to the date of this annual report.

## RETIREMENT SCHEME

The Group participates in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and a defined contribution retirement scheme administered and operated by the local municipal government in PRC. Save as the aforesaid, the Group did not participate in any other pension scheme for the Year.

## CHANGES IN DIRECTORS AND INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors subsequent to the date of the 2020 Annual Report of the Company is set out below:

| Name of Director | Details of change |
|---|---|
| Mr. LI Siu Bun<br>Independent non-executive Director | Appointed as independent non-executive Director on 1 July 2021 |
| Mr. LEUNG Ho Chi<br>Independent non-executive Director | Resigned as independent non-executive Director on 1 July 2021 |

# Directors' Report

## RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTION

Details of the related party transactions entered into by the Group during the Year are set out in notes 19 and 25 to the consolidated financial statements. The lease charges paid and payable to the former executive directors of the Company constituted continuing connected transaction under Chapter 14A of the Listing Rules but is fully exempted from shareholders' approval, annual review and all disclosure requirements by virtue of Rule 14A.76(1)(c) of the Listing Rules.

## AUDITOR

The consolidated financial statements for the Year have been audited by Crowe (HK) CPA Limited, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM.

On behalf of the Board
**Fullwealth International Group Holdings Limited**

**LIU Xinyi**
*Chief Executive Officer and Executive Director*

Hong Kong, 31 March 2022

# Independent Auditor's Report

國富浩華（香港）會計師事務所有限公司
**Crowe (HK) CPA Limited**
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FULLWEALTH INTERNATIONAL GROUP HOLDINGS LIMITED**
(Incorporated in the Cayman Islands with limited liability)

## OPINION

We have audited the consolidated financial statements of Fullwealth International Group Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 40 to 103, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("**the Code**"), together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

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

# Independent Auditor's Report

## Revenue recognition

Refer to note 3(c) and note 4 to the consolidated financial statements and the accounting policies in note 2(q) to the consolidated financial statements.

| **The Key Audit Matter** | **How the matter was addressed in our audit** |
|---|---|
| The Group is principally engaged in (i) civil engineering, building and other works and (ii) education and training business related to performing arts and culture ("**Entertainment Education Business**"). | Our audit procedures to assess the revenue recognition included the following: |
| <u>*Revenue arising from provision of civil engineering, building and other works*</u> | <u>*Revenue arising from provision of civil engineering, building and other works*</u> |
| The Group recorded revenue from construction contracts and other related service contracts of approximately HK$222,333,000 for the year ended 31 December 2021.<br><br>Contract revenue is recognised over time using the output method, based on direct measurements of the value of services delivered or work performed, which is established by reference to the construction works certified by the customers or using input method based on the Group's effort or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs. Contract costs are recognised when work is performed, together with any provisions for expected contract losses.<br><br>The recognition of contract revenue and costs relies on management's estimate of the final outcome of each contract, which involves the exercise of significant management judgement, particularly in forecasting the costs to complete a contract, in valuing contract variations, claims and liquidated damages, in estimating the amount of expected losses and in assessing the ability of the Group to deliver services according to the agreed timetable.<br><br>We identified contract revenue and costs as a key audit matter because the estimation of the total revenue and total costs to complete contracts is inherently subjective and requires significant management judgement and estimation and because errors in the forecast of contract revenue and contract costs could result in a material variance in the amount of profit or loss recognised from contracts to date and, therefore, in the current period. | • assessing the design, implementation and operating effectiveness of key internal controls over the contract revenue and costs recognition processes;<br><br>• discussing with the Group's management the performance of the major contracts in progress during the year and challenging the key estimates and assumptions adopted in the forecast of contract revenue and contract costs, including estimated costs to completion, the recognition of variation orders, the adequacy of contingency provisions and their assessment of potential liquidated damages for contracts which are behind schedule, by obtaining and assessing information in connection with the assumptions adopted, including contract agreements and subcontracts, confirmations from and correspondence with customers regarding contract variations and claims and by considering historical outcomes for similar contracts;<br><br>• selecting a sample of contracts and performing the following procedures for each contract selected:<br><br>– inspecting the contract agreements with customers and subcontractors to identify key terms and conditions, including contracting parties, contract period, contract sum, scope of work, liquidated damages and evaluating whether these key terms and conditions had been appropriately reflected in the total estimated revenue and costs to complete under the forecasts of contract;<br><br>– for contract revenue recognised using output method, comparing the contract revenue recognised during the year with reference to the amounts as stated on the progress certificates issued by the customers; |

# Independent Auditor's Report

| The Key Audit Matter | How the matter was addressed in our audit |
|---|---|
| *<u>Revenue arising from provision of civil engineering, building and other works</u> (continued)* | *<u>Revenue arising from provision of civil engineering, building and other works</u> (continued)*<br><br>– for contract revenue recognised using input method, performing a re-calculation of revenue recognised for individual contracts based on the estimated total budgeted contract costs, the costs incurred to date and the agreed contract price;<br><br>– obtaining a detailed breakdown of the total estimated costs to completion and comparing actual costs incurred to date and cost estimates to agreements, certifications or correspondence with subcontractors and suppliers and other documentation referred to by management in its assessment of the estimated costs to completion; and<br><br>– comparing items recorded as contract costs during the year with suppliers' contracts, goods receipt notes and other relevant underlying documentation;<br><br>• performing site visits, on a sample basis, to observe the progress of individual contract and discussing with site personnel the status of each project and evaluating whether the project progress was consistent with the agreed timetable and the Group's financial accounting records;<br><br>• assessing the presentation and related disclosures in the consolidated financial statements with reference to the requirement of HKFRS 15. |
| *<u>Revenue arising from Entertainment Education Business</u>*<br><br>Revenue comprises primarily tuition fees. The Group's training centre generally receives these fees in advance prior to the beginning of each course term and initially record these fees as contract liabilities. Tuition fees are recognised proportionately over the reporting of the applicable program.<br><br>We identified revenue recognition as a key audit matter because revenue is a key performance indicator of the Group which increases the risk that revenue could be manipulated to meet financial expectations or targets and also because the large volume of transactions processed increase the error in recognising revenue. | *<u>Revenue arising from Entertainment Education Business</u>*<br><br>Our audit procedures to assess revenue recognition included the following:<br><br>• assessing the design, implementation and operating effectiveness of key internal controls over the admission of students and collection of tuition fees;<br><br>• on a sample basis, inspecting the evidence of payment of tuition fees from the students;<br><br>• on a sample basis, selecting training courses scheduled during the year and across the year end date and checking to the student enrolment records, the course schedules and graduation certificates; recalculating the tuition fees recognised as revenue in accordance with relevant course schedules and graduation certificates; tracing the related journal entries posting to the general ledger; and<br><br>• analysing the revenue recognised during the year against the tuition fees and the number of students enrolled in the courses. |

# Independent Auditor's Report

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

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors 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.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

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

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

# Independent Auditor's Report

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

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

**Crowe (HK) CPA Limited**
Certified Public Accountants
Hong Kong, 31 March 2022

**Yau Hok Hung**
Practising Certificate Number P04911

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2021

| | Note | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|---|
| **Revenue** | 4 | **351,550** | 271,374 |
| Direct costs | | **(243,540)** | (326,286) |
| **Gross profit/(loss)** | | **108,010** | (54,912) |
| Other income | 5 | **5,325** | 6,409 |
| General and administrative expenses | | **(25,110)** | (19,875) |
| Impairment loss on contract assets | 22(a) | **–** | (531) |
| Impairment loss on other receivables | 22(a) | **–** | (4,660) |
| **Profit/(loss) from operations** | | **88,225** | (73,569) |
| Finance costs | 6(a) | **(121)** | (671) |
| **Profit/(loss) before taxation** | 6 | **88,104** | (74,240) |
| Income tax | 7 | **(8,929)** | 837 |
| **Profit/(loss) for the year** | | **79,175** | (73,403) |
| | | **HK Cents** | HK Cents |
| **Earnings/(loss) per share** | 10 | | |
| – Basic | | **4.95** | (4.59) |
| – Diluted | | **4.95** | (4.59) |

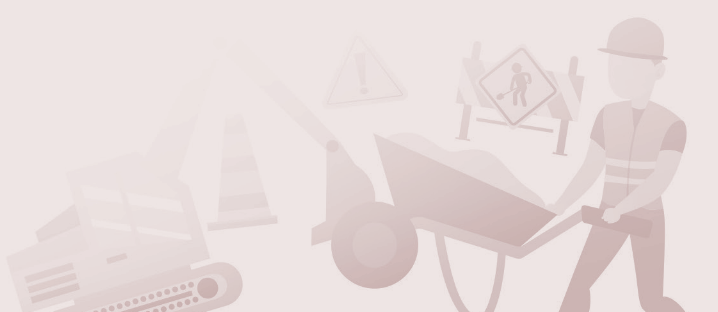
The notes on pages 45 to 103 form part of these financial statements.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| **Profit/(loss) for the year** | **79,175** | (73,403) |
| **Other comprehensive income for the year, net of Nil tax** | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translation of financial statements of subsidiaries outside Hong Kong | **1,342** | – |
| **Total comprehensive income/(expense) for the year** | **80,517** | (73,403) |

The notes on pages 45 to 103 form part of these financial statements.



# Consolidated Statement of Financial Position

As at 31 December 2021

| | Note | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | **42,037** | 50,866 |
| Deposit for acquisition of property, plant and equipment | | **250** | – |
| | | **42,287** | 50,866 |
| **Current assets** | | | |
| Inventories and other contract costs | 13 | **1,350** | 7,542 |
| Contract assets | 14(a) | **54,056** | 42,804 |
| Trade and other receivables | 16 | **57,767** | 38,789 |
| Tax recoverable | 20(a) | **2,742** | 2,742 |
| Deposit with bank with original maturity date over three months | | **–** | 2,632 |
| Cash and cash equivalents | 15(a) | **110,493** | 34,925 |
| | | **226,408** | 129,434 |
| **Current liabilities** | | | |
| Trade and other payables | 17 | **50,921** | 48,866 |
| Amounts due to directors | 25(b) | **14,784** | – |
| Contract liabilities | 14(b) | **1,507** | 4,303 |
| Bank loans | 18 | **–** | 6,665 |
| Lease liabilities | 19 | **881** | 1,136 |
| Tax payables | 20(a) | **8,268** | – |
| | | **76,361** | 60,970 |
| **Net current assets** | | **150,047** | 68,464 |
| **Total assets less current liabilities** | | **192,334** | 119,330 |
| **Non-current liabilities** | | | |
| Lease liabilities | 19 | **631** | 1,254 |
| Deferred tax liabilities | 20(b) | **–** | 6,890 |
| | | **631** | 8,144 |
| **NET ASSETS** | | **191,703** | 111,186 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 21(c) | **16,000** | 16,000 |
| Reserves | | **175,703** | 95,186 |
| **TOTAL EQUITY** | | **191,703** | 111,186 |

Approved and authorised for issue by the board of directors on 31 March 2022:

**LIU Xinyi**
*Director*

**WONG Chun Man**
*Director*

The notes on pages 45 to 103 form part of these financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

| | Share capital HK$'000 | Share premium HK$'000 | Exchange reserve HK$'000 (note 21(d)(ii)) | Statutory reserve HK$'000 (note 21(d)(i)) | Other reserve HK$'000 (note 21(d)(iii)) | Retained profits/ (accumulated losses) HK$'000 | Total equity HK$'000 |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2020** | **16,000** | **99,206** | **–** | **–** | **5,760** | **63,623** | **184,589** |
| **Changes in equity for 2020:** | | | | | | | |
| Loss and total comprehensive expenses for the year | – | – | – | – | – | (73,403) | (73,403) |
| **Balance at 31 December 2020 and 1 January 2021** | **16,000** | **99,206** | **–** | **–** | **5,760** | **(9,780)** | **111,186** |
| **Changes in equity for 2021:** | | | | | | | |
| Profit for the year | – | – | – | – | – | 79,175 | 79,175 |
| Other comprehensive income | – | – | 1,342 | – | – | – | 1,342 |
| Total comprehensive income | – | – | 1,342 | – | – | 79,175 | 80,517 |
| Appropriation to statutory reserve | – | – | – | 8,925 | – | (8,925) | – |
| **Balance at 31 December 2021** | **16,000** | **99,206** | **1,342** | **8,925** | **5,760** | **60,470** | **191,703** |

The notes on pages 45 to 103 form part of these financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2021

| | Note | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Cash generated from operations | 15(b) | **77,641** | 7,466 |
| Hong Kong Profits Tax refunded | | **–** | 6,783 |
| Tax paid: | | | |
| – PRC Enterprise Income Tax | | **(7,673)** | – |
| – Hong Kong Profits Tax | | **–** | (4,972) |
| **Net cash generated from operating activities** | | **69,968** | 9,277 |
| **Investing activities** | | | |
| Interest received | | **170** | 671 |
| Payment for acquisitions of property, plant and equipment | | **(1,568)** | (1,688) |
| Proceeds from disposals of plant and equipment | | **2** | – |
| Advances to companies controlled by a director of a subsidiary | | **(1,850)** | (74) |
| Increase in deposit for investment in a movie | | **(1,931)** | – |
| Decrease/(increase) in deposit with bank with original maturity date over three months | | **2,632** | (2,632) |
| **Net cash used in investing activities** | | **(2,545)** | (3,723) |
| **Financing activities** | | | |
| Advances from directors | 15(c) | **18,386** | – |
| Repayment to a director | 15(c) | **(3,620)** | – |
| Repayment of bank loans | 15(c) | **(6,665)** | (15,586) |
| Capital element of lease rentals paid | 15(c) | **(1,177)** | (1,823) |
| Interest element of lease rentals paid | 15(c) | **(60)** | (123) |
| Bank loans interest paid | 15(c) | **(61)** | (548) |
| **Net cash generated from/(used in) financing activities** | | **6,803** | (18,080) |
| **Net increase/(decrease) in cash and cash equivalents** | | **74,226** | (12,526) |
| **Effect of foreign exchange rate changes** | | **1,342** | – |
| **Cash and cash equivalents at the beginning of the year** | | **34,925** | 47,451 |
| **Cash and cash equivalents at the end of the year** | 15(a) | **110,493** | 34,925 |

The notes on pages 45 to 103 form part of these financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 1. GENERAL INFORMATION

Fullwealth International Group Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 19 January 2018 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The principal place of business of the Company is located at Room 2202, 22/F, West Exchange Tower, 322 Des Voeux Road Central, Sheung Wan, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (the "**Group**") are principally engaged in (i) the civil engineering, building and other works; and (ii) education and training business related to performing arts and culture.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

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

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

### (b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) Basis of preparation of the financial statements (continued)

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

### (c) Changes in accounting policies

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

- Amendment to HKFRS 16, *Covid-19-related rent concessions*
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

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

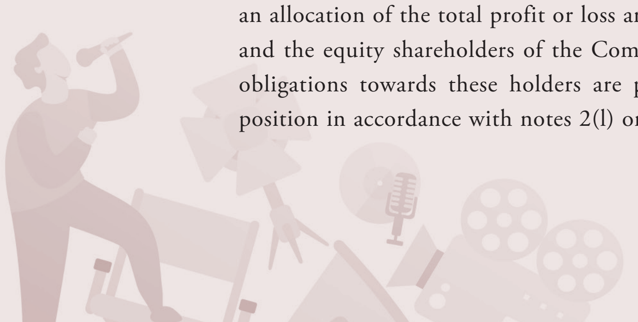
### (d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(l) or 2(m) depending on the nature of the liability.



## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (d) Subsidiaries and non-controlling interests (continued)

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as fair value on initial recognition of a financial asset.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(g)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

### (e) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(g)(ii)).

– right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and

– items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 2(f)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

| | | |
|---|---|---|
| – | Leasehold improvements | 5 years |
| – | Plant and machinery | 5-15 years |
| – | Furniture and equipment | 5 years |
| – | Motor vehicles | 3.33 years |
| – | The Group's interests in buildings situated on leasehold land | Over the shorter of the unexpired term of lease and the buildings' estimated useful lives |

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (f) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

#### *(i) As a lessee*

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(e) and 2(g)(ii)).

The refundable rental deposits are accounted for separately from the right-of-use assets, and they are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at transaction price. Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 *Leases*.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (f) Leased assets (continued)

#### *(ii) As a lessor*

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying asset to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(q)(iv).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 2(f)(i), then the Group classifies the sub-lease as an operating lease.

### (g) Credit losses and impairment of assets

#### *(i) Credit losses from financial instruments and contract assets*

The Group recognises a loss allowance for expected credit losses ("**ECLs**") on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, deposit with bank with original maturity date over three months, trade and other receivables); and

– contract assets as defined in HKFRS 15 (see note 2(i)).

Measurement of ECLs

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

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Credit losses and impairment of assets (continued)

#### *(i) Credit losses from financial instruments and contract assets (continued)*

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 180 days past due. 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:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Credit losses and impairment of assets (continued)

#### *(i) Credit losses from financial instruments and contract assets (continued)*

Significant increases in credit risk (continued)

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 2(q)(v) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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

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

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Credit losses and impairment of assets (continued)

#### *(ii) Impairment of other non-current assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

– Property, plant and equipment, including right-of-use assets; and

– Investments in subsidiaries in the Company's statement of financial position

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Inventories and other contract costs

#### *(i) Inventories*

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the first-in, first-out cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

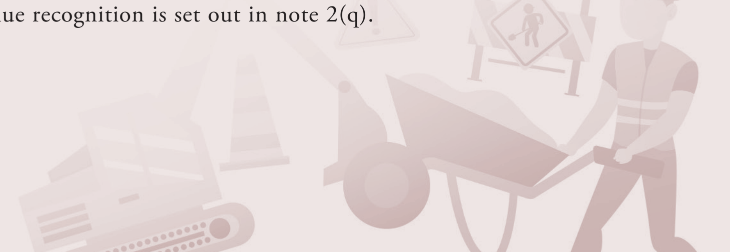
#### *(ii) Other contract costs*

Other contract costs are the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 2(h)(i)) or property, plant and equipment (see note 2(e)) or intangible assets.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 2(q).



## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (i) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(q)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(g)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(j)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(q)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(j)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(q)).

### (j) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(i)).

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see note 2(g)(i)).

Insurance reimbursement is recognised and measured in accordance with note 2(p)(i).

### (k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(g)(i).

### (l) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

### (m) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(s)).

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (n) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

### (o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (o) Income tax (continued)

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

### (p) Provisions, contingent liabilities and onerous contracts

#### *(i) Provisions and contingent liabilities*

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

#### *(ii) Onerous contracts*

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (q) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

*(i) Construction contracts*

A contract with a customer is classified by the Group as a construction contract when the contract relates to work on assets under the control of the customer and therefore the Group's construction activities create or enhance an asset under the customer's control.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using one of the following methods that best depict the Group's performance in satisfying the performance obligations:

- direct measurements of the value to the customer of goods or services transferred to date ("**Value to the Customer**"), provided that the Value to the Customer is established according to the progress certificate (by reference to the amount of completed works confirmed by customer) issued by the customer.

- the Group's effort or inputs to the satisfaction of the performance obligations relative to the total expected efforts or inputs.

The likelihood of the Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised in accordance with the policy set out in note 2(p)(ii).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (q) Revenue and other income (continued)

#### *(ii) Education and training course income*

The Group provides education and training services for the offer of performing arts and culture in the Mainland China. Such services are separately priced and provided based on offer period. As the Group provides the education and training services over the offer period, the students simultaneously receive and consume the benefits provided by the Group. Accordingly, the performance obligations are satisfied over time, and the related revenue are recognised over the contract period. Most of the contractual considerations of the Group are tuition fees that are collected in advance prior to the beginning of each term. When the Group has rendered education offer, the consideration was received from students upon signing the offers, and the Group has the obligation to provide the services subsequently; accordingly, these amounts are recognised as contract liabilities. The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component arises.

#### *(iii) Other service contracts*

Other service income is recognised when the Group satisfies a performance obligation by transferring a promised service to a customer.

#### *(iv) Rental income from operating leases*

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

#### *(v) Interest income*

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(g)(i)).

#### *(vi) Government grants*

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (r) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of an operation outside Hong Kong, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

### (s) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (t) Related parties

(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 Group or the Group's parent.

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group 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.

(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 Group or to the Group's parent.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (u) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker (the "**CODM**") for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

## 3. ACCOUNTING JUDGEMENT AND ESTIMATES

In the process of applying the Group's accounting policies, management has made the following accounting judgements and estimates:

### *(a) Useful lives, residual values and depreciation of property, plant and equipment*

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the property, plant and equipment regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

### *(b) Impairment of trade receivables and contract assets*

The Group uses provision matrix to calculate ECLs for the trade receivables and contract assets. 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 each reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables and contract assets with significant balances and credit impaired are assessed for ECLs individually. The provision of ECLs is sensitive to changes in circumstances and forecast general economic conditions. The information about the ECLs and the Group's trade receivables and contract assets are disclosed in note 22(a). If the financial condition of the customers or the forecast economic conditions were to deteriorate, the actual loss allowance would be higher than estimated.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

In the process of applying the Group's accounting policies, management has made the following accounting judgements and estimates: (continued)

### (c) *Construction contracts*

As explained in policy note 2(q), revenue from construction contracts are recognised over time. Such revenue and profit recognition on uncompleted projects is dependent on estimating the outcome of the contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activities undertaken by the Group, the Group has made estimates of the point at which it considered the work was sufficiency advanced such that the outcome of the contract can be reasonably measured. Until this point is reached and the related contract assets disclosed in note 14 do not include profit which the Group might eventually realise from the work done to date. In addition, actual outcomes in terms of total costs or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

### (d) *Recognition of income taxes and deferred tax assets*

Determining income tax provision involves judgment on the future tax treatment of certain transactions. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

## 4. REVENUE AND SEGMENT INFORMATION

### (a) Revenue

#### *(i) Disaggregation of revenue*

Disaggregation of revenue from contracts with customers by major service lines is as follows:

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| **Revenue from contracts with customers within the scope of HKFRS 15** | | |
| Disaggregated by major service lines | | |
| – Revenue from construction contracts and other related service contracts | **222,333** | 271,374 |
| – Tuition fees | **129,217** | – |
| | **351,550** | 271,374 |

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in notes 4(b)(i) and 4(b)(iv) respectively.

*Information about major customers*

During the year, revenue from customers contributing individually over 10% of the Group's revenue is as follows:

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Customer A[1] | **88,145** | 148,309 |
| Customer B[1,2] | **43,946** | N/A* |
| Customer F[1] | **N/A*** | 45,183 |
| Customer G[1] | **N/A*** | 31,786 |
| Customer H[1] | **38,889** | – |

1 The revenue was derived from civil engineering, building and other works segment.

2 During the year ended 31 December 2021, revenue from this customer included services rendered to entities which are known to the Group to be under common control with this customer.

* Revenue from relevant customer was less than 10% of the Group's total revenue for the respective year.

Details of concentrations of credit risk arising from these customers are set out in note 22(a).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. REVENUE AND SEGMENT INFORMATION (continued)

### (a) Revenue (continued)

*(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date*

As at 31 December 2021, the aggregated amounts of the transaction price allocated to the remaining performance obligations under the Group's existing contracts are as follows:

| | **2021**<br>**HK$'000** | 2020<br>HK$'000 |
|---|---|---|
| Expected to be recognised within 12 months | **57,882** | 52,560 |
| Expected to be recognised over the next 12 months to 36 months | **30,551** | 73,886 |
| | **88,433** | 126,446 |

These amounts represent revenue expected to be recognised in the future from construction contracts entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the work is completed. The above amounts do not include any estimated amounts of variable consideration that are constrained.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its remaining contracts such that the Group does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under these contracts that had an original expected duration of one year or less.

### (b) Segment reporting

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows: (a) Civil engineering, building and other works segment engages in the provision of civil engineering, building and other works to contract customers; and (b) Entertainment education business segment engages in the provision of education and training courses related to performing arts services.

The Group's chief operating decision maker ("**CODM**"), which has been identified as the executive directors of the Company, reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before taxation. The adjusted profit/(loss) before taxation is measured consistently with the Group's profit/(loss) before taxation except that unallocated other income as well as unallocated head office and corporate expenses are excluded from such measurement. Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis. Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis. Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

## 4. REVENUE AND SEGMENT INFORMATION (continued)

### (b) Segment reporting (continued)

#### *(i) Segment revenue and results*

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2021 and 2020 is set out below.

**For the year ended 31 December 2021**

| | Civil Engineering, Building and Other Works HK$'000 | Entertainment Education Business HK$'000 | Total HK$'000 |
|---|---|---|---|
| **Disaggregated by timing of revenue recognition, revenue from external customers and reportable segment revenue** | | | |
| Over time | 222,333 | 129,217 | 351,550 |
| **Reportable segment (loss)/profit** | (10,688) | 104,999 | 94,311 |
| Other income | | | 1 |
| Unallocated head office and corporate expenses | | | (6,208) |
| Profit before taxation | | | 88,104 |

**For the year ended 31 December 2020**

| | Civil Engineering, Building and Other Works HK$'000 | Entertainment Education Business HK$'000 | Total HK$'000 |
|---|---|---|---|
| **Disaggregated by timing of revenue recognition, revenue from external customers and reportable segment revenue** | | | |
| Over time | 271,374 | – | 271,374 |
| **Reportable segment loss** | (66,785) | – | (66,785) |
| Unallocated head office and corporate expenses | | | (7,455) |
| Loss before taxation | | | (74,240) |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. REVENUE AND SEGMENT INFORMATION (continued)

### (b) Segment reporting (continued)

#### *(ii) Segment assets and liabilities*

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

*As at 31 December 2021*

| | Civil Engineering, Building and Other Works HK$'000 | Entertainment Education Business HK$'000 | Total HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Segment assets | 164,339 | 100,274 | 264,613 |
| **Unallocated items:** | | | |
| Inventories (in relation to Internet and E-Commerce business) | | | 15 |
| Trade and other receivables | | | 410 |
| Cash and cash equivalents | | | 3,657 |
| Total assets | | | 268,695 |
| **LIABILITIES** | | | |
| Segment liabilities | 57,718 | 9,680 | 67,398 |
| **Unallocated items:** | | | |
| Trade and other payables | | | 1,110 |
| Amounts due to directors | | | 8,484 |
| Total liabilities | | | 76,992 |

## 4. REVENUE AND SEGMENT INFORMATION (continued)

### (b) Segment reporting (continued)

#### *(ii) Segment assets and liabilities (continued)*

*As at 31 December 2020*

| | Civil Engineering, Building and Other Works HK$'000 | Entertainment Education Business HK$'000 | Total HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Segment assets | 179,913 | – | 179,913 |
| **Unallocated items:** | | | |
| Trade and other receivables | | | 327 |
| Cash and cash equivalents | | | 60 |
| Total assets | | | 180,300 |
| **LIABILITIES** | | | |
| Segment liabilities | 67,558 | – | 67,558 |
| **Unallocated items:** | | | |
| Trade and other payables | | | 1,556 |
| Total liabilities | | | 69,114 |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. REVENUE AND SEGMENT INFORMATION (continued)

### (b) Segment reporting (continued)

#### *(iii) Other segment information*

Amounts included in measure of segment profit or loss or segment assets or regularly provided to the CODM:

**For the year ended 31 December 2021**

| | Civil Engineering, Building and Other Works HK$'000 | Entertainment Education Business HK$'000 | Unallocated HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Additions to non-current segment assets during the year | 2,164 | 467 | – | 2,631 |
| Depreciation of property, plant and equipment | (6,615) | – | – | (6,615) |
| Interest expense | (121) | – | – | (121) |
| Bank interest income | 3 | 166 | 1 | 170 |
| Income tax credit/(expense) | 6,821 | (15,750) | – | (8,929) |

**For the year ended 31 December 2020**

| | Civil Engineering, Building and Other Works HK$'000 | Entertainment Education Business HK$'000 | Unallocated HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Additions to non-current segment assets during the year | 2,088 | – | – | 2,088 |
| Depreciation of property, plant and equipment | (7,404) | – | – | (7,404) |
| Interest expense | (671) | – | – | (671) |
| Bank interest income | 671 | – | – | 671 |
| Income tax credit | 837 | – | – | 837 |
| Impairment loss on contract assets | (531) | – | – | (531) |
| Impairment loss on other receivables | (4,660) | – | – | (4,660) |

## 4. REVENUE AND SEGMENT INFORMATION (continued)

### (b) Segment reporting (continued)

#### *(iv) Geographic information*

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment and deposits for acquisition of property, plant and equipment ("**specified non-current assets**"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment.

| | **Revenue from external customers** | | **Specified non-current assets** | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Hong Kong (place of domicile) | **222,333** | 271,374 | **41,813** | 50,866 |
| Mainland China | **129,217** | – | **474** | – |
| | **351,550** | 271,374 | **42,287** | 50,866 |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 5. OTHER INCOME

| | **2021** | 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Bank interest income | **170** | 671 |
| Profit from leasing of plant and equipment (see note (i)) | **–** | 17 |
| Gain on termination of lease | **28** | – |
| Net loss on disposal of property, plant and equipment | **(68)** | (569) |
| Government grants (see note (ii)) | **–** | 3,684 |
| Sales of scrap materials | **4,744** | 715 |
| Compensation received | **70** | 229 |
| Sundry income | **381** | 1,662 |
| | **5,325** | 6,409 |

Note:

(i) Profit from leasing of plant and equipment is analysed as follows:

| | **2021** | 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Gross rental income from leasing of plant and equipment | **–** | 23 |
| Direct outgoings | **–** | (6) |
| Profit from leasing of plant and equipment | **–** | 17 |

(ii) Government grants mainly included subsidy under the Employment Support Scheme. During the year ended 31 December 2020, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Government of Hong Kong Special Administrative Region. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

## 6. PROFIT/(LOSS) BEFORE TAXATION

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

### (a) Finance costs

| | **2021** | 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Interest on lease liabilities (note 15(c)) | **60** | 123 |
| Interest on bank loans (note 15(c)) | **61** | 548 |
| Total interest expense on financial liabilities not at fair value through profit or loss | **121** | 671 |

## 6. PROFIT/(LOSS) BEFORE TAXATION (continued)

### (b) Staff costs

| | **2021** | 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Directors' emoluments (see note 8) | **2,706** | 2,886 |
| Other staff costs: | | |
| Contributions to defined contribution retirement plans | **1,206** | 1,519 |
| Salaries, wages and other benefits | **32,500** | 43,031 |
| | **36,412** | 47,436 |

The Group operates a Mandatory Provident Fund Scheme ("**the MPF scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the MPF scheme at rates specified in the rules. Contributions to the plan vest immediately.

Employees of the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group has no other material obligation for the payment of retirement benefits associated with the scheme beyond the annual contributions described above.

### (c) Other items

| | **2021** | 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Depreciation charge (note 11) | | |
| – owned property, plant and equipment | **5,575** | 5,750 |
| – right-of-use assets | **1,040** | 1,654 |
| Impairment losses | | |
| – contract assets | **–** | 531 |
| – other receivables | **–** | 4,660 |
| Auditor's remuneration | **600** | 800 |
| Cost of inventories | **36,801** | 66,043 |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 7. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

| | **2021**<br>**HK$'000** | 2020<br>HK$'000 |
|---|---|---|
| **Current tax – Hong Kong Profits Tax** | | |
| Provision for the year | **69** | – |
| Under-provision in respect of prior years | **–** | 42 |
| | **69** | 42 |
| **Current tax – PRC Enterprise Income Tax ("EIT")** | | |
| Provision for the year | **15,750** | – |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | **(6,890)** | (879) |
| | **8,929** | (837) |

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

(ii) Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the subsidiaries which operate in the PRC are subject to Enterprise Income Tax at the tax of 25% for the year ended 31 December 2021, except for one subsidiary operating in the PRC which is a qualifying corporation under the Hainan province in the PRC. Pursuant to the Notice on the Policies of Income Tax Preferences for Enterprises in Hainan Free Trade Port (Cai Shui [2020] No. 31) jointly issued by the Department of Finance of Hainan Province and the Hainan Province Tax Service of State Taxation Administration, this subsidiary is subject to Enterprise Income Tax at the preferential rate of 15% from 1 January 2021 to 31 December 2024.

(iii) The provision for Hong Kong Profits Tax is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year ended 31 December 2021, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime. For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The directors of the Company were in the view that the impact of the two-tiered profits tax rates regime on the Group's current and deferred tax position was not material.

## 7. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

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

| | **2021** | 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Profit/(loss) before taxation | **88,104** | (74,240) |
| Notional tax on profit/(loss) before taxation, calculated at the rates applicable to the profits in jurisdictions concerned | **12,872** | (12,250) |
| Tax effect of non-deductible expenses | **990** | 934 |
| Tax effect of non-taxable income | **(5)** | (616) |
| Tax effect of temporary difference not recognised | **34** | (2) |
| Tax effect of unused tax losses not recognised | **1,117** | 11,055 |
| Recognition of tax loss previously not recognised | **(6,079)** | – |
| Under-provision in prior years | **–** | 42 |
| Actual tax expense | **8,929** | (837) |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 8. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

| | Year ended 31 December 2021 | | | | |
|---|---|---|---|---|---|
| | Directors' fees HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Discretionary bonuses HK$'000 | Contribution to defined contribution retirement plan HK$'000 | Total HK$'000 |
| **Executive directors** | | | | | |
| LIU Xinyi (Chief executive officer) (appointed on 14 January 2021) | 695 | – | – | – | 695 |
| WONG Chun Man (appointed on 14 January 2021) | 695 | – | – | 17 | 712 |
| LAW Fu Keung (resigned on 14 January 2021) | – | 42 | 10 | 2 | 54 |
| CHENG Fung Yi (resigned on 14 January 2021) | – | 42 | 5 | 2 | 49 |
| **Non-executive director** | | | | | |
| MA Xiaoqiu (Chairlady) (appointed on 14 January 2021) | 463 | – | – | – | 463 |
| **Independent non-executive directors** | | | | | |
| LI Siu Bun (appointed on 1 July 2021) | 72 | – | – | – | 72 |
| LEUNG Ho Chi (appointed on 14 January 2021 and resigned on 1 July 2021) | 168 | – | – | – | 168 |
| CHEN Wen (appointed on 14 January 2021) | 239 | – | – | – | 239 |
| PENG Peng (appointed on 14 January 2021) | 239 | – | – | – | 239 |
| LI On Lei (resigned on 14 January 2021) | 5 | – | – | – | 5 |
| LAW Kam Chuen (resigned on 14 January 2021) | 5 | – | – | – | 5 |
| SHUM Wing Ting (resigned on 14 January 2021) | 5 | – | – | – | 5 |
| Total | 2,586 | 84 | 15 | 21 | 2,706 |

## 8. DIRECTORS' EMOLUMENTS (continued)

| | Year ended 31 December 2020 | | | | |
|---|---|---|---|---|---|
| | Directors' fees HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Discretionary bonuses HK$'000 | Contribution to defined contribution retirement plan HK$'000 | Total HK$'000 |
| **Executive directors** | | | | | |
| LAW Fu Keung (Chief executive) | – | 1,200 | – | 18 | 1,218 |
| CHENG Fung Yi | – | 1,200 | – | 18 | 1,218 |
| **Independent non-executive directors** | | | | | |
| LI On Lei | 150 | – | – | – | 150 |
| LAW Kam Chuen | 150 | – | – | – | 150 |
| SHUM Wing Ting | 150 | – | – | – | 150 |
| Total | 450 | 2,400 | – | 36 | 2,886 |

During the year, there were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in note 9 below as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2020: two) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the remaining highest paid individuals of the Group are as follows:

| | **2021** | 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Salaries and other emoluments | **2,145** | 1,960 |
| Discretionary bonuses | **212** | 131 |
| Retirements scheme contributions | **53** | 54 |
| | **2,410** | 2,145 |

The emoluments of the above individuals with the highest emoluments are within the following bands:

| | **2021** | 2020 |
|---|---|---|
| | **Number of Individuals** | Number of Individuals |
| HK$nil to HK$1,000,000 | **3** | 3 |

## 10. EARNINGS/(LOSS) PER SHARE

### (a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to ordinary equity shareholders of the Company of approximately HK$79,175,000 (2020: loss attributable to ordinary equity shareholders of the Company of approximately HK$73,403,000) and the weighted average of 1,600,000,000 ordinary shares (2020: 1,600,000,000 ordinary shares) in issue during the year ended 31 December 2021.

### (b) Diluted earnings/(loss) per share

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

## 11. PROPERTY, PLANT AND EQUIPMENT

### (a) Reconciliation of carrying amount

| | Leasehold improvements HK$'000 | Plant and machinery HK$'000 | Furniture and equipment HK$'000 | Motor vehicles HK$'000 | Properties leased for own use carried at cost HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **Cost:** | | | | | | |
| At 1 January 2020 | 868 | 64,829 | 125 | 5,858 | 2,788 | 74,468 |
| Additions | – | 1,338 | – | 750 | – | 2,088 |
| Disposals | – | (5,645) | – | – | – | (5,645) |
| At 31 December 2020 and 1 January 2021 | 868 | 60,522 | 125 | 6,608 | 2,788 | 70,911 |
| Additions | – | 57 | – | 1,648 | 676 | 2,381 |
| Adjustment upon termination of lease | – | – | – | – | (1,473) | (1,473) |
| Disposals | – | (5,259) | – | (135) | – | (5,394) |
| Exchange realignment | – | – | – | 7 | – | 7 |
| **At 31 December 2021** | 868 | 55,320 | 125 | 8,128 | 1,991 | 66,432 |
| **Accumulated depreciation:** | | | | | | |
| At 1 January 2020 | 426 | 9,349 | 81 | 3,308 | 587 | 13,751 |
| Charge for the year | 129 | 5,330 | 15 | 1,343 | 587 | 7,404 |
| Written back on disposals | – | (1,110) | – | – | – | (1,110) |
| At 31 December 2020 and 1 January 2021 | 555 | 13,569 | 96 | 4,651 | 1,174 | 20,045 |
| Charge for the year | 117 | 4,704 | 11 | 1,201 | 582 | 6,615 |
| Written back upon termination of lease | – | – | – | – | (775) | (775) |
| Written back on disposals | – | (1,359) | – | (131) | – | (1,490) |
| **At 31 December 2021** | 672 | 16,914 | 107 | 5,721 | 981 | 24,395 |
| **Net book value:** | | | | | | |
| **At 31 December 2021** | 196 | 38,406 | 18 | 2,407 | 1,010 | 42,037 |
| At 31 December 2020 | 313 | 46,953 | 29 | 1,957 | 1,614 | 50,866 |

Certain machinery with carrying amount of HK$nil (2020: approximately HK$38,210,000) were pledged to secure the Group's bank loans (note 18) as at 31 December 2021.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 11. PROPERTY, PLANT AND EQUIPMENT (continued)

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

The analysis of the net book value of right-of-use assets by class of underlying asset is as follow:

| | Notes | **2021** **HK$'000** | 2020 HK$'000 |
|---|---|---|---|
| Properties leased for own use, carried at depreciated cost | 11(b)(i) | **1,010** | 1,614 |
| Motor vehicles, carried at depreciated costs | 11(b)(ii) | **610** | 1,232 |
| | | **1,620** | 2,846 |

The analysis of expenses items in relation to leases recognised in profit or loss is as follows:

| | **2021** **HK$'000** | 2020 HK$'000 |
|---|---|---|
| Depreciation charge of right-of-use assets by class of underlying asset: | | |
| Properties leased for own use | **582** | 587 |
| Motor vehicles | **458** | 1,067 |
| | **1,040** | 1,654 |
| Interest on lease liabilities (note 6(a)) | **60** | 123 |
| Expense relating to short-term leases | **12,101** | 4,809 |

During the year ended 31 December 2021, additions to right-of-use assets were approximately HK$1,055,000 (2020: HK$nil). This amount related to the capitalised lease payments payable under new hire purchase agreement and tenancy agreement.

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from a rental agreement that is not yet commenced are set out in notes 15(d), 22(b) and 23, respectively.

## 11. PROPERTY, PLANT AND EQUIPMENT (continued)

### (b) Right-of-use assets (continued)

*(i) Properties leased for own use*

The Group has obtained the right to use properties as its offices through tenancy agreements. The leases typically run for an initial period of around 2 to 5 years. None of the leases include variable lease payments.

*(ii) Other leases*

The Group leases motor vehicles under leases expiring from 1 to 3 years. The leases include an option to purchase the leased motor vehicles at the end of the lease term at a price deemed to be a bargain purchase option. None of the leases includes variable lease payments.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 12. INVESTMENTS IN SUBSIDIARIES

The following list contains the particulars of subsidiaries. The class of shares held is ordinary unless otherwise stated.

| | | | Proportion of ownership interest | | | |
|---|---|---|---|---|---|---|
| **Name of company** | **Place of incorporation and business** | **Particulars of issued and paid-up capital/ registered share capital** | **Group's effective interest** | **Held by the Company** | **Held by a subsidiary** | **Principal activity** |
| Civil Link Holdings Company Limited ("**Civil Link**") | The British Virgin Islands ("**BVI**") | US$200 | 100% | 100% | – | Investment holding |
| Wealthy Ever Holdings Limited ("**Wealthy Ever**") | BVI | US$100 | 100% | 100% | – | Investment holding |
| Wealthy Forever Holdings Limited ("**Wealthy Forever**") | BVI | US$100 | 100% | 100% | – | Investment holding |
| Wealthy Infinity Holdings Limited ("**Wealthy Infinity**") | BVI | US$100 | 100% | 100% | – | Investment holding |
| Ming Shing Construction Engineering Company Limited ("**Ming Shing**") | Hong Kong | HK$5,760,000 | 100% | - | 100% | Civil engineering and building works |
| Favicon Tech Limited ("**Favicon Tech**") | Hong Kong | HK$100 | 100% | - | 100% | Civil engineering, building and other works |
| Ming Shing Builder Limited ("**Ming Shing Builder**") | Hong Kong | HK$1 | 100% | - | 100% | Not yet commenced business |
| Outstanding Chinese Youth Association Limited ("**Outstanding Chinese Youth**") | Hong Kong | HK$100 | 100% | - | 100% | Not yet commenced business |
| Kong Lung Development Limited ("**Kong Lung**") | Hong Kong | HK$1 | 100% | - | 100% | Investment holding |
| Fullwealth International Education Limited ("**Fullwealth International Education**") | Hong Kong | HK$1 | 100% | - | 100% | Not yet commenced business |
| Fullwealth Culture Limited ("**Fullwealth Culture**") | Hong Kong | HK$100 | 100% | - | 100% | Not yet commenced business |
| 海南富匯國際藝術教育有限公司 ("**富匯國際藝術教育**") | PRC | RMB100,000,000* | 100% | - | 100% | Education and training business related to performing arts and culture |
| 海南富藝互聯網服務有限公司 ("**富藝互聯網服務**") | PRC | US$20,000,000* | 100% | - | 100% | Internet and E-commerce business |
| 海南富薈生物科技有限公司 ("**富薈生物科技**") | PRC | US$20,000,000* | 100% | - | 100% | Not yet commenced business |

* The amount represented the registered capital not yet paid up.

## 13. INVENTORIES AND OTHER CONTRACT COSTS

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| **Inventories** | | |
| – Raw materials | **648** | 2,009 |
| **Other contract costs** | **702** | 5,533 |
| | **1,350** | 7,542 |

Notes:

**(a) Inventories**

All of the inventories are expected to be recovered within one year.

**(b) Other contract costs**

Contract costs capitalised as at 31 December 2021 relate to subcontractor costs incurred in fullfiling construction contracts with customers. Contract costs are recognised as part of "direct costs" in the statement of profit or loss in the period in which revenue from the related construction contract is recognised. The amount of capitalised cost recognised in profit or loss during the year was approximately HK$5,533,000 (2020: HK$nil). There was no impairment in relation to the opening balance of capitalised costs or the costs captialised during the year (2020: Nil).

All of the capitalised contract costs are expected to be recovered within one year.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 14. CONTRACT ASSETS AND CONTRACT LIABILITIES

### (a) Contract assets

| | **2021** | 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Contract assets** | | |
| Arising from performance under construction contracts and other related service contracts | **54,056** | 42,804 |
| **Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables" (note 16)** | **19,825** | 21,682 |

Typical payment terms which impact on the amount of contract assets recognised are as follows:

The Group's construction contracts and other related service contracts include payment terms which require stage payments over the construction period once milestones are reached. The Group also typically agrees to a retention period of one year to three years for 1-10% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing inspection.

Changes of contract assets were mainly due to: (1) changes in retention receivables as a result of changes in number of ongoing and completed contracts during the reporting period; and (2) changes in the size and number of contract works that the relevant services were completed but yet been certified or agreed by customers at the end of each reporting period.

The amount of revenue recognised during the year from performance obligation satisfied (or partially satisfied) in previous periods is approximately HK$2,153,000 (2020: approximately HK$1,186,000), mainly due to the changes in estimation of the transaction price of certain construction contracts.

The amount of contract assets that is expected to be recovered after more than one year is approximately HK$1,692,000 (2020: approximately HK$6,125,000), all of which relates to retention receivables. All of the other contract assets are expected to be recovered within one year.

## 14. CONTRACT ASSETS AND CONTRACT LIABILITIES (continued)

### (b) Contract liabilities

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| **Contract liabilities** | | |
| Construction contracts | | |
| – Billings in advance of performance | **1,507** | 4,303 |

When the Group receives advance payment from the customers before the construction activities were provided to the customers this will give rise to contract liabilities, until the revenue recognised on the project exceeds the amount of the advance payment or the revenue recognised based on the provision of service in accordance with the relevant contract. Typically the amount of the advance payment, if any, is negotiated on a case by case basis with customers.

*Movements in contract liabilities*

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Balance at 1 January | **4,303** | – |
| Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year | **(2,796)** | – |
| Increase in contract liabilities as a result of billing in advance of construction activities | – | 4,303 |
| Balance at 31 December | **1,507** | 4,303 |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 15. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents in the consolidated statement of financial position and cash flows comprise:

| | **2021** | 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Bank deposits | – | 4,050 |
| Cash at banks | **110,493** | 30,875 |
| | **110,493** | 34,925 |

At 31 December 2021, bank balances of PRC subsidiaries amounting to approximately HK$90,334,000 (2020: HK$nil) are not freely convertible into other currencies and subject to the exchange restrictions imposed by the PRC government.

(b) Reconciliation of profit/(loss) before taxation to cash generated from operations:

| | **2021** | 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Profit/(loss) before taxation | **88,104** | (74,240) |
| Adjustments for: | | |
| Depreciation | **6,615** | 7,404 |
| Finance costs | **121** | 671 |
| Bank interest income | **(170)** | (671) |
| Net loss on disposal of plant and equipment | **68** | 569 |
| Gain on termination of lease | **(28)** | – |
| Impairment loss on other receivables | – | 4,660 |
| Impairment loss on contract assets | – | 531 |
| Changes in working capital: | | |
| Decrease/(increase) in inventories and other contract costs | **6,192** | (7,542) |
| (Increase)/decrease in contract assets, trade and other receivables | **(22,459)** | 49,912 |
| Decrease in pledged bank deposits | – | 22,206 |
| (Decrease)/increase in contract liabilities, trade and other payables | **(802)** | 3,966 |
| Cash generated from operations | **77,641** | 7,466 |

## 15. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

### (c) Reconciliation of liabilities arising from financing activities

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

| | Bank loans HK$'000 (note 18) | Lease liabilities HK$'000 (note 19) | Amounts due to directors HK$'000 (note 25(b)) | Total HK$'000 |
|---|---|---|---|---|
| **At 1 January 2021** | 6,665 | 2,390 | – | 9,055 |
| **Changes from financing cash flows:** | | | | |
| Repayment of bank loans | (6,665) | – | – | (6,665) |
| Bank loans interest paid | (61) | – | – | (61) |
| Capital element of lease rentals paid | – | (1,177) | – | (1,177) |
| Interest element of lease rentals paid | – | (60) | – | (60) |
| Advances from directors | – | – | 18,386 | 18,386 |
| Repayment to a director | – | – | (3,620) | (3,620) |
| Total changes from financing cash flows | (6,726) | (1,237) | 14,766 | 6,803 |
| **Exchange adjustments** | – | – | 18 | 18 |
| **Other changes:** | | | | |
| Interest expenses (note 6(a)) | 61 | 60 | – | 121 |
| Increase in lease liabilities from entering into new leases during the year | – | 1,025 | – | 1,025 |
| Termination of lease | – | (726) | – | (726) |
| Total other changes | 61 | 359 | – | 420 |
| **At 31 December 2021** | – | 1,512 | 14,784 | 16,296 |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 15. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

### (c) Reconciliation of liabilities arising from financing activities (continued)

| | Bank loans HK$'000 (note 18) | Lease liabilities HK$'000 (note 19) | Total HK$'000 |
|---|---|---|---|
| **At 1 January 2020** | 22,251 | 4,213 | 26,464 |
| **Changes from financing cash flows:** | | | |
| Repayment of bank loans | (15,586) | – | (15,586) |
| Bank loans interest paid | (548) | – | (548) |
| Capital element of lease rentals paid | – | (1,823) | (1,823) |
| Interest element of lease rentals paid | – | (123) | (123) |
| Total changes from financing cash flows | (16,134) | (1,946) | (18,080) |
| **Other changes:** | | | |
| Interest expenses (note 6(a)) | 548 | 123 | 671 |
| Total other changes | 548 | 123 | 671 |
| **At 31 December 2020** | 6,665 | 2,390 | 9,055 |

### (d) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Within operating cash flows | 16,180 | 4,711 |
| Within investing cash flows | 30 | – |
| Within financing cash flows | 1,237 | 1,946 |
| | 17,447 | 6,657 |

These amounts relate to the following:

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Lease rentals paid | 17,417 | 6,657 |
| Down payment for purchase of a motor vehicle under hire purchase agreement | 30 | – |
| | 17,447 | 6,657 |

## 16. TRADE AND OTHER RECEIVABLES

| | **2021** **HK$'000** | 2020 HK$'000 |
|---|---|---|
| Trade receivables | **19,825** | 21,682 |
| Deposits for surety bonds (see note (i) below) | **6,119** | 8,046 |
| Consideration receivables in respect of disposal of property, plant and equipment | **7,800** | 3,966 |
| Other receivables | **4,913** | 176 |
| Advance to subcontractors | **4,688** | 3,688 |
| Deposit for investment in a movie | **1,960** | – |
| Other deposits and prepayments | **10,556** | 1,145 |
| Amounts due from companies controlled by a director of a subsidiary (see note (ii) below) | **1,906** | 86 |
| | **57,767** | 38,789 |

Notes:

(i) As at 31 December 2021, deposits amounting to approximately HK$3,701,000 (2020: approximately HK$8,046,000) were placed with an insurance company as collateral to secure main contractor's surety bonds issued by an insurance company in relation to the Group's construction projects, and the remaining deposit was placed with an insurance company for issuance of the Group's surety bond in favour of the Group's customer, details of which are set out in note 24(a).

(ii) Amounts due from companies controlled by a director of a subsidiary were non-trade nature, unsecured, interest-free and have no fixed terms of repayment.

All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

### (a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables, based on the date of progress certificate or the date of billing, is as follows:

| | **2021** **HK$'000** | 2020 HK$'000 |
|---|---|---|
| Within 1 month | **12,382** | 10,629 |
| 1 to 2 months | **3,204** | 4,319 |
| 2 to 3 months | **183** | – |
| Over 3 months | **4,056** | 6,734 |
| | **19,825** | 21,682 |

Trade receivables are generally due within 30 days from the date of progress certificate or the date of billing. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 22(a).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 17. TRADE AND OTHER PAYABLES

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Trade payables | **24,362** | 14,720 |
| Accrued construction costs | **1,430** | 5,703 |
| Other payables | **2,875** | 3,917 |
| Other accrued expenses | **3,980** | 5,277 |
| Other tax payable | **570** | – |
| Retention payables | **17,704** | 19,249 |
| | **50,921** | 48,866 |

At 31 December 2021, the amount of retention payables expected to be settled after more than one year are approximately HK$4,513,000 (2020: approximately HK$8,011,000). All of the other trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

### (a) Ageing analysis

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

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Within 1 month | **19,214** | 5,433 |
| 1 to 2 months | **3,103** | 3,619 |
| 2 to 3 months | **610** | 172 |
| Over 3 months | **1,435** | 5,496 |
| | **24,362** | 14,720 |

## 18. BANK LOANS

At 31 December 2021, the bank loans were secured and repayable as follows:

| | **2021** | 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within 1 year or on demand | – | 6,665 |

At 31 December 2020, the banking facilities of the Group were secured by certain of the Group's machinery with an aggregate carrying amount of approximately HK$38,210,000 and corporate guarantee provided by the Company. Such banking facilities amounted to HK$31,090,000. At 31 December 2020, the facilities were utilised to the extent of approximately HK$6,665,000, and at 31 December 2021, these banking facilities were terminated.

The bank loans bore interest at 1.75% per annum below the Bank's Prime Lending Rate and they were fully repaid during the year ended 31 December 2021.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 19. LEASE LIABILITIES

At 31 December 2021, the lease liabilities were repayable as follows:

| | **2021** | 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within 1 year | **881** | 1,136 |
| After 1 year but within 2 years | **631** | 783 |
| After 2 years but within 5 years | **–** | 471 |
| | **631** | 1,254 |
| | **1,512** | 2,390 |

All of the Group's lease liabilities were denominated in Hong Kong dollars and the effective interest rates of these lease liabilities during the year ended 31 December 2021 were ranged from 3.50% to 4.34% per annum (2020: from 3.50% to 4.34% per annum).

*Lease of a property from directors of a subsidiary*

During the year ended 31 December 2021, the Group has made lease payment (including capital element and interest element of lease rentals paid) of approximately HK$300,000 (2020: approximately HK$300,000) to Mr. Law Fu Keung and Ms. Cheng Fung Yi, the directors of a subsidiary and former executive directors of the Company. The directors of the Company are of the opinion that such transactions during the reporting periods were conducted on mutually agreed terms in the ordinary course of the Group's business.

As at 31 December 2021, the lease liabilities included the balance of approximately HK$485,000 (2020: approximately HK$763,000) due to the directors of this subsidiary, which bear interest rate of 3.5% per annum and are repayable monthly by installments.

## 20. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

| | **2021**<br>**HK$'000** | 2020<br>HK$'000 |
|---|---|---|
| Tax recoverable at 1 January | **(2,742)** | (4,595) |
| Provision for Hong Kong Profits Tax for the current year | **69** | – |
| Provision for PRC Enterprise Income Tax for the current year | **15,750** | – |
| Under-provision for Hong Kong Profits Tax in respect of prior years | **–** | 42 |
| Tax refunded | **–** | 6,783 |
| Tax paid | **(7,673)** | (4,972) |
| Exchange realignment | **122** | – |
| Tax payables/(recoverable) at 31 December | **5,526** | (2,742) |
| Representing: | | |
| Tax recoverable | **(2,742)** | (2,742) |
| Tax payables | **8,268** | – |
| | **5,526** | (2,742) |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 20. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

### (b) Deferred tax assets and liabilities recognised

#### *(i) Movement of each component of deferred tax assets and liabilities*

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

| **Deferred tax arising from:** | **Depreciation allowances in excess of the related depreciation HK$'000** | **Tax losses HK$'000** | **Total HK$'000** |
|---|---|---|---|
| At 1 January 2020 | **7,769** | – | **7,769** |
| Credited to profit or loss | **(879)** | – | **(879)** |
| At 31 December 2020 and 1 January 2021 | **6,890** | – | **6,890** |
| Credited to profit or loss | **(811)** | **(6,079)** | **(6,890)** |
| **At 31 December 2021** | **6,079** | **(6,079)** | – |

#### *(ii) Reconciliation to the consolidated statement of financial position*

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| Net deferred tax liabilities recognised in the consolidated statement of financial position | – | 6,890 |

## 20. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

### (c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(o), the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately HK$35,807,000 (2020: approximately HK$66,997,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses are subject to the final assessment by the tax authority in respect of jurisdiction where the tax losses arising from. The unrecognised tax losses of approximately HK$239,000 (2020: HK$nil) will expire on or before 31 December 2026 and the remaining unrecognised tax losses do not expire under current tax legislation.

### (d) Deferred tax liabilities not recognised

The EIT Law and its relevant regulations impose a withholding tax at 10%, unless reduced by a tax treaty/ arrangement, for dividend distributions out of earnings accumulated beginning on or after 1 January 2008. At 31 December 2021, temporary differences relating to the undistributed profits of a PRC subsidiary amounted to approximately HK$81,535,000 (2020: HK$nil). Deferred tax liabilities of approximately HK$8,154,000 (2020: HK$nil) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of this subsidiary and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

## 21. CAPITAL, RESERVES AND DIVIDENDS

### (a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

| | Share capital HK$000 | Share premium HK$000 | Other reserve HK$000 | Accumulated losses HK$000 | Total HK$000 |
|---|---|---|---|---|---|
| **Balance at 1 January 2020** | **16,000** | **99,206** | **1** | **(5,620)** | **109,587** |
| **Changes in equity for 2020:** | | | | | |
| Loss and total comprehensive expenses for the year | – | – | – | (5,638) | (5,638) |
| **Balance at 31 December 2020 and 1 January 2021** | **16,000** | **99,206** | **1** | **(11,258)** | **103,949** |
| **Changes in equity for 2021:** | | | | | |
| Loss and total comprehensive expenses for the year | – | – | – | (5,928) | (5,928) |
| **Balance at 31 December 2021** | **16,000** | **99,206** | **1** | **(17,186)** | **98,021** |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 21. CAPITAL, RESERVES AND DIVIDENDS (continued)

### (b) Dividends

The board of directors of the Company does not recommend the payment of any dividend for the year ended 31 December 2021 (2020: Nil).

### (c) Share capital

| | No. of shares | Amount HK$'000 |
|---|---|---|
| **Authorised ordinary shares of HK$0.01 each:** | | |
| At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021 | **3,000,000,000** | **30,000** |
| **Issued and fully paid ordinary shares of HK$0.01 each:** | | |
| At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021 | **1,600,000,000** | **16,000** |

### (d) Nature and purpose of reserves

*(i) Statutory reserve*

In accordance with the PRC Company Law, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory reserves until the reserves reach 50% of their respective registered capital. For the entity concerned, statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

*(ii) Exchange reserve*

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policy set in note 2(r).

*(iii) Other reserve*

Other reserve represents the deemed contribution from and distributions to the former controlling shareholders as a result of the reorganisation which are set out in the prospectus of the Company dated 15 October 2018.

## 21. CAPITAL, RESERVES AND DIVIDENDS (continued)

### (e) Capital management

The Group's primary objective when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for its shareholders and benefits for other stakeholders, by pricing services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a debt-to-capital ratio. For this purpose, debt is defined as total debt (which includes bank loans, lease liabilities and amounts due to directors). Capital comprises all components of equity. In order to maintain the debt-to-capital ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The Group's debt-to-capital ratio at 31 December 2021 and 2020 was as follows:

| | **2021**<br>**HK$'000** | 2020<br>HK$'000 |
|---|---|---|
| Lease liabilities | **1,512** | 2,390 |
| Bank loans | **–** | 6,665 |
| Amounts due to directors | **14,784** | – |
| **Total debt** | **16,296** | 9,055 |
| **Capital** | **191,703** | 111,186 |
| **Debt-to-capital ratio** | **9%** | 8% |

The Government of the Hong Kong Special Administrative Region (the "**Government**") requires contractors on the list of approved contractors for public works (the "**List**") to maintain such minimum working capital as the Government may from time to time determine (the "**Required Minimum Working Capital**"). A subsidiary of the Company is subject to the Required Minimum Working Capital as the subsidiary is a contractor on the List. Except for this, neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 22. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

### (a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and contract assets. The Group's exposure to credit risk arising from cash and cash equivalents and deposit with bank with original maturity date over three months is limited because the counterparties are banks and financial institutions with their sound credit ratings, for which the Group considers to have low credit risk. The Group's exposure to credit risk arising from refundable rental deposits is considered to be low, taking into account the remaining lease term and the period covered by the rental deposits.

The Group does not provide any guarantees which would expose the Group to credit risk.

*Trade receivables and contract assets*

Individual credit evaluations are performed as part of the acceptance procedures for new construction contracts and other related service contracts. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group generally requires customers to settle progress billings and retention receivables in accordance with contracted terms. Trade receivables are generally due within 30 days upon receipt of progress certificates issued by the Group's customers or the date of billing. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, the Group has significant concentration of credit risk in a few customers. In view of their credit standing, good payment record and long established relationship with the Group, management does not consider the Group's credit risk to be significant. As 31 December 2021, 16% (2020: 36%) and 76% (2020: 67%) of the total trade receivables and contract assets (collectively, the "**Receivables**") was due from the Group's largest customer and the five largest customers respectively.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The expected credit loss rates are based on historical data adjusted by forward-looking information. The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. As at 31 December 2021, the Group estimated that the expected loss rate for trade receivables and contract assets was minimal.

## 22. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

### (a) Credit risk (continued)

Movement in the loss allowance account in respect of trade receivables and contract assets during the year is as follows:

| | **2021** **HK$'000** | 2020 HK$'000 |
|---|---|---|
| Balance at 1 January | **531** | – |
| Impairment loss on a retention receivable (which is included in contract assets) recognised during the year (see note below) | **–** | 531 |
| Balance at 31 December | **531** | 531 |

Note: Increase in days of retention monies withheld by main contractor over four years after the completion of the related contract works resulted in an increase in loss allowance of approximately HK$531,000 during the year ended 31 December 2020.

*Other financial assets carried at amortised cost*

The Group's other financial assets carried at amortised cost include other receivables in the consolidated statement of financial position. The impairment loss of other financial assets carried at amortised cost is measured based on the 12-month expected credit loss. The 12-month expected credit loss is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss.

As at 31 December 2021 and 2020, the directors of the Company make individual assessment on the recoverability of these financial assets based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information, to ensure that adequate provisions for impairment losses are made for irrecoverable amounts. In this regard, except for loss allowance made for receivables for leasing of the Group's plant and equipment in the year of 2020 (see below), the directors of the Company believes that there is no material credit risk inherent in these balances. Therefore, no further provision was recognised in the year of 2021.

Movement in the loss allowance account in respect of other receivables during the year is as follows:

| | **2021** **HK$'000** | 2020 HK$'000 |
|---|---|---|
| Balance at 1 January | **180** | – |
| Impairment losses recognised during the year (see note below) | **–** | 4,660 |
| Amounts written off during the year | **(180)** | (4,480) |
| Balance at 31 December | **–** | 180 |

The following significant changes in the gross carrying amount of other receivables contributed to the increase in the loss allowance:

– Increase in days past due over 180 days resulted in an increase in loss allowance of HK$nil (2020: HK$4,660,000), which arose from disputes for the leasing of the Group's plant and equipment; and

– A write-off of other receivable with an amount of HK$180,000 (2020: HK$4,480,000) after final negotiation and agreement with the lessee for the settlement of dispute for the leasing of the Group's plant and equipment resulted in a decrease in loss allowance of HK$180,000 (2020: HK$4,480,000).

## 22. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

### (b) Liquidity risk

Individual subsidiaries within the Group are responsible for their own cash management, including the raising of loans to cover the expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the shorter and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

| | **At 31 December 2021 Contractual undiscounted cash outflow** | | | | |
|---|---|---|---|---|---|
| | **Within 1 year or on demand HK$'000** | **More than 1 year but less than 2 years HK$'000** | **More than 2 years but less than 5 years HK$'000** | **Total HK$'000** | **Carrying amount at 31/12/2021 HK$'000** |
| Lease liabilities | **918** | **640** | **–** | **1,558** | **1,512** |
| Trade and other payables | **50,351** | **–** | **–** | **50,351** | **50,351** |
| Amounts due to directors | **14,784** | **–** | **–** | **14,784** | **14,784** |
| **Total** | **66,053** | **640** | **–** | **66,693** | **66,647** |

| | At 31 December 2020 Contractual undiscounted cash outflow | | | | |
|---|---|---|---|---|---|
| | Within 1 year or on demand HK$'000 | More than 1 year but less than 2 years HK$'000 | More than 2 years but less than 5 years HK$'000 | Total HK$'000 | Carrying amount at 31/12/2020 HK$'000 |
| Bank loans | 6,716 | – | – | 6,716 | 6,665 |
| Lease liabilities | 1,199 | 811 | 477 | 2,487 | 2,390 |
| Trade and other payables | 48,866 | – | – | 48,866 | 48,866 |
| Total | 56,781 | 811 | 477 | 58,069 | 57,921 |

## 22. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

### (c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from cash at banks, deposit with bank with original maturity date over three months, bank loans and lease liabilities. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profiles as monitored by management is set out in (i) below.

The Group does not anticipate significant impact to cash at banks and deposit with bank with original maturity date over three months, because the interest rates of bank deposits are not expected to change significantly. Other than bank loans and the lease liabilities which carry interests at variable interest rates and fixed interest rates respectively the Group has no other significant interest-bearing assets or liabilities. Therefore, the interest rate risk mainly arises from bank loans and lease liabilities.

However, the interest expenses derived therefrom are relatively insignificant to the Group's operations. Therefore, the Group's income and operating cash flows are less dependent on changes in market interest rates. Accordingly, the directors of the Company are of the opinion that the Group does not have significant cash flow and fair value interest rate risk and no sensitivity analysis is performed. The Group has not used financial derivatives to hedge against the interest rate risk. However, from time to time, if interest rate fluctuates significantly, appropriate measures would be taken to manage interest rate exposure.

#### *(i) Interest rate risk profile*

The following table, as reported to the management of the Group, details the interest rate risk profile of the Group's borrowings at the end of the reporting period:

| | **2021**<br>**HK$'000** | 2020<br>HK$'000 |
|---|---|---|
| **Fixed rate borrowings:** | | |
| Lease liabilities (see note 19) | **1,512** | 2,390 |
| **Variable rate borrowings:** | | |
| Bank loans (see note 18) | **–** | 6,665 |

### (d) Currency risk

Individual subsidiaries within the Group have limited foreign currency risk as most of the transactions, assets and liabilities are principally denominated in the same currency as the functional currency of the operation in which they relate. Accordingly, the directors of the Company considers that the Group's exposure to foreign currency risk is minimal.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 22. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

### (e) Fair value measurement

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost were not materially different from their fair values as at 31 December 2021 and 2020.

## 23. COMMITMENTS

Capital commitments outstanding at 31 December 2021 not provided for in the financial statements were as follows:

| | **2021** | 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided for | **1,427** | – |
| Capital expenditure in respect of investment in a movie contracted for but not provided for | **7,841** | – |
| | **9,268** | – |

In addition, the Group was committed at 31 December 2021 to enter into a rental agreement with a hotel that is not yet commenced, the rental payments under which amounted to RMB3,650,000 per annum (2020: HK$nil).

## 24. CONTINGENT LIABILITIES

### (a) Guarantees issued

As at 31 December 2021, surety bond of HK$9,670,000 (2020: HK$nil) was given by an insurance company to the Group in favour of the Group's customer as security for the due performance and observance of the Group's obligation under the contract entered into between the Group and its customer. The Group has provided guarantee of the above surety bond and the directors of a subsidiary have also unconditionally and irrevocably agreed to indemnify the aforesaid insurance company for claims and losses the insurance company may incur in respect of the surety bond. If the Group fails to provide satisfactory performance to its customer to whom surety bond has been given, such customer may demand the insurance company to pay to them the sum or sums stipulated in such demand. The Group will then become liable to compensate such insurance company accordingly. The surety bond will be released in accordance with the term of the surety bond agreement. Deposits were placed with an insurance company for issuance of surety bonds, details of which are set out in note 16.

At the end of the reporting period, the directors of the Company do not consider it is probable that a claim will be made against the Group.

### (b) Litigation

In the ordinary course of the Group's business, the Group has been subject to a number of claims due to personal injuries suffered by third parties, employees of the Group or the Group's subcontractors in accidents arising out of and in the course of their employment. The directors of the Company are of the opinion that such claims are well covered by insurance and will not result in any material adverse impact on the financial position or results and operations of the Group. No provision has been made in respect of these claims in the consolidated financial statements.

## 25. MATERIAL RELATED PARTY TRANSACTIONS

During the reporting period, the transactions with the following parties are considered to be related party transactions of the Group:

| **Name of related party** | **Relationship with the Group** |
|---|---|
| Ms. LIU Xinyi (“**Ms. Liu”)** | The ultimate controlling shareholder of the Company and the executive director of the Company |
| Mr. WONG Chun Man (“**Mr. Wong**”) | The executive director of the Company |
| Mr. LAW Fu Keung (“**Mr. Law**”) | The former executive director of the Company (resigned on 14 Jan 2021) and the director of Ming Shing |
| Ms. CHENG Fung Yi (“**Ms. Cheng**”) | Spouse of Mr. Law and the former executive director of the Company (resigned on 14 Jan 2021) and the director of Ming Shing |

In addition to the transactions and balances disclosed elsewhere in these financial statements, particulars of significant transactions between the Group and the above related parties during the reporting period are as follows:

### (a) Key management personnel remuneration

All members of key management personnel of the Group are the directors of the Company and their remuneration is disclosed in note 8.

### (b) Financing arrangements with related parties

At the end of the reporting period, the Group has the following balances with related parties:

| | **2021**<br>**HK$'000** | 2020<br>HK$'000 |
|---|---|---|
| Amount due to Mr. Wong# | **13,559** | – |
| Amount due to Ms. Liu# | **1,225** | – |
| | **14,784** | – |

# Amounts due to Mr. Wong and Ms. Liu are unsecured, interest-free and have no fixed terms of repayment. The amounts due to Mr. Wong and Mr. Liu are included in amounts due to directors.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 26. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

| | Note | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Interests in subsidiaries | 12 | **103,254** | 105,118 |
| **Current assets** | | | |
| Prepayments | | **228** | 327 |
| Amounts due from subsidiaries | | **81** | – |
| Cash and cash equivalents | | **2,718** | 60 |
| | | **3,027** | 387 |
| **Current liabilities** | | | |
| Amount due to a director | | **7,227** | – |
| Accrued expenses | | **1,033** | 1,556 |
| | | **8,260** | 1,556 |
| **Net current liabilities** | | **(5,233)** | (1,169) |
| **NET ASSETS** | | **98,021** | 103,949 |
| **CAPITAL AND RESERVES** | 21(a) | | |
| Share capital | | **16,000** | 16,000 |
| Reserves | | **82,021** | 87,949 |
| **TOTAL EQUITY** | | **98,021** | 103,949 |

Approved and authorised for issue by the board of directors on 31 March 2022:

| | |
|---|---|
| **LIU Xinyi**<br>*Director* | **WONG Chun Man**<br>*Director* |

## 27. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2021, the directors consider the immediate parent of the Company to be Victory Way Global Company Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

The directors regard ultimate controlling party of the Company to be Ms. LIU Xinyi.

## 28. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

| | Effective for accounting periods beginning on or after |
|---|---|
| Amendments to HKFRS 16, *Covid-19-Related Rent Concessions beyond 30 June 2021* | 1 April 2021 |
| Amendments to HKFRS 3, *Reference to the Conceptual Framework* | 1 January 2022 |
| Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before Intended Use* | 1 January 2022 |
| Amendments to HKAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* | 1 January 2022 |
| Annual Improvements to HKFRSs 2018-2020 Cycle | 1 January 2022 |
| Amendments to HKAS 1, *Classification of Liabilities as Current or Non-current* | 1 January 2023 |
| Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of Accounting Policies* | 1 January 2023 |
| Amendments to HKAS 8, *Definition of Accounting Estimates* | 1 January 2023 |
| Amendments to HKAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* | 1 January 2023 |

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

# Financial Summary

A summary of the results and assets and liabilities of the Group for the last five financial years is as follows.

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2021** | 2020 | 2019 | 2018 | 2017 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| RESULTS | | | | | |
| Revenue | **351,550** | 271,374 | 553,357 | 316,579 | 397,349 |
| Gross profit/(loss) | **108,010** | (54,912) | 13,718 | 43,563 | 58,815 |
| Profit/(loss) before taxation | **88,104** | (74,240) | 9,568 | 18,396 | 55,232 |
| Profit/(loss) for the year | **79,175** | (73,403) | 7,179 | 12,236 | 45,611 |
| Total comprehensive income/(expenses) for the year | **80,517** | (73,403) | 7,179 | 12,236 | 45,611 |

| | At 31 December | | | | |
|---|---|---|---|---|---|
| | **2021** | 2020 | 2019 | 2018 | 2017 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| ASSETS AND LIABILITIES | | | | | |
| Total assets | **268,695** | 180,300 | 268,025 | 256,736 | 217,241 |
| Total liabilities | **(76,992)** | (69,114) | (83,436) | (79,326) | (141,030) |
| Net assets | **191,703** | 111,186 | 184,589 | 177,410 | 76,211 |

Note: The results for the year ended 31 December 2017 have been prepared on a combined basis to indicate the results of the Group as if the Group structure had been in existence throughout the year presented. The figures for the year ended 31 December 2017 have been extracted from the Prospectus.