CHINA SILVER TECHNOLOGY HOLDINGS LIMITED
中華銀科技控股有限公司

(formerly known as TC Orient Lighting Holdings Limited 達進東方照明控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 515)

Annual Report 2021

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Xu Ming *(Chief Executive Officer)*
Mr. Zeng Yongguang
Mr. Guo Jun Hao
Mr. Mai Huazhi
Mr. Kong Chan Fai *(appointed as Executive Director and Vice Chairman on 15 October 2021)*
Mr. Lin Wanan *(resigned on 15 October 2021)*

NON-EXECUTIVE DIRECTORS

Mr. Lai Yubin *(Chairman of the Board)*
Mr. Wei Xiaomin

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Kwok On
Mr. Bonathan Wai Ka Cheung
Dr. Loke Yu (alias Loke Hoi Lam)
Ms. Qiu Yumei

COMPANY SECRETARY

Mr. Chan Chun Kau

AUTHORISED REPRESENTATIVES

Mr. Zeng Yongguang
Mr. Chan Chun Kau

AUDIT COMMITTEE

Dr. Loke Yu *(alias Loke Hoi Lam)* *(chairman of committee)*
Mr. Wong Kwok On
Mr. Bonathan Wai Ka Cheung
Ms. Qiu Yumei

REMUNERATION COMMITTEE

Ms. Qiu Yumei *(chairman of committee)*
Dr. Loke Yu (alias Loke Hoi Lam)
Mr. Bonathan Wai Ka Cheung

NOMINATION COMMITTEE

Ms. Qiu Yumei *(chairman of committee)*
Dr. Loke Yu (alias Loke Hoi Lam)
Mr. Bonathan Wai Ka Cheung

COMPLIANCE COMMITTEE

Dr. Loke Yu (alias Loke Hoi Lam) *(chairman of committee)*
Mr. Bonathan Wai Ka Cheung
Ms. Qiu Yumei

HEAD OFFICE

Unit E, 30/F., Tower B, Billion Centre
1 Wang Kwong Road
Kowloon Bay, Kowloon
Hong Kong

REGISTERED OFFICE

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

AUDITOR

HLB Hodgson Impey Cheng Limited

LEGAL ADVISERS

Lawrence Chan & Co. (as to Hong Kong law)

CORPORATE INFORMATION

PRINCIPAL BANKERS

China Construction Bank Corporation,
Zhongshan Branch
Agricultural Bank of China,
Zhongshan Branch
China Trust Commercial Bank, Ltd.

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

00515

WEB-SITE

www.csthltd.com

STATEMENT FROM THE CHAIRMAN

Dear Shareholders,

On behalf of the Board (the "**Board**") of Directors (the "**Directors**") of China Silver Technology Holdings Limited (formerly known as "TC Orient Lighting Holdings Limited") (the "**Company**", which together with its subsidiaries are collectively referred to as the "**Group**"), we are pleased to present the Group's results for the year ended 31 December 2021 (the "**Year**").

The Group's production facilities are principally situated in Zhongshan city and Shenzhen city, both in Guangdong Province. Since late January 2020 to now, travel restrictions and other public health measures (the "**Public Health Measures**") were imposed in various areas in China in an attempt to contain the COVID-19 epidemic, affecting the human resources of the Group, the supply chains of raw materials and product shipments and the general economic atmosphere whether in China and globally.

The COVID-19 epidemic has resulted in adverse impact on the business performance of the Group. The Group has taken all practicable measures to cope with the challenges, including the implementation of cost-control measures and the exploration of opportunities to further develop its business and enhance its growth potential. In the meantime, the Group is striving for the highest caution standard to protect the health and safety of our staff.

For the year of 2021, the Group's revenue increased mainly due to: (i) the alleviation of COVID-19 epidemic, resulting in increased orders from customers and general improvements in supply chain environment; and (ii) the increased unit price for the sales of our PCB products. On one hand, the Group has taken various cost-savings and quality improvement measures. The Group also adopted strategic pricing policy and proactive marketing approach to attract more sales orders from both existing and potential customers.

Looking into the future, the Board and the management team will continue to adopt measures to improve the Group's existing business and explore opportunities to create value for the Company and its shareholders.

On behalf of the Board, I would like to express our sincere thanks to our colleagues for their efforts and commitment and to our shareholders and investors for their continual support.

Sincerely yours,

Lai Yubin
Chairman

25 March 2022

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board of the Company recognises the importance of corporate governance practice of a listed company and is committed to adopting the standards of corporate governance. It is in the interest of the stakeholders and shareholders for a listed company to operate in a transparent manner with the adoptions of various self-regulatory policies, procedures and monitoring mechanisms with a clear definition of accountability of directors and management.

The Company and the Directors confirm, to the best of their knowledge, that the Company complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") as stated in Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") throughout the Year except for the following:

(i) Under Code Provision C.1.2 (subsequently rearranged and renumbered as D.1.2) of the CG Code, management should provide all members of the Board with monthly updates on the issuer's performance, position and prospects, which may include monthly management accounts and material variance between projections and actual results. During the year, although management accounts were not circulated to Board members on monthly basis, regular verbal updates were given by management to Directors on working level meetings from time to time, which the management and the Board consider to be sufficient and appropriate in the circumstances in giving a balanced and understandable assessment of the Group's performance and enabling Directors to discharge their duties.

The Board and the compliance committee shall continue to monitor and review the Company's corporate governance practices to ensure compliance of the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company follows the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (the "**Model Code**") as the code of conduct for Directors in their dealings in the Company's securities and each of the incumbent directors confirmed that he/she has complied with the Model Code during the year ended 31 December 2021.

DIRECTORS

The Board

The Board has the collective responsibility for leadership and control of, and for promoting the success of, the Company by directing and supervising the Company's affairs. The Board sets strategies for the Company and monitors the performance of the management.

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making. The Board currently comprises 11 members, consisting of 5 executive Directors, 2 non-executive Directors and 4 independent non-executive Directors. Further details of the composition of the Board are set out on page 2.

DIRECTORS *(continued)*

The Board *(continued)*

Biographical details of the directors are set out in the "Biographies of Directors and Senior Management" on pages 18 to 19 of the Annual Report.

The Board has established a policy setting out the approach to achieve diversity on the Board (the "**Board Diversity Policy**") with the aims of enhancing Board effectiveness and corporate governance as well as achieving our business objectives and sustainable development. Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, required expertise, skills, knowledge and length of service. The current Board consists of a diverse mix of Board members appropriate to the requirement of the business of the Company, and depending on the growing business needs and availability of the human resources market, suitable qualified individuals will be considered.

In addition, the Board has met Rule 3.10 of the Listing Rules, that at least one of the independent non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise. The independent non-executive Directors bring independent judgment, knowledge and experience to the Board. Each of the incumbent independent non-executive directors confirmed that he/she is independent within the definition of Rule 3.13 of the Listing Rules.

The Company has held 7 board meetings during the Year and the attendance records are set out below:

Name of directors	Number of attendance
EXECUTIVE DIRECTORS	
Mr. Xu Ming	6/7
Mr. Zeng Yongguang	6/7
Mr. Guo Jun Hao	7/7
Mr. Mai Huazhi	6/7
Mr. Kong Chan Fai *(appointed as Executive Director and Vice-Chairman on 15 October 2021)*	0/0
Mr. Lin Wanan *(resigned on 15 October 2021)*	7/7
NON-EXECUTIVE DIRECTORS	
Mr. Lai Yubin	6/7
Mr. Wei Xiaomin	6/7
INDEPENDENT NON-EXECUTIVE DIRECTORS	
Mr. Wong Kwok On	6/7
Mr. Bonathan Wai Ka Cheung	7/7
Dr. Loke Yu (alias Loke Hoi Lam)	6/7
Ms. Qiu Yumei	7/7

DIRECTORS *(continued)*

The Board *(continued)*

The Company held the 2021 Annual General Meeting on 30 June 2021 and the attendance records are set out below:

Name of directors	Number of attendance
EXECUTIVE DIRECTORS	
Mr. Xu Ming	1/1
Mr. Zeng Yongguang	1/1
Mr. Guo Jun Hao	1/1
Mr. Mai Huazhi	1/1
Mr. Kong Chan Fai *(appointed as Executive Director and Vice-Chairman on 15 October 2021)*	0/0
Mr. Lin Wanan *(resigned on 15 October 2021)*	1/1
NON-EXECUTIVE DIRECTORS	
Mr. Lai Yubin	1/1
Mr. Wei Xiaomin	1/1
INDEPENDENT NON-EXECUTIVE DIRECTORS	
Mr. Wong Kwok On	1/1
Mr. Bonathan Wai Ka Cheung	1/1
Dr. Loke Yu (alias Loke Hoi Lam)	1/1
Ms. Qiu Yumei	1/1

DIRECTORS *(continued)*

The Board *(continued)*

The Company has held 1 extraordinary general meeting during the year on 6 August 2021, and the attendance records are set out below:

Name of directors	Number of attendance
EXECUTIVE DIRECTORS	
Mr. Xu Ming	1/1
Mr. Zeng Yongguang	1/1
Mr. Guo Jun Hao	1/1
Mr. Mai Huazhi	1/1
Mr. Kong Chan Fai *(appointed as Executive Director and Vice-Chairman on 15 October 2021)*	0/0
Mr. Lin Wanan *(resigned on 15 October 2021)*	1/1
NON-EXECUTIVE DIRECTORS	
Mr. Lai Yubin	1/1
Mr. Wei Xiaomin	1/1
INDEPENDENT NON-EXECUTIVE DIRECTORS	
Mr. Wong Kwok On	1/1
Mr. Bonathan Wai Ka Cheung	1/1
Dr. Loke Yu (alias Loke Hoi Lam)	1/1
Ms. Qiu Yumei	1/1

DIRECTORS *(continued)*

Chairman and Chief Executive Officer

With the appointment of Mr. Xu Ming as the CEO on 9 April 2020 and the appointment of Mr. Lai Yubin as the Chairman on 14 July 2020, the Company is in compliance of Code Provision A.2.1.

Training and Support For Directors

Directors must keep abreast of their collective responsibilities. The Group is supposed to provide briefings and other training to develop and refresh the Directors' knowledge and skills. The Group is also supposed to continuously update Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

Based on the records of the Company and having made specific enquiries, the Company believes that the Directors have received the following training and/or rules update and/or professional development during the Year:

Name of directors	Type of Training
EXECUTIVE DIRECTORS	
Mr. Xu Ming *(appointed as Chief Executive Officer on 9 April 2020)*	B
Mr. Zeng Yongguang	B
Mr. Guo Jun Hao	B
Mr. Mai Huazhi	B
Mr. Kong Chan Fai *(appointed as Executive Director and Vice-Chairman on 15 October 2021)*	B
Mr. Lin Wanan *(resigned on 15 October 2021)*	B
NON-EXECUTIVE DIRECTORS	
Mr. Lai Yubin	B
Mr. Wei Xiaomin	B
INDEPENDENT NON-EXECUTIVE DIRECTORS	
Mr. Wong Kwok On	B
Mr. Bonathan Wai Ka Cheung	A, B
Dr. Loke Yu (alias Loke Hoi Lam)	A, B
Ms. Qiu Yumei	B

Remarks:

A: attending seminars and/or conferences and/or forums.

B: reading newspapers, journals and updates relating to the economy, general business or director's duties and responsibilities etc.

DIRECTORS *(continued)*

Responsibilities of Directors

The Directors are supposed to be continually updated with the regulatory requirements, business activities and development of the Group to facilitate the discharge of their responsibilities.

The non-executive Directors and independent non-executive Directors, as other Directors, are supposed to participate actively in the board meetings and meetings of Audit Committee, Nomination Committee, Remuneration Committee and Compliance Committee. They are supposed to bring an independent judgment on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct. They are supposed to lead where potential conflicts of interests arise in connected transaction.

Insurance

The Company has arranged appropriate liability insurance, with coverage being reviewed annually, to indemnify the directors from their risk exposure arising from corporate activities.

Supply of and Access to Information

In respect of regular board meetings, agenda and accompanying board papers of the meeting were supposed to be sent in full to all Directors in advance before the intended date of a meeting.

The management has the obligation to supply the Board and the various Committees with adequate information in a timely manner to enable the members to make informed decisions. Each Director is supposed to have separate and independent access to the Group's senior management to acquire more information than is volunteered by management and to make further enquiries if necessary.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company ("**RC**") presently comprises of three directors, namely, Ms. Qiu Yumei, Mr. Bonathan Wai Ka Cheung and Dr. Loke Yu (alias Loke Hoi Lam), all of whom being independent non-executive Directors.

The RC was delegated with the authority of the Board of the Company to determine and review the remuneration packages of all directors and senior management. The primary function of the RC is to make recommendations to the Board on the Group's policy and structure for all remuneration of directors and senior management and for the Board's final determination. The full terms of reference of the RC are available on the Company's website: www.csthltd.com and the website of the Stock Exchange: www.hkexnews.hk.

REMUNERATION COMMITTEE *(continued)*

During the Year, the RC held 2 meetings. The attendance of each member is set out as follows:

Name of members	Number of attendance
Ms. Qiu Yumei	2/2
Mr. Bonathan Wai Ka Cheung	2/2
Dr. Loke Yu (alias Loke Hoi Lam)	2/2

The RC has considered and approved the Group's policy for the remuneration of directors during the Year. The RC is supposed to make an assessment on the performance of the directors and other key management members and considered their remuneration package by reference to the prevailing packages with companies listed on the Main Board of the Stock Exchange. The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on a performance related basis. Details of the remuneration of directors are disclosed on an individual basis and are set out in note 11 to the financial statements. Details of the remuneration of senior management (including directors) are disclosed below:

	2021 No. of persons
Emoluments (including director's fee, salary and other benefits, share-based payments, performance-related incentive payment and retirement benefit scheme contributions)	
HKD6,000,000-HKD7,000,000	0
HKD5,000,000-HKD6,000,000	0
HKD4,000,000-HKD5,000,000	0
HKD3,000,000-HKD4,000,000	0
HKD2,000,000-HKD3,000,000	0
HKD1,000,000-HKD2,000,000	0
HKD50,000-HKD1,000,000	12

NOMINATION COMMITTEE

The Nomination Committee of the Company ("**NC**") presently comprises of three directors, namely, Ms. Qiu Yumei, Mr. Bonathan Wai Ka Cheung and Dr. Loke Yu (alias Loke Hoi Lam). All three members of NC are independent non-executive directors.

The NC was delegated with the authority of the Board of the Company to formulate nomination policy for the Board's consideration and implement the Board's approved nomination policy. The primary function of the NC is to review the structure, size and composition of the Board annually and make recommendations on any proposed changes to the Board to complement the Group's corporate strategy. The full terms of reference of the NC are available on the Company's website: www.csthltd.com and the website of the Stock Exchange: www.hkexnews.hk.

NOMINATION COMMITTEE *(continued)*

The Company has a nomination policy of having a Board with a diversity of skills and experience. The selection and proposed appointment of Directors are submitted to the NC for consideration prior to Board approval, and the re-election of Directors is conducted in accordance with the articles of association of the Company. The criteria of assessing a candidate include his/her ability to devote sufficient time and attention to participate in the affairs of the Company including the attendance of Board meetings and serving on committees, to bring business experience to the Board and to contribute to the Board diversity. If the candidate is proposed to be appointed as an INED, his/her independence shall be assessed in accordance with the requirements under the Listing Rules. The totality of the candidate's education, qualifications and experience shall be evaluated in assessing his/her suitability. During the Year, the NC held 2 meetings. The attendance of each member is set out as follows:

Name of members	Number of attendance
Ms. Qiu Yumei	2/2
Mr. Bonathan Wai Ka Cheung	2/2
Dr. Loke Yu (alias Loke Hoi Lam)	2/2

COMPLIANCE COMMITTEE

The Compliance Committee of the Company ("**CC**") comprises of three directors, namely, Ms. Qiu Yumei, Mr. Bonathan Wai Ka Cheung and Dr. Loke Yu (alias Loke Hoi Lam). All three CC members are independent non-executive Directors and Dr. Loke Yu (alias Loke Hoi Lam) is the Chairman of CC.

The CC was delegated with the authority of the Board of the Company to oversee the Group's compliance with laws and regulations relevant to the Group's business operations and to review the effectiveness of the Group's regulatory compliance procedures and system. The primary function of the CC is to make matters of the Group relating to regulatory and compliance, internal control and corporate governance requirements. The full terms of reference of the CC are available on the Company's website: www.csthltd.com and the website of the Stock Exchange: www.hkexnews.hk.

During the Year, the CC held 1 meeting. The attendance of each member is set as follows:

Name of members	Number of attendance
Dr. Loke Yu (alias Loke Hoi Lam)	1/1
Mr. Bonathan Wai Ka Cheung	1/1
Ms. Qiu Yumei	1/1

ACCOUNTABILITY AND AUDIT

Financial Reporting

The management is supposed to provide such explanation and information to the Board on monthly basis so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Directors acknowledge their responsibility to prepare the financial statements that give a true and fair view of the state of affairs of the Group. The Group incurred a loss of approximately HK$6,649,000 during the year ended 31 December 2021 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$232,129,000. These events or conditions, along with other matters as set forth in the notes to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Save for disclosed above, for the purpose of the Company's financial year ended 31 December 2021, the Board was not aware of any other events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern.

In the light of various measures or arrangements which either have been implemented or are expected to result in the improvement of the working capital and liquidity and cash flow position of the Group, including (a) the provision of financial support by one shareholder of the Company for the continuing operations of the Company so as to enable it to meet its liabilities when they fall due and carry on its business without a significant curtailment of operations in the twelve months from 31 December 2021; (b) the fact that bank borrowings of the Group in the amount of HK$156,310,000 as at 31 December 2021 were classified as current liabilities due to the repayable-on-demand clause, notwithstanding the fact that the repayment dates were more than 12 months from the end of the reporting period and no intention of the bank to require early repayment is known to the Directors based on their latest communication with the banks; and (c) the ongoing negotiation between the Group and its bankers with the view to securing necessary facilities to meet the Group's working capital and financial requirements, the Company is of the view that it will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

The responsibility of the external auditor, Messrs. HLB Hodgson Impey Cheng Limited, is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion solely to the shareholders of Company, as a body and for no other purpose.

Internal Controls

The Board has overall responsibility for the risk management and internal control systems of the Company and for reviewing their effectiveness. The risk management and internal control systems of the Company are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Since 5 November 2015, the Board has adopted internal control procedures (the "**IC Procedures**") which not only cover the usage of chops and grant of guarantees and indemnities but also policies regarding: (a) investment decisions; (b) handover of work on change of key personnel; (c) risk assessment and control; (d) external communication; (e) financial reporting, budgeting and closing, bank reconciliation, accounting system and records; (f) cash management and loans approval; (g) sales contract management, sales order approval and credit control; (h) purchase contract management and procurement; (i) record registration, management, depreciation and disposal of fixed assets; (j) stock take, reconciliation and record registration of inventory; (k) management and filing of contract authorization and execution; (l) human resources and payroll; (m) production, materials monitoring and quality; and (n) information technology controls. The heads of the departments of the key operating subsidiaries of the Company in China were delegated the responsibility to provide introductory training to his staff members on the IC Procedures.

ACCOUNTABILITY AND AUDIT *(continued)*

Internal Controls *(continued)*

An internal control report was issued by the Company's compliance officer and internal auditor, which was reviewed and discussed by the members of Audit Committee during its latest Audit Committee meeting. The management of the Company has accepted the recommendations in the internal review reports for incorporation into the Company's daily operations manual.

Audit Committee

The Audit Committee of the Company ("**AC**") comprises of four independent non-executive Directors, namely, Dr. Loke Yu (alias Loke Hoi Lam), Ms. Qiu Yumei, Mr. Wong Kwok On and Mr. Bonathan Wai Ka Cheung. Dr. Loke Yu (alias Loke Hoi Lam) is the chairman of the AC. One out of four AC members, Dr. Loke Yu (alias Loke Hoi Lam) possesses recognised professional qualifications in accounting and has wide experience in audit and accounting.

No former partner of the Company's existing auditing firm acted as a member of the AC within two years from ceasing to be a partner or having any financial interest in the auditing firm.

The AC was delegated with the authority of the Board of the Company to investigate any activity within its terms of reference. The primary function of the AC is to review and supervise the Group's financial reporting process and internal controls. The AC has also reviewed arrangements to enable employees of the Group to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters, and to ensure proper arrangements that in place for fair and independent investigation and follow up actions. The full terms of reference of the AC are available on the Company's website: www.csthltd.com and the website of the Stock Exchange: www.hkexnews.hk.

The Group's audited financial statements for the year ended 31 December 2021 has been reviewed by the AC, which is of the opinion that such statements comply with applicable accounting standards, the Listing Rules and other legal requirements, and that adequate disclosures have been made.

During the Year, the AC held 2 meetings to discuss the financial reporting and compliance procedures and review the internal control system with the external auditors. The attendance of each member is set out as follows:

Name of members	Number of attendance
Dr. Loke Yu (alias Loke Hoi Lam) *(chairman of the committee)*	2/2
Ms. Qiu Yumei	2/2
Mr. Wong Kwok On	2/2
Mr. Bonathan Wai Ka Cheung	2/2

ACCOUNTABILITY AND AUDIT *(continued)*

Audit Committee *(continued)*

The Company's annual results for the year ended 31 December 2021 has been reviewed by the AC.

Apart from the AC meetings, the independent non-executive Directors have also conducted a meeting with the auditors to discuss matters relating to the Company's audit fees and other issues arising from the audit for the Year.

The AC monitors the audit and non-audit services rendered to the Group by its external auditor and ensure that their engagement in other non-audit services will not impair their audit independence or objectivity.

Fee paid/payable to Group's auditors

For the financial year ended 31 December 2021, the fee paid/payable to the Group's auditors is set out as follows:

Services rendered	**Fee paid/payable** HK$'000
Audit services	1,800
Non-audit services	–

Management Functions

The Board is responsible for determining the overall strategy and corporate development and ensuring the business operations are properly monitored. The Board reserves the right to decide all policy matters of the Group and material transactions.

The Board delegates the day-to-day operations to general managers and department heads of the Company and its operating subsidiaries that are responsible for different aspects of the operations of the various members of the Group.

COMMUNICATION WITH SHAREHOLDERS

Effective Communication

The AGM is supposed to enable the shareholders of the Company to exchange views with the Board. The Chairman of the Board and the Chairmen of AC, RC and NC are supposed to attend the AGM to be available to answer the questions of the shareholders of the Company. Separate resolutions will be proposed at the forthcoming AGM on each substantially separate issue, including the re-election of the retiring directors. The Shareholder Communication Policy is available on the Company's website: www.csthltd.com.

Shareholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to directors or management of the Company. Such questions, requests and comments can be addressed to the Board of Directors of the Company by mail to Unit E, 30/F, Tower B, Billion Centre, 1 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong or by email to admin@csthltd.com.

Procedures for Shareholders to convene an extraordinary general meeting

According to Article 58 of the Articles, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require 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 twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist himself may do so in the same manner, and all reasonable expenses incurred by the requisitionist as a result of the failure of the Board shall be reimbursed to the requisitionist by the Company.

Procedures for putting forward proposals by Shareholders at Shareholders' meeting

There are no provisions allowing Shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law, However, Shareholders may request the Company to convene an extraordinary general meeting following the procedures under Article 58 of the Articles as set out above.

Pursuant to Article 88 of the Articles, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the registered office or at the head office provided that the minimum length of the period, during which such notices are given, shall be at least seven days and that (if the notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such notices shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

If a Shareholder wishes to propose a person for election as a Director at a general meeting, he/she shall deposit a written notice at the Company's head office and principal place of business in Hong Kong in compliance with Article 88 and containing all details as required by Rule 13.51(2) of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS *(continued)*

Voting by Poll

The right to demand a poll will be set out in the circular to shareholders of the Company to be dispatched to shareholders in relation to the forthcoming AGM.

CONSTITUTIONAL DOCUMENTS

The Memorandum and Articles of Association are available on the Company's website: www.csthltd.com and the Stock Exchange's website: www.hkexnews.hk. No significant change is made to the Company's constitutional documents during the Year.

COMPANY SECRETARY

Mr. Chan Chun Kau is the Company Secretary of the Company. The company secretary supports the Board by facilitating information flow amongst Board members and assists Board members on policy and procedures. Mr. Chan is a practising solicitor in Hong Kong.

During the Year, Mr. Chan has taken no less than 15 hours of relevant professional training.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Zeng Yongguang, aged 49, was appointed as an executive Director with effect from 27 March 2018. He graduated from Beijing Language and Culture University (北京語言大學) in 2011 majoring in International Economics and Trade. Mr. Zeng has many years of management experience with commercial banks in China. Mr. Zeng is currently a director of the following subsidiaries of the Company, namely, Tat Chun PCB International Company Limited, Tat Chun Printed Circuit Board Company Limited, TC Hong Kong Electric Company Limited and TC Orient LED Energy Management Company Limited, TC Orient Lighting (Shenzhen) Limited (達進東方照明 (深圳) 有限公司), Guangdong Tat Chun Electronic Technology Co., Ltd. (廣東達進電子科技有限公司), Zhongshan Tat Chun Printed Circuit Board Company Limited. (中山市達進電子有限公司), 中山市達進電子元件有限公司, 深圳市新達際商貿有限公司, 吳川榮森貿易有限公司, 達進東方 (揚州) 投資有限公司, 中山市一心商貿有限公司, 廣東大鵬電力器材有限公司, and TC (BVI) Limited.

Mr. Xu Ming, aged 50, was appointed as executive Director with effect from 14 September 2016 and appointed as the chief executive officer of the Company with effect from 9 April 2020. He obtained a master's degree in Economics and Management from Wuhan University, China. Mr. Xu is an entrepreneur having many years of experience in capital markets and an extensive business network in China.

Mr. Guo Jun Hao, aged 40, was appointed as executive Director of the Company with effect from 10 April 2017. Mr. Guo obtained a bachelor's degree in arts from the University of Wolverhampton in 2004, a master's degree in social sciences from The University of Leicester in 2006 and a master's degree in science from the University of Warwick in 2007. Before joining the Company, Mr. Guo has over 7 years of experience working in financial institutions in China and has occupied management position responsible for customer services, staff training, sales and marketing. Mr. Guo was appointed as the general manager of the Company's subsidiary, TC Hong Kong Electric Company Limited and is responsible for overseeing its sales and marketing operations.

Mr. Mai Huazhi, aged 30, occupied senior management roles in an integrated financial company in China engaging in enterprise management and consultancy, asset management, financial services, direct equity investment, financial information, corporate restructuring, leasing and property development prior to joining the Company.

Mr. Kong Chan Fai, aged 62, has occupied senior management role in an enterprise in China for around 10 years prior to joining the Group. Mr. Kong has experience in operation management, business development, and strategic planning.

Non-Executive Directors

Mr. Lai Yubin, aged 43, was appointed as a non-executive Director of the Company with effect from 14 July 2020. He obtained a bachelor's degree in Business Administration from Sun Yat-sen University and a master's degree in Finance from Tulane University, New Orleans, Louisiana, the United States. Prior to joining the Group, Mr. Lai worked with enterprises in China for over 19 years having experience in accounting, auditing, mergers and acquisitions and business development.

Mr. Wei Xiaomin, aged 53, was appointed as a non-executive Director of the Company with effect from 14 July 2020. He obtained a bachelor's degree in Economics Management from Henan University of Economics and Law (formerly known as Henan University of Economics). Mr. Wei is an entrepreneur having experience in real estate and technology.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS *(continued)*

Independent Non-Executive Directors

Mr. Wong Kwok On, aged 67, was appointed as an independent non-executive Director of the Company since 14 September 2016 and he has previously worked in licensed corporations in Hong Kong engaging in securities, futures and corporate finance. Mr. Wong is currently the Chairman of the Hong Kong Securities & Futures Professionals Association. He was formerly an independent non-executive director of Real Nutriceutical Group Limited (stock code: 2010), a company listed on the Main Board of the Stock Exchange.

Mr. Bonathan Wai Ka Cheung, aged 30, was appointed as independent non-executive Director of the Company since 14 September 2016. He graduated from University of Waterloo, Canada with a Bachelor of Arts in Economics. Mr. Cheung has experience in working in securities brokerage companies in Canada and Hong Kong.

Dr. Loke Yu (alias Loke Hoi Lam), aged 72, was appointed as an independent non-executive Director of the Company with effect from 6 June 2018. Dr. Loke holds a Master of Business Administration degree from Universiti Teknologi Malaysia and a Doctor of Business Administration degree from University of South Australia. Dr. Loke is a Fellow Member of The Institute of Chartered Accountants in England and Wales, Hong Kong Institute of Certified Public Accountants and The Hong Kong Chartered Governance Institute. He is also a life member of The Hong Kong Independent Non-Executive Director Association.

He has over 43 years of experience in accounting and auditing for private and public companies, financial consultancy and corporate management. Dr. Loke was formerly an independent non-executive director of the following Hong Kong listed companies, namely: Lamtex Holdings Limited (stock code: 1041), CIMC-TianDa Holdings Company Limited (formerly known as China Fire Safety Enterprise Group Limited) (stock code: 445), Tianhe Chemicals Group Limited (stock code: 1619), Zhong An Group Limited (stock code: 672) and Chiho Environmental Group Limited (formerly known as Chiho-Tiande Group Limited) (stock code: 976).

Dr. Loke is currently an independent non-executive director of the following Hong Kong listed companies, namely: Crazy Sports Group Limited (formerly known as V1 Group Limited) (stock code: 82), Matrix Holdings Limited (stock code: 1005) Tianjin Development Holdings Limited (stock code: 882), Times Universal Group Holdings Limited (formerly known as Forebase International Holdings Limited) (stock code: 2310), Hang Sang (Siu Po) International Holding Company Limited (stock code: 3626), Hong Kong Resources Holdings Company Limited (stock code: 2882), Zhenro Properties Group Limited (stock code: 6158) and Tradego FinTech Limited (stock code: 8017) Dr. Loke was previously an independent non-executive director, and is currently a non-executive director of Veson Holdings Limited (formerly known as SCUD Group Limited) (stock code: 1399).

Ms. Qiu Yumei, aged 47, was appointed as an independent non-executive Director of the Company with effect from 14 July 2020. She completed the undergraduate correspondence course in Business Management at Guangdong Open University (formerly known as Guangdong Radio and Television University). Ms. Qiu occupied senior management roles in technology and real estate companies for over 17 years having experience in project assessment, negotiation and execution and risk management.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in manufacturing and trading of a broad range of LED lighting and PCBs including single-sided PCBs, double-sided PCBs and multi-layered PCBs (for up to 12 layers), and the trading of tower and electric cable. The breakdown of turnover based on products is summarised as follows:

	Year 2021 HK$'000	%	Year 2020 HK$'000	%	Increase/ (decrease) HK$'000	Change in %
Single-sided PCB	**66,256**	**17.7%**	59,420	25.0%	6,836	11.5%
Double-sided PCB	**229,513**	**61.1%**	143,794	60.5%	85,719	59.6%
Multi-layered PCB	**69,786**	**18.6%**	34,358	14.5%	35,428	103.1%
LED	**9,820**	**2.6%**	–	–%	9,820	–%
	375,375	**100.0%**	237,572	100.0%	137,803	58.0%

Revenue from LED lighting business for the year ended 31 December 2021 was HK$9,820,000 (2020: Nil).

The three categories of PCB products are mainly applied in consumer electronics, computers and computer peripherals, and communications equipment. During the Year, single-sided PCB and doubled-sided PCB's used for consumer electronics accounted for approximately 78.8% (2020: 85.5%) of the Group's turnover. High-end multi-layered PCBs were also a core product of the Group, accounting for 18.6% (2020: 14.5%) of turnover.

The Group's turnover by geographical regions is summarised as follows:

	Year 2021 HK$'000	%	Year 2020 HK$'000	%	Increase/ (decrease) HK$'000	Change in %
Hong Kong	**25,872**	**6.9%**	40,729	17.1%	(14,857)	(36.5)%
The PRC	**290,166**	**77.3%**	145,168	61.1%	144,998	99.9%
Asia (excluding Hong Kong and the PRC)	**3,717**	**1.0%**	5,056	2.1%	(1,339)	(26.5)%
Europe	**55,486**	**14.8%**	46,217	19.5%	9,269	20.1%
Others	**134**	**0%**	402	0.2%	(268)	(66.7)%
	375,375	**100.0%**	237,572	100.0%	137,803	58.0%

During the year, the Group's revenue increased mainly due to: (i) the alleviation of COVID-19 epidemic, resulting in increased orders from customers and general improvements in supply chain environment; and (ii) the increased unit price for the sales of our PCB products.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(continued)*

The Group has two PCB manufacturing plants both located at Zhongshan, Guangdong, the PRC, details of which are summarised as follows:

Production plant	Location	Area	Products	Production capacity	Commencement of operations
Plant 1	Zhongshan, Guangdong, the PRC	58,000 sq. m.	Single-sided PCBs	530,000 sq. ft. per month	May 2003
Plant 2	Zhongshan, Guangdong, the PRC	52,000 sq. m.	Double-sided and multi-layered PCBs	420,000 sq. ft. per month	October 2007

As disclosed in the Company's announcement dated 2 February 2021, the Company is developing a new phase of production facilities to be constructed on the development site which is adjacent to the Group's existing plant, involving the construction of two buildings of factory and office uses, each not exceeding eleven floors above ground and one basement level with total gross floor area of 120,513.22 square meters.

OUTLOOK

The Board considers that it is vital and necessary for the Group to dedicate more efforts on the research and development with the view to achieving product upgrade. The Group has paid high attention to develop high value-added PCB products, particularly the copper-based PCB engaged in clean and environmental friendly applications.

Regarding the LED segment, the Group intends to focus on credit management and to optimize the trade receivable collection. The Group intends to pursue only after profitable projects with shorter receivable cycle.

FINANCIAL REVIEW

For the Year, the Group's turnover amounted to approximately HK$375.4 million (2020: HK$237.6 million), representing an increase of 58.0% as compared to the last year. The gross profit margin for the year of 2021 was 5.7% (2020: 2.1%). Loss attributable to shareholders was reduced to approximately HK$3.9 million (2020: HK$74.4 million), principally due to: (i) the alleviation of COVID-19 epidemic, resulting in increased orders from customers and general improvements in supply chain environment; (ii) the increased unit price for the sales of our PCB products during 2021; (iii) the implementation of cost-control measures; and (iv) the sales of materials and depreciated machineries as part of an upgrade exercise of production facilities.

Impairment loss in respect of property, plant and equipment

No impairment losses were recognised respectively for 2021 and 2020 in respect of plant and machinery and leasehold improvements.

Recognised share-based payments

During the year ended 31 December 2021, the Group recognised HK$ Nil share-based payment (2020: HK$1.1 million). No negative cash flow effect is made to the Group as a result of these share-based payments.

FINANCIAL REVIEW *(continued)*

Expected credit loss on trade receivables and other receivables

During the Year, the management performed an expected credit loss assessment on the trade receivables and other receivables, resulting in net amount reversal of HK$3.7 million (2020: Net impaired of HK$21.3 million) being recognised for the Group's LED lighting and PCB businesses.

THE IMPACT OF NOVEL CORONAVIRUS EPIDEMIC

The Group's production facilities are principally situated in Zhongshan city and Shenzhen city, both in Guangdong Province. Since late January 2020, travel restrictions and other public health measures (the "**Public Health Measures**") including quarantine requirements of travelers were imposed in various areas in China in an attempt to contain the novel Coronavirus epidemic (the "**Epidemic**").

The Epidemic has resulted in adverse impact on the business performance of the market. The Group has taken all practicable measures to cope with the challenges, including the implementation of cost-control measures and the exploration of opportunities to further develop its business and enhance its growth potential. In the meantime, the Group is striving for the highest caution standard to protect the health and safety of our staff.

During 2021, the Company's PCB business increased in revenue, principally due to: (i) the alleviation of COVID-19 epidemic, resulting in increased orders from customers and general improvements in supply chain environment; and (ii) the increased unit price for the sales of our PCB products. Regarding the LED segment, revenue of HK$9,820,000 is recognised during 2021. The Group has taken various cost-savings and quality improvement measures, and adopted strategic pricing policy and proactive marketing approach to attract more sales orders from both existing and potential customers.

Pending the development of the Epidemic subsequent to the date of the financial statements, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these financial statements. The Group will continue to monitor the development of the Epidemic and react actively to its impact on the financial position and operating results of the Group.

FUND RAISING ACTIVITIES

The Company has not conducted any equity fund-raising activities during 2021. Subsequent to the end of 2021, the Company conducted share subscriptions with not less than six subscribers in February 2022 which was completed in March 2022, involving the issuance of 286,000,000 Shares at the issue price of HK$0.10 per Share raising net proceeds of HK$28.4 million. Details of these subscriptions were disclosed in the Company's announcements dated 17 February 2022 and 3 March 2022.

The Company will continue to explore debt and equity fundings from bankers and investors to improve the working capital and liquidity and cash flow position of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2021, the Group had total assets of approximately HK$551.9 million (2020: HK$525.5 million) and interest-bearing borrowings of approximately HK$159.9 million (2020: HK$158.3 million), representing a gearing ratio, defined as interest-bearing borrowings over total assets, of approximately 29.0% (2020: 30.1%).

The Group had net current liabilities of approximately HK$232.1 million (2020: HK$164.1 million) consisted of current assets of approximately HK$301.1 million (2020: HK$342.5 million) and current liabilities of approximately HK$533.2 million (2020: HK$506.7 million), representing a current ratio of approximately 0.56 (2020: 0.68).

As at 31 December 2021, the Group had cash and bank balances (including pledged bank deposits) of approximately HK$70.7 million (2020: HK$66.9 million). As at 31 December 2021, the Group had cash and bank balances (excluding pledged bank deposits) of approximately HK$19.9 million (2020: HK$25.1 million).

FOREIGN CURRENCY EXPOSURE

The Group operates in Hong Kong and the PRC with most of the transactions denominated and settled in Hong Kong dollars ("**HK$**") and Renminbi ("**RMB**"). However, foreign currencies, mainly United States Dollars ("**US$**") are required to settle the Group's expenses and additions on property, plant and equipment. There are also sales transactions denominated in US$ and RMB. The Group will use forward contracts to hedge its foreign currency exposure if it considers the risk to be significant.

DIVIDENDS

The Board has resolved not to recommend the payment of a final dividend (2020: Nil).

HUMAN RESOURCES

As at 31 December 2021, the Group employed a total of 448 employees (2020: 537), including 395 employees in its Zhongshan production site, 34 employees in its LED division in China and other business units and 19 employees in its Hong Kong office.

The Group's remuneration policy is reviewed regularly with reference to the legal framework, market conditions and the performance of the Group and individual staff. The remuneration policy and remuneration packages of the executive directors and members of the senior management are also reviewed by the remuneration committee. The Group may grant share options and discretionary bonuses to eligible employees based on the performance of the Group and individuals. Under the Group's remuneration policy, employees are rewarded in line with the market rate in compliance with statutory requirements of all jurisdictions where it operates. The Group holds regular training programmes and encourages staffs to attend training courses and seminars that are related directly or indirectly to the Group's business.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE STRATEGY

The primary objective of the Company is to enhance long-term return for our shareholders. To achieve this objective, the Group's strategy is to place equal emphasis on achieving sustainable recurring earnings growth and maintaining the Group's strong financial profile. The Management Discussion and Analysis contain discussions and analysis of the Group's performance and the basis on which the Group generates or preserves value over the longer term and the basis on which the Group will execute its strategy for delivering the Group's objective.

CHARGE OF ASSETS

At the respective end of the reporting periods, the following assets were pledged to banks to secure general banking facilities granted to the Group:

	2021 **HK$'000**	2020 HK$'000
Buildings	**128,262**	129,143
Pledged bank deposits	**50,775**	41,771
Right-of-use assets	**15,768**	16,383
	194,805	187,297

CAPITAL COMMITMENT

As at 31 December 2021, the Group had capital commitment of approximately HK$28,907,000 (2020: HK$Nil) in respect of addition of property, plant and equipment contracted for but not provided in the consolidated financial statements.

LITIGATIONS

(a) The Company was informed by its legal advisers that a writ of summons dated 10 May 2016 under Hong Kong High Court Action No. 1228/2016 (the "**Legal Action**") was filed by Mr. Li Jian Chao ("**Mr. Li**") seeking to claim from the Company an alleged outstanding special bonus payment in the amount of HK$1,640,000. Mr. Li was formerly the chief executive officer and executive director the Company before he resigned on 5 June 2015. On 12 July 2016, the Company filed a defence and counterclaim against Mr. Li (re-amended on 3 May 2018, the "**Counterclaim**"), whereby the Company denied (inter alia) that Mr. Li is entitled to the alleged amount and counterclaimed from Mr. Li (inter alia) a total sum of HK$5,240,000 being wrongful receipts by Mr. Li based on certain invalid resolutions purportedly passed by the Board between 31 December 2014 and 4 June 2015, and/or damages for breach of fiduciary duties by Mr. Li when he was a director of the Company between 1 September 2014 and 5 June 2015. The Company will continue to uphold its rights in the Legal Action and the Counterclaim. In the meantime, the Board considers that the Legal Action and the Counterclaim are unlikely to result in any material adverse effect to the Company's operations or financial position. Further details relating to the Legal Action and Counterclaim are more particularly set out in the Company's announcements dated 13 May and 14 July 2016.

The trial was heard by the Court in October 2021. The Company is waiting for the judgment to be handed down by the Court.

LITIGATIONS *(continued)*

(b) During the Year, the Company's operating subsidiaries in the PRC were involved in various litigations as defendants due to disputes in ordinary businesses with suppliers, contractors and ex-employees, including: (a) claims in the total amounts of approximately RMB828,000 which were already settled and the full amount of approximately RMB828,000 were recognised as trade and other payable in the consolidated statement of financial position as at 31 December 2021; and (b) claims in the total amounts of RMB4,024,000 which were still undergoing legal processes. As a prudent measure, full amount of RMB4,024,000 were recognised as trade and other payables as at 31 December 2021 in the consolidated statement of the financial position. The claims have been accompanied by asset-preservation orders imposed on bank accounts of our PRC subsidiaries for the total amounts of approximately RMB3,767,000 as at 31 December 2021. The Group has instructed its PRC legal advisers to uphold its rights.

OTHER INFORMATION

Information About Major Customers

During the year, the five largest suppliers accounted for less than 30% of the Group's total purchases, and the five largest customers account for less than 30% of the Group's total revenue from sales.

Proposed Development of the New Phase of Development Site in Zhongshan

As disclosed in the Company's announcement dated 2 February 2021, the Company is implementing the construction of the new phase of production facilities, involving two buildings of factory and office uses at the development site at Gaoping Boulevard, Sanjiao Town, Zhongshan City, Guangdong Province, the PRC which is adjacent to the Group's existing production plant.

The development site is a transferred land of industrial use with total site area of 65,999.7 square meters, with land use right of 50 years running from 1998 to 2048 being granted to the Company's indirect wholly-owned subsidiary, 中山市達進電子有限公司 (Zhongshan Tat Chun Electronics Co., Ltd.*) ("**Zhongshan TC**"). Due to the changes in the town planning and in support of the development of the Group as a quality industrial enterprise above designated size in accordance with the Government policy of delegation and streamlining of administrative functions, the maximum plot ratio permitted for the construction of buildings on the Development Site was increased from 1.5 times to 3.5 times (the "**Plot Ratio Relaxation**"). In response to that, the Group submitted building plans on the proposed development to the Government containing its proposal to construct the New Phase with total gross floor area of 120,513.22 square meters and comprising two buildings of factory and office uses, each not exceeding eleven floors above ground and one basement level. The building plans regarding the proposed development has now been approved by the Government. Based on the current design of building plans, the total construction cost for the proposed development is estimated to be RMB270 million, which is expected to be financed by the Group's internal resources, external borrowings and equity fundraisings.

OTHER INFORMATION *(continued)*

Strategic Cooperation on Coworking Project

On 2 February 2021, Zhongshan TC entered into the strategic cooperative agreement with 深圳市穩毅實業有限公司 (Shenzhen Wenyi Industrial Co., Ltd.*) (the "**Strategic Partner**"), pursuant to which the Strategic Partner expresses its intention to utilize the capacity of the new phase of the development site in Zhongshan to the extent not used by the Group for the purpose of operating the coworking project. Under the terms of the strategic cooperative agreement, the formal agreement is expected to provide for, among other things: (a) the cooperation period of ten years from the date of commencement of operation of the new phase; (b) the service income to be received by Zhongshan TC from the Strategic Partner under the strategic cooperation, being measured by a revenue sharing model with a guaranteed return based on the area of premises occupied by the Strategic Partner in the new phase; and (c) other customary terms and conditions applicable to similar business arrangements. Further announcement(s) will be made by the Company when appropriate if there is further development on the Strategic Cooperation.

Memorandum of Understanding on Data Center, Cloud and Blockchain Platform

On 10 February 2021, the Company entered into a non-legally binding Memorandum of Understanding with Ancent Group Limited (安訊集團有限公司) ("**Ancent**") and its shareholder (as vendor), both being independent third parties, pursuant to which the Company proposed to invest in not less than 51% issued share capital in Ancent through the subscription of new shares and/or the purchase of existing shares from the vendor (the "**Proposed Investment**"). Ancent is principally engaged in data center operation and a solution provider of cloud computing, remote working, big data, network security and blockchain platform. On 15 October 2021, the Company entered into a supplemental memorandum of understanding, inter alia, extending the exclusivity period and placing a cap on the possible consideration at HK$30.6 million (of which approximately 60% being settled by the issuance of consideration shares by the Company which are subject to two-years' lock-up undertaking). If the Memorandum of Understanding proceeds to signing of a formal binding agreement, it is currently expected that the Proposed Investment may constitute a discloseable transaction or major acquisition for the Company under Chapter 14 of the Listing Rules. Further announcement(s) relating to the Proposed Investment may be made by the Company as and when necessary.

Memorandum of Understanding in Relation to a Technology Company in Jiangxi Province

On 9 July 2021, the Company entered into a non-legally binding Memorandum of Understanding with 崇仁縣中元電子科技有限公司 (Chongren County Zhongyuan Electronics Technology Co., Ltd.*), an independent third party pursuant to which the Company proposed to invest in not more than 45% equity interest in the Target Company by way of subscription of new equity or acquisition of equity from existing shareholders of the Target Company. The scope of business of the Target Company includes the technology development and sales of integrated circuits, electronic components, communication products and industrial automation equipment, investment in industrial park projects, and enterprise management consultancy. If the Memorandum of Understanding proceeds to signing of a formal binding agreement, it is currently expected that the Proposed Investment may constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Further announcement(s) relating to the Proposed Investment may be made by the Company as and when necessary.

Cooperative Agreement on Distribution of Smart Mobile Communication Devices

On 5 August 2021, the Company entered into the Cooperative Agreement with Dayu Industry (HK) Co., Ltd. (大宇實業(香港)有限公司) ("**Dayu**"), an independent third party, in relation to the Proposed Cooperation involving the supply of smart mobile communication devices (the "**Goods**") by the Group to Dayu. Subject to the signing of binding agreement(s) and the placing of purchase orders, the Cooperative Agreement contemplates annual sales in Hong Kong of not less than HK$300 million in the first year of cooperation. If the Proposed Cooperation materialized by way of binding agreement(s) and purchase orders, the sale of the Goods will be conducted in the ordinary and usual course of business of the Group.

OTHER INFORMATION *(continued)*

Investment in the New Production Lines in Jiangxi Province

On 13 August 2021, the Company entered into a project agreement with the People's Government of Chongren County, Jiangxi Province, the PRC in relation to the proposed investment by the Group of the new production lines at the new factory (the "**New Factory**") situated at the Electronics Technology Industrial Park, Chongren Hi-Tech Zone, Chongren County, Jiangxi Province, the PRC (the "**Project**").

The timetable of the implementation of the Project is subject to the development of events, such as the selection of premises for the New Factory, the negotiation of terms of lease, the signing of tenancy agreement and the delivery of vacant possession of the New Factory by the landlord. The Company will comply with the Listing Rules when the terms of the lease regarding the New Factory are finalised in due course.

SUBSEQUENT EVENTS

Subscriptions of New Shares Under General Mandate

On 17 February 2022, the Company and the Subscribers entered into the Subscription Agreements pursuant to which the Company has conditionally agreed to allot and issue, and the Subscribers have agreed to subscribe for, an aggregate of 286,000,000 Subscription Shares at the Subscription Price of HK$0.10 per Subscription Share. The 286,000,000 Subscription Shares represent: (i) approximately 10.25% of the existing issued share capital of the Company; and (ii) approximately 9.30% of the issued share capital of the Company as enlarged by the issue of 286,000,000 Subscription Shares. The gross and net proceeds from the Subscriptions are expected to be approximately HK$28.6 million and HK$28.4 million, respectively. It is intended that the net proceeds from the Subscriptions will be used by the Company as to HK$24.4 million for the repayment of the Group's debts and liabilities when they fall due and as to HK$4 million for the Group's working capital (such as salaries, rental payments, professional fees and office overheads). The Subscriptions were completed on 3 March 2022.

Proposed Share Consolidation and Change of Board Lot Size

On 9 July 2021, the Board proposed to implement: (a) a share consolidation on the basis that every five issued and unissued Existing Shares of HK$0.10 each will be consolidated into one Consolidated Share of HK$0.50 each; and (b) the change of the board lot size from 2,000 Existing Shares to 10,000 Consolidated Shares upon the share consolidation becoming effective. The share consolidation was voted down by the shareholders of the Company at an EGM held on 6 August 2021 and so the share consolidation and the change of board lot size did not proceed further.

On 24 February 2022, the Board proposed to implement: (a) a share consolidation on the basis that every five issued and unissued Existing Shares of HK$0.10 each will be consolidated into one Consolidated Share of HK$0.50 each; and (b) the change of the board lot size from 2,000 Existing Shares to 10,000 Consolidated Shares upon the share consolidation becoming effective. The share consolidation has yet to be proposed for the consideration and, if thought fit, approval by the shareholders of the Company at an EGM to be convened in due course.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. INTRODUCTION AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE GUIDE

This Environmental, Social and Governance Report (the "ESG Report") summarises the environmental, social and governance ("ESG") initiatives, plans and performance of China Silver Technology Holdings Limited (the "Company", and together with its subsidiaries collectively referred to as the "Group"), and demonstrates its commitment to sustainable development.

The Group adheres to the ESG management direction in accordance with the concept of sustainable development, and is committed to progress effectively and responsibly against the ESG affairs of the Group as a core part of its business strategy. Therefore, the Group believes that this is the key to its continuing success.

Company Profile

The Group successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited on 23 June 2006. After years of experience and efforts in printed circuit boards ("PCB"), it has become a high-quality manufacturer of PCB. The Group's PCB products are mainly applied in consumer electronics, computers and computer peripherals and communications equipment. The Group is also engaged in manufacturing and trading of LED lighting products. Its customer network mainly includes the PRC, Taiwan, Europe and Hong Kong. The Group has two PCB manufacturing plants located at Zhongshan with a total area of approximately 110,000 square meters and a total annual circuit board production capacity of approximately 5,711,500 square feet.

Group Culture, Philosophy and Vision

Based on the management consciousness of "Quality is the way to survive", the Group implements comprehensive quality management and is committed to becoming a pioneer company in the circuit board industry.

Sustainable Development Concept

Persist to perform "Five Highs Five Lows"	High technology, high quality, high value-added, high efficiency, high return; Low emissions, low loss, low energy consumption, low repetition, low risk.
Willing to learn and be creative	To establish a concept of lifelong learning, willing to learn, appreciate learning, and constantly review and practice, so as to continuously broaden the horizon, and apply the learned knowledge to work to increase work efficiency and create benefits.
Team power is a magic weapon for success	Fully trust, give full play to the expertise of employees, strengthen the unity and cooperation among various departments, and enhance systematized and scientific management, so as to obtain the best benefits and win the competition.

2. REPORTING FRAMEWORK

The report has been prepared with reference to the ESG Reporting Guide set out in Appendix 27 to the Main Board Listing Rules of the Stock Exchange of Hong Kong Limited (the "SEHK").

In preparation of this report, due diligence has been taken to adhere to the Reporting Principles of "Materiality", "Quantitative", "Balance" and "Consistency". The materiality assessment has ensured the report presents the most material ESG topics pertaining to our businesses. Whenever necessary, the report details any standards, methodologies, assumptions and/or calculation tools used, or source of conversion factors used, as well as explanations of any inconsistencies to previous reports.

3. REPORTING SCOPE

The content of the report covers the Group's ESG policies and measures, and compliance for the entire Group. The disclosure scope of related data includes the Group's offices and manufacturing sites in Zhongshan. There were no changes to the reporting scope compared to the previous year. As the Group establishes greater capacity in data reporting, the Group shall expand the scope to include greater proportions of our businesses.

4. COMMENTS AND FEEDBACK

We make every effort to ensure consistency between the Chinese and English versions of this report. However, in the event of any inconsistency, the English version shall prevail.

The progress of the Group depends in part on stakeholders' valuable comments. For any clarifications or advice regarding the content of this ESG Report, please forward your comments and suggestions to admin@csthltd.com.

5. MISSION

The Group's mission is to maximise quality assurance and efficiency while lowering emission and energy consumption. With this mission, the Group is committed to providing high quality management, ongoing innovation and team spirit to continue addressing the needs of our society. The Group endeavours to do so with sustainability values as a cornerstone.

6. APPROACH TO SUSTAINABILITY

Our mission statement shows what the Group endeavours to be. The journey towards it is equally as important. Business longevity shall only be granted to those who look beyond short-term gain and consider the external impacts they have on the economy, society, and environment.

The Group identifies and evaluates the materiality of the diverse range of ESG topics that are interrelated with our business operations (See next section: Materiality Assessment). Validated by the Board, the most material ESG topics inform our corporate strategy.

The Group recognises Board commitment is crucial in our approach to sustainability. The Board conducts quarterly reviews of ESG-related goals and targets, including pollution index and recycling capacity. As the Group advances the sustainability journey, the Group endeavours to raise the Board's knowledge and awareness of the ESG landscape.

Board Statement

The Board has the overall responsibility for the Group's ESG strategy and reporting, which include the determination and evaluation of ESG related risks, and the overseeing and ensuring of the suitable and effective ESG risk management and internal control systems. The Board is also responsible for ensuring the smooth operation of strategic plan and vision, as well as operational guidelines for ESG matters. The Board has formed an ESG taskforce (the "Taskforce") to assist and advise the Board on the development and implementation of ESG strategies, policies and practices of the Group, and the review of ESG performance and targets. The Taskforce reports to the Board on a regular basis. The Taskforce also assesses and manages ESG-related risks and opportunities, including those in relation to environment, human resources, health and safety and compliance, through the processes of risk identification, assessment, treatment, monitoring and review. The result of the overall ESG performance and ESG-related risk assessment will be reported to the Board on an annual basis for review in order to ensure that the Group's ESG strategy and goals are achieved. The Board will listen and refer to the Taskforce's opinion and report on review and evaluating the implementation of policies, so that the Board is up-to-date regarding the risk and opportunities of ESG.

7. MATERIALITY ASSESSMENT

Sustainable development encompasses a holistic spectrum of environmental and social aspects. In order to harness the related risks and opportunities, it is crucial for the Group to determine the most material aspects. The Group adopts the three-step process of identification, prioritization and validation to ensure sustainability topics are being managed and reported in accordance with their materiality.

(1) Identification

All fundamental sustainability topics were identified in accordance with the ESG Reporting Guide. Along with peer group analysis, the Group has determined the following topics that are deemed to have impacts on the environment and society through our operations.

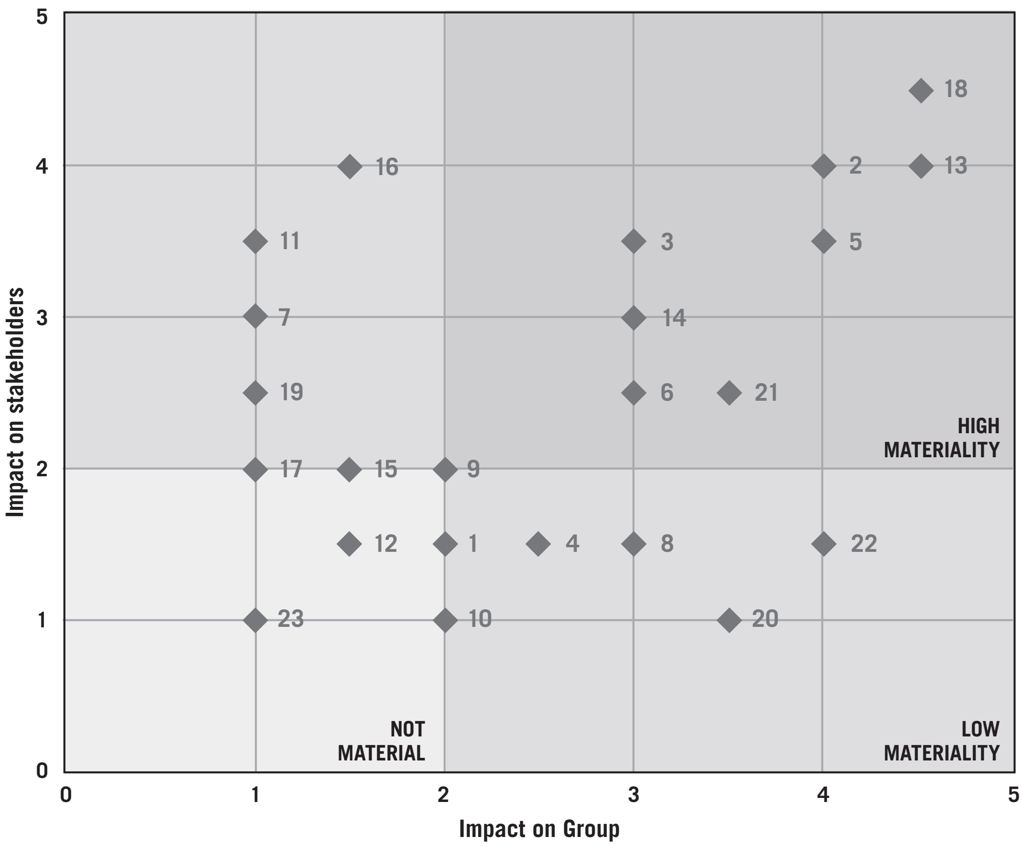
	ESG aspects	Material ESG issues for the Group
A. Environmental	A1 Emissions	1. Air Emission 2. Wastewater Discharges 3. Greenhouse Gas Emission 4. Hazardous Waste Management 5. Non-hazardous Waste Management
	A2 Use of Resources	6. Energy Consumption 7. Water Consumption 8. Packaging Material Consumption
	A3 The Environment and Natural Resources	9. Environmental Risk Management
	A4 Climate Change	10. Climate Change Strategy
B. Social	B1 Employment	11. Employment & Remuneration Policies 12. Equal Opportunity & Diversity
	B2 Health and Safety	13. Occupational Health & Safety
	B3 Development and Training	14. Employee Development
	B4 Labour Standards	15. Anti-child and Forced Labour
	B5 Supply Chain Management	16. Supply Chain Management 17. Sustainable Procurement
	B6 Service Responsibility	18. Quality & Safety of Products/Services 19. Customer Satisfaction 20. Customer Data Privacy Protection 21. Protection of Intellectual Property Rights, Ethical Marketing Communication and Product Labelling
	B7 Anti-corruption	22. Anti-corruption and Anti-competitive practices
	B8 Community Investment	23. Community Investment

7. MATERIALITY ASSESSMENT *(continued)*

(2) Prioritization

To determine the materiality of the selected ESG topics, the views of senior management of respective operational regions were sought. The senior management, who possesses a high-level view of all the topics, was asked to score the importance of each ESG topic to stakeholder groups and the Group in each of their perspective. The topmost-right quadrant determines the topics of high materiality.

Materiality Matrix



Highly Material Topics

No.	Topics
18	Quality & Safety of Goods/Services
13	Occupational Health & Safety
2	Wastewater Discharges
5	Non-hazardous Waste Management
3	Greenhouse Gas Emission
21	Protection of Intellectual Property Rights, and Ethical Marketing Communication and Product Labelling
14	Employee Development
6	Energy Consumption
9	Environmental Risk Management (including climate change)

7. MATERIALITY ASSESSMENT *(continued)*

(3) Application

The report discloses all the high and low material topics. To address topics that matter most to our stakeholders, topics of high materiality are discussed in more depth throughout the report.

8. STAKEHOLDER ENGAGEMENT

The Group believes that identifying and addressing stakeholder views lay a solid foundation to the long-term growth and success of the Group. The Group engages with a wide network of stakeholders, including employees, customers, suppliers, business partners, shareholders, the government and community.

The Group develops multiple engagement channels that provide opportunities for stakeholders to express their views on the Group's general business conduct and sustainability management, and are summarised in the following table. To reinforce mutual trust and respect, the Group is committed to maintaining effective communication channels, both formally and informally, with stakeholders to enable the Group to better shape its business strategies in order to respond to their needs and expectations, anticipate risks and strengthen key relationships.

8. STAKEHOLDER ENGAGEMENT *(continued)*

Stakeholder	Engagement channels	Topics of Interest/Concern
Shareholders & Investors	• General meetings • Regular corporate publications including financial reports & ESG report • Circulars and announcements • Corporate website • Direct communication • Meetings and responses to phone and written enquiries	• Business strategies and sustainability • Financial performance • Corporate governance
Employees	• Performance appraisals • On-the-job coaching • Trainings • Internal memorandum • Social media • Human resources manual • Exit interview	• Training and development • Employee remuneration • Rights and benefits • Working hours • Occupational health and safety • Equal opportunities • Sexual harassment
Customers	• Corporate website • Social media • Direct communication • Emails • Complaint and feedback hotlines • Business meetings	• Products and service quality and reliability • Client information security • Business ethics
Suppliers and business partners	• Business meetings • Tendering for procurement of products or services	• Fair competition • Fulfilment of promises • Payment schedules
Government & other regulatory authorities	• Statutory filings and notification • Regulatory or voluntary disclosures	• Compliance with laws and regulations • Treatment of inside information • Co-operation with enquiries
Community & the public	• Community activities • Donations • Corporate website • Social media	• Fair employment opportunities • Environmental protection

9. ENVIRONMENTAL RESPONSIBILITY

The Group is committed to providing quality printed circuit boards and LED lighting to clients in a clean and sustainable manner. Due to our business nature, the Group strictly complies with the Environmental Protection Law, Water Pollution Prevention Law, Air Pollution Prevention Law, Noise Prevention and Control Law, Law on Prevention and Control of Pollution Environment of the PRC. The Group also pays environmental protection taxes in accordance with the Environmental Protection Tax Law on taxable pollutants directly discharged to the environment. Environmental impacts in our operational facilities and offices are managed by Environmental Management Systems (EMS) certified under the ISO 14001. Led by external environmental consultancy, the EMS ensures strict environmental compliance, as well as continuous improvement towards cleaner production. Yearly review of the system is conducted to ensure its effectiveness. The Group strives to drive improvement to continuously reduce our emissions and waste generation, as well as conserve energy and water resources.

Aspect A1: Air Emissions & Waste Generated

The Group implements robust systems that ensure all discharges to air, water and land are compliant with regulatory standards. During the Year, the Group has encountered no incidents of non-compliance with all applicable laws and regulations related to air emissions, effluent discharges, noise emissions, greenhouse gases, waste at all operating regions. Major applicable laws and regulations are detailed in respective sections.

Air Emissions

The Group's air emissions are mainly released from the vehicle fleets which include the emission of Sulphur Oxides (SOx), Nitrogen Oxide (NOx) and Particulate Matter (PM). The fleets undergo regular maintenance to maintain fuel efficiency, which thereby reduces emissions. All machines are limited to minimal use so as to improve site air quality. In addition to meeting statutory requirements through various control measures in place, the Group devoted resources to further curb the release of air pollutants during the Year.

The Group follows a set of procedures which are referenced from legal requirements and standards, and research on the planning and control of different resources. The Group has two measurements in terms of handling industry exhaust. The hot gas generated in the normal production process is harmless exhaust gas, which will be discharged directly outside the factory building through the axial flow fan. Other gases will be pumped from a dust fan. Purification treatment will then be applied and its wastewater will be discharged to the wastewater station for unified treatment through the pipeline. In addition, the Group conducts regular maintenance of ventilation and other equipment. Also, the Group prioritises cleaning measures with high energy efficiency and low air emission. We have implemented other procedures to reduce the air emission, include but not limit to the following:

– Require staff to turn off engines when vehicles are not in use;

– Apply unleaded fuels and low carbon fuels to vehicles;

– Eliminate vehicles that are not complying with national standards according to national carbon emission laws;

– Conduct regular inspections and reviews to ensure engine efficiency remain highest; and

– Optimize operation procedures to reduce idling rate to the minimal.

9. ENVIRONMENTAL RESPONSIBILITY *(continued)*

Aspect A1: Air Emissions & Waste Generated *(continued)*

Air Emissions *(continued)*

During the Year, the Group's air emissions of Sulphur Oxides (SOx), Nitrogen Oxide (NOx), and Particulate Matter (PM) were recorded. As presented in the table below, the Group released 0.8 kg, 323.5 kg and 31.1 kg of sulphur oxide, nitrogen oxide, and particulate matter in the Year. The Group has established a pathway of air emission reduction with a long-term perspective as a directional target.

Air emissions	Unit	2021
Sulphur oxide	kg	**0.8**
Nitrogen oxide	kg	**323.5**
Particulate matter	kg	**31.1**

Effluent Discharges

The Group will produce industrial wastewater during the manufacturing processes which will then transport to the municipal pipeline for purification treatment. According to the production capacity and monitoring results, the Production Engineering Department evaluates the discharge volume of wastewater every three months, and the volume of chemical oxygen demand and total copper in the wastewater discharge will be tested per month. In addition, all purification towers of the whole plant will be inspected once a day, including the purification tower control box, host tower, and circulating water daily inspection. The Group puts every effort in reducing the influences of effluent discharge to the environment through continuous monitoring.

Regarding the domestic wastewater, the Group examines the water quality before discharge to ensure they meet the national and local environmental requirements. The Group has actively put forward specific reduction plans and established the water quotas for each production process, so as to minimise the emission of wastewater. To ensure that sewage generated by the Group will meet the discharge requirements under the laws, regulations and quality control system, the Group has established a sewage treatment facility within the plant premises, while we have formulated a series of procedural instructions, including "Wastewater Treatment Work Instructions", "Sludge Dehydrator Work Instructions", etc., for the purposes of proper treatment of chemical substances and impurities contained in the sewage. The Group also arranges various departments to cooperate with each other to monitor and ensure the execution effectiveness of the sewage reduction plans. The Group will continue feature upgrades of the building facilities and installations and monitor the effluent discharges on a monthly basis and follow-up with those exceeding the normal effluent discharges standards. The Group will continue to review the effectiveness of the existing initiatives and set achievable targets in future years. The Group has established a pathway of effluent discharges reduction with a long-term perspective as a directional target.

Effluent discharges	Unit	2021
Effluent discharge	cubic meter	**415,233.3**

9. ENVIRONMENTAL RESPONSIBILITY *(continued)*

Aspect A1: Air Emissions & Waste Generated *(continued)*

Noise Emissions

The plants and machinery of the production process are the major source of noise emissions. Our adherence to strict procedures ensures these hazards are managed effectively. Statutory noise permits must be acquired prior to any operation to be conducted during restricted times of the day. Regular monitoring of noise emission levels ensures operations are compliant to regulatory levels. All equipment use meets noise-related specifications and employees use personal protective equipment that mitigate against noise hazards. The Group will continue feature upgrades of the building facilities and installations and monitor the noise emissions on a monthly basis and follow-up with those exceeding the normal noise emissions standards. The Group will continue to review the effectiveness of the existing initiatives and set achievable targets in future years. The Group has established a pathway of noise emission reduction with a long-term perspective as a directional target.

The major applicable laws and regulations related to control of noise emissions include "Law of the People's Republic of China on Prevention and Control of Environmental Noise Pollution".

Greenhouse Gas Emissions and Climate Change Mitigation

Climate change adaptation and mitigation is no longer only the subject of a select few, but a matter to all members of the society. The corporate sector is increasingly becoming aware of the potential impacts climate change risks present to their bottom line. Albeit in the early stages, the Group has commenced the integration of climate change risks and opportunities within our business strategies.

To implement an effective approach to climate change mitigation, it is important to have a comprehensive understanding of the sources of the Group's carbon emissions. The Group's carbon footprint, presented in the table below, is primarily due to consumption of electricity. During the Year, the Group generated a total of 14,515.9 tonnes of carbon dioxide equivalent (tCO_2e) of greenhouse gases (Scope I & II), resulting in a carbon intensity of 25.4 tCO_2e per 10,000 square feet. Other than the existing initiatives, we strive to reduce our greenhouse gas emissions through lowering of our energy consumption from the major areas which include air conditioning and lighting systems. The Group will continue feature upgrades of the building facilities and installations and monitor the electricity usage on a monthly basis and follow-up with those exceeding the normal usage standards. The Group will continue to review the effectiveness of the existing initiatives and set achievable targets in future years.

9. ENVIRONMENTAL RESPONSIBILITY *(continued)*

Aspect A1: Air Emissions & Waste Generated *(continued)*

Greenhouse Gas Emissions and Climate Change Mitigation *(continued)*

GHG Emissions	Unit	FY2021
Scope I (Direct Emissions)	tCO_2e	**143.2**
Mobile combustion	tCO_2e	**143.2**
Scope II (Indirect Emissions)	tCO_2e	**14,372.7**
Electricity purchased	tCO_2e	**14,372.7**
Scope III (Other Indirect Emissions)	tCO_2e	**350.9**
Paper waste disposed at landfills	tCO_2e	**0.2**
Fresh water and sewage processing	tCO_2e	**350.7**
Total (Scope I & II)	tCO_2e	**14,515.9**
Total (Scope I, II & III)	tCO_2e	**14,866.8**
Carbon intensity per 10,000 square feet[(1)] (Scope I & II)	tCO_2e/10,000 sq.ft.	**25.4**

Note (1): During the Year, the Group's PCB production amounted to a total area of 5,711,500 square feet. This data is adopted to calculate other intensity data.

The Group is committed to reducing our carbon footprint. Scope I and II emissions are addressed through our energy reduction initiatives (See Section: A2.1 Energy Consumption). Scope III emissions incur throughout our value chain, and the Group has implemented the following measures to minimise such emissions.

– The Group makes utmost effort to avoid business travelling and opt for direct flights when unavoidable;

– The Group makes extensive use of video-conferencing, as opposed to business travelling. During the Year, the Group made no business air travels owing to the novel Coronavirus epidemic; and

– Green building within the plant areas are vigorously introduced.

9. ENVIRONMENTAL RESPONSIBILITY *(continued)*

Aspect A1: Air Emissions & Waste Generated *(continued)*

Hazardous Waste Management

Major hazardous waste generated from the business operations include metal waste scraps, dye and coating waste, ink waste, plastic waste and others. They are collected and treated by authorised contractors who possess qualification "hazardous waste business license". The amount of disposed waste are recorded and matched with contractor reports to ensure all matter is entirely disposed in the most appropriate manner. At each stage, clear protocols have been established to ensure all handling and storage of the hazardous matter and chemical substances are in a safe and secure manner. Any incidents of spillage or leakage is handled under proper protocol and documented.

The major applicable laws and regulations related to control of hazardous waste include but not limited to "Pollution Control Standard for Hazardous Waste Storage (GB18597-2001)", "Waste Electronic and Electrical Equipment ("WEEE") Directive". To embody sustainable development principles, the Group has employed the following measures and initiatives that reduce the impacts of generated hazardous waste during the Year.

– The Group provides clear work guidelines and protective equipment for the employees;

– Employees receive training courses on hazardous waste and chemical handling at the beginning of employment;

– Hazardous waste must be classified and stored in the isolated area of the plant; and

– The Group held drills in regular basis in order to response to different types of leakage.

During the Year, the Group generated a total of 1,095 tonnes of hazardous waste, resulting in a hazardous waste intensity of 1.9 tonnes per 10,000 square feet.

Hazardous Waste	Unit	2021
Hazardous waste	tonnes	**1,095**
Hazardous waste intensity	tonnes/10,000 sq.ft.	**1.9**

9. ENVIRONMENTAL RESPONSIBILITY *(continued)*

Aspect A1: Air Emissions & Waste Generated *(continued)*

Non-hazardous Waste Management

The typical non-hazardous waste generated by the Group's operations includes industrial waste, office waste and paper waste. As of now, the majority of our waste is disposed at the landfill by qualified contractors. The Group strives to place greater emphasis on the reduction of waste generated then waste reusing and recycling, since the process more often incurs greater environmental impacts waste reduction approaches.

Seeking to contribute to the closed-loop economy, the Group has employed the following measures and initiatives to reduce the generation of non-hazardous waste, and raise recycling rates.

– The Group takes recycling seriously. Waste is classified into general, recyclable, metals, construction and paper waste through colour-coated bins. The wastes are then collected by sub-contractors on a regular basis;

– The Group takes solid measures to minimise our paper usage and waste in our office-based operations. Printing volume is monitored, and systems are set default to duplex and economical modes with printing quota. Electronic system for filing and documentation has also been adopted in several offices;

– Staff is required to employ double-page printing if possible; and

– Staff is encouraged to avoid printing by sending and receiving documents through digital methods.

During the Year, the Group generated a total of 47.6 tonne non-hazardous waste, resulting in a non-hazardous waste intensity of 0.1 tonne per 10,000 square feet. The Group has planned more cautiously in handling methods for various types of waste.

The Group will continue to review the effectiveness of the existing initiatives on hazardous and non-hazardous wastes reduction and set achievable targets in future years. The Group has established pathway of hazardous and non-hazardous waste reduction with long-term perspective as directional targets.

Aspect A2: Use of Resources

The Group is committed to continually monitoring and improving resource efficiency as an integral part of business strategy and operating methods, as well as complying with relevant government policies and environmental legislations. During the Year, the Group has encountered no incidents of non-compliance with all applicable laws and regulations related to the use of energy and water resources at all operating regions. Major applicable laws and regulations are detailed in respective sections.

9. ENVIRONMENTAL RESPONSIBILITY *(continued)*

Aspect A2: Use of Resources *(continued)*

Energy

The Group's energy profile consists of the use of vehicle fuel and electricity for office and site operations. To achieve high energy efficiency, the Group has established effective energy surveillance and assessment system, pursuant to which, the corresponding energy management functions are established, and energy conservation has been identified as part of our fundamental policies. At each of our site, the Group conducts comprehensive analysis based on accurate records of fuel consumption and electricity monitoring. In accordance with the energy management system, we formulate and conduct regular inspections over our energy targets to continuously improve the energy efficiency of the Group. The Group reviews the energy management system annually to formulate our energy conservation goals and targets. Through consistent energy surveillance and assessment system, energy waste is stamped out by monitoring major energy-consuming equipment as well as analyzing and managing the power consumption of each department.

During the Year, our offices and facilities have invested resources to the following initiatives for the purposes of conserving energy:

– LED lights, lamps, UV lights, and other energy-saving equipment and consumables are prioritised to enhance the energy efficiency;

– Automatic shutdown schedule is set for all production equipment, which will cease the operation when the shutdown schedule is due to preventing the waste of energy;

– In case of low production capacity, the use of large-power production lines is avoided to minimise the consumption of electricity;

– The production department is required to control the number of production equipment in service at the production workshops in accordance with the planned production capacity, and shall submit applications to the department head for additional operating equipment at production workshops;

– Equipment shall be prevented from frequently alternating between powering off and on;

– In case that production insufficiency requires additional production workshops, additional energy consumption caused by different performances of equipment shall be assessed;

– The lighting in whole or in part will be shut down if workshops and other public facilities receive sufficient daylight;

– Some centralised air-conditioners and ventilation systems shall be powered off during public holidays or when the production capacity is not fully utilized and overtime is not required;

– The centralised air-conditioning temperature for production workshops shall be capped for a certain level;

– All windows of the workshops shall remain closed; and

– Use of workshop fans is prohibited during winter.

9. ENVIRONMENTAL RESPONSIBILITY *(continued)*

Aspect A2: Use of Resources *(continued)*

Energy *(continued)*

During the Year, the Group consumed 1,821.7 and 84,808.9 GJ of direct and indirect energy respectively, resulting in a total energy intensity of 151.7 GJ per 10,000 square feet. Other than the existing initiatives, we strive to reduce our greenhouse gas emissions through lowering of our energy consumption from the major areas which include vehicle fuel and electricity for office and site operations. The Group will continue feature upgrades of the building facilities and installations and monitor the electricity usage on a monthly basis and follow-up with those exceeding the normal usage standards. The Group will continue to review the effectiveness of the existing initiatives and set achievable targets in future years. The Group has established pathway of improving energy use efficiency with long-term perspective as directional targets.

Energy consumption	Unit	2021
Direct	GJ	**1,821.7**
Diesel	GJ	**772.4**
Petrol	GJ	**1,049.4**
Indirect	GJ	**84,808.9**
Electricity purchased	GJ	**84,808.9**
Total (Direct & Indirect)	GJ	**86,630.6**
Energy intensity	GJ/10,000 sq.ft.	**151.7**

Water Resources

At the Group, our water usage is solely confined to domestic purposes, such as maintaining hygiene facilities. The Group withdraws water solely from municipal water supplies, and thus is not subject to any issues in sourcing water. However, water resources should not be taken for granted and conserved to ensure a sustainable future. We encourage all employees and customers to take the initiative to conserve water and develop this into a good habit so that water consumption in the office, domestic, and production hours can be reduced. We will continue to review the effectiveness of the existing initiatives and set achievable targets in future years. The Group has established pathway of enhancing the effectiveness of the use of water resources with long-term perspective as directional targets.

During the Year, our offices and facilities have invested resources in the following initiatives:

– The Group takes stringent measures to prevent water loss through leakages at all regions, such as conducting regular pipe inspections and prompt repair works;

– The flow volume of the flow meters used during the production shall be controlled, and water-based equipment shall be timely powered off when the water level falls to zero to conserve water; and

– The Group alleviates burden on the municipal water supplies by collecting rooftop run-off water for irrigation of facility's gardens.

During the Year, the Group consumed a total of 561,985 cubic metre of water, resulting in a water intensity of 984.0 cubic meter per 10,000 square feet.

9. ENVIRONMENTAL RESPONSIBILITY *(continued)*

Aspect A2: Use of Resources *(continued)*

Packaging Material

The Group's PCB and LED products use packaging material that mainly consist of carton boxes, cardboard and bubble wrap. Instead of just complying with "The Producer Responsibility Obligations Regulations" of the PRC, the Group aims to consider more sustainable approaches to our product packaging early in the design phase, such as biodegradable packaging whenever possible.

Aspect A3: The Environment and Natural Resources

The Group is committed to providing a complete picture of our environmental impacts. The Group strives to build an eco-conscious culture that ingrains positive lifestyle and habits among employees. The Group encourages the use of public transportation, and offer job ticket incentives at some locations. Our event management is also an avenue by which the Group seeks to integrate sustainability principles. Events are usually held on-site and avoid the use of disposal utensils. For catering, locally grown/produced items are preferred as opposed to packaged items with a higher carbon footprint. Green procurement is adopted at some locations through purchasing the eco-friendly cleaning solutions.

Besides optimizing productions and operations, the Group also makes efforts to advance the plant greenery. Through greenery within the plant areas, the Group purifies the air within the plant premises, lowers the noise level, and enhances our image.

9. ENVIRONMENTAL RESPONSIBILITY *(continued)*

Aspect A4: Climate Change

The corporate sector has become increasingly aware of the potential types of impact climate change risks present to their bottom line, as well as the opportunities to transit to a low-carbon economy offers to the private sphere. Albeit in the early stages, the Group has commenced the integration of climate change risks and opportunities within our business strategies. During the reporting year, the Group's ESG taskforce was commissioned with the task of conducting an assessment into climate-related risks and opportunities that are to have impacts to our businesses. Our Group will conduct an enterprise risk assessment at least once a year to cover the current and potential risks faced by our Group's business, including, the potential risks arising from the impacts of climate change. The Group has formulated emergency plans to deal with extreme weathers, which aims to reduce the disruption and loss due to suspension of operations. The Group review the impact of climate change on its operation on a regular basis and will formulate measures to address risks and achieve sustainable operations in the future.

It is expected that the PRC government will put more effort on emission reduction, with the view to address existing and potential issues brought by climate change. To achieve sustainable development, the Group adopted energy saving and emission reduction initiative.

The Group's Environment, Social and Governance policy emphasize that the Group should apply three key strategies: enhance the carbon emission disclosure, improve climate change risk management, and include climate change concerns in the future business plan of the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

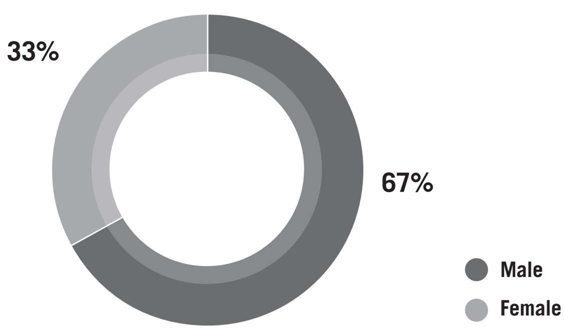
10. EMPLOYEE CARE

It is essential for the Group to build strong and lasting relationships with employees. By maintaining honest and authentic dialogue with our staff, the Group seeks to address their needs and views that ensure our conduct is responsible at all times. The Group commits to offering a fair and safe workplace with opportunities for staff development.

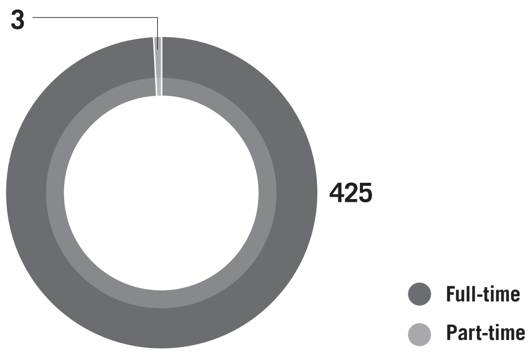
Aspect B1: Employment

As at 31 December 2021, the Group employed a total of approximately 428 employees, of which 288 and 140 are male and female staff respectively. The Group employed 425 and 3 full-time and part-time staff respectively, with the majority in the age group of 31-50.

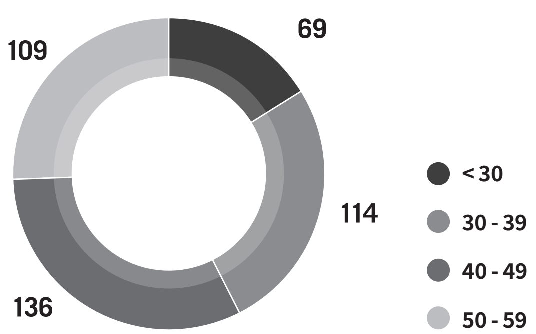
Workforce by Gender in FY2021



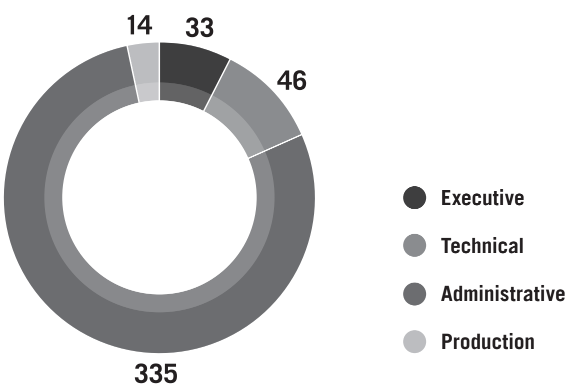
Workforce by employment type in FY2021



Workforce by Age in FY2021



Workforce by Employment Type in FY2021



10. EMPLOYEE CARE *(continued)*

Aspect B1: Employment *(continued)*

The Group adheres to a people-oriented approach, respects and safeguards the legitimate interests of every employee, standardizes labour employment management, protects employees' occupational health and safety. The Group also enhances democratic management, protects the vital interests of employees, and fully respects and values their enthusiasm, initiative and creativity in order to build a harmonious labour relations. Based on principles of fairness and equality, the Group's staff handbook contains concrete policies relating to relevant labour laws, regulations and industry practices, covering areas such as compensation, dismissal, promotion, working hours, recruitment, rest periods, diversity and other benefits and welfare. The Group encourages internal communications between staff and employees through channels like information box and company websites. We also set up an internal mutual fund for staff to donate for the purpose of offering assistance for staff that has financial difficulties. During the Year, the Group has encountered no incidents of non-compliance with all applicable laws and regulations related to employment at all operating regions, including the "Labour Law of the People's Republic of China" and the "Labour Contract Law of the People's Republic of China" in the PRC, and the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong).

Remuneration and welfare

The Group has established a fair, reasonable, and competitive remuneration system for salary payments to employees based on the principle of fairness, competition, incentives, reasonableness, and legality. Promotion and salary increments are assessed based on a related basis performance. The Group's remuneration policy is reviewed regularly, with reference to the legal framework, market conditions and the performance of the Group and individual staff. Employees may join to Group Medical Insurance Scheme, entitled to statutory rights of Mandatory Provident Fund Scheme (Chapter 485 of the Laws of Hong Kong), and are eligible participants to the Company's share option scheme. The Group may also grant discretionary bonuses to eligible employees based on the performance of the Group and individuals. Under the Group's remuneration policy, employees are rewarded in line with the market rate in compliance with statutory requirements of all jurisdictions where it operates. Details are set out in the contract and employee handbook to ensure transparency of information on the employees' responsibilities and rights.

10. EMPLOYEE CARE *(continued)*

Aspect B1: Employment *(continued)*

Recruitment and promotion

The Group has formulated the "Human Resources Management Procedures" to regulate our recruitment processes. Furthermore, the Group has formulated related policies and procedures, including but not limited to "Management Manual for Employee Promotion — Salary Adjustment — Job Re-designation" and "Employment and Resignation Manual", so as to clarify the basis and procedures to promote, re-designate, and demote personnel, regulate the resignation process, and safeguard the interests of both employees and the Company. The human resources department conducts a comprehensive recruitment review process to ensure that the data provided by the candidates are accurate.

The Group's recruitment and promotion process are carried out in a fair and open manner for all employees. The Group conducts an employee assessment once a year. The assessment indicators cover, including but not limited to, academic qualifications, training results, attendance record, working attitude, work performance and work completion. We calculate the assessment scores by weighted average of various assessment indicators, and determine whether to approve a job promotion or salary adjustment and its specific adjustment level based on the assessment scores. Employees are recognized and rewarded by their contribution, work performance and skills, and outcomes will not be affected by any discrimination on the grounds of age, sex, physical or mental health status, marital status, family status, race, skin colour, nationality, religion, political affiliation and sexual orientation and other factors. According to the internal compensation and benefits scheme, additional cash payments or holidays would be provided in the event of ad hoc works, meetings and company activities which fall on statutory holidays. In the case of dismissal, the staff contract is adhered to which ensures the entire procedure is compliant with statutory requirements.

Anti-discrimination and diversity

The Group is an equal opportunity employer and does not discriminate on the basis of age, sex, physical or mental health status, marital status, family status, race, skin colour, nationality, religion, political affiliation and sexual orientation. The Group embraces inclusive employment that builds a respectful workplace. The Group strives to ensure a safe and secure workplace with zero tolerance to any form of abuse and/or sexual harassment in the workplace.

10. EMPLOYEE CARE *(continued)*

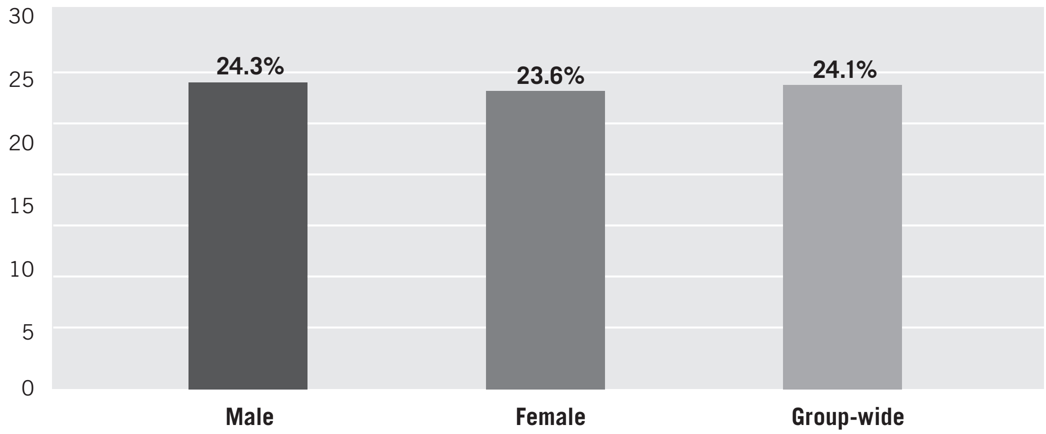
Aspect B1: Employment *(continued)*

Work-life balance

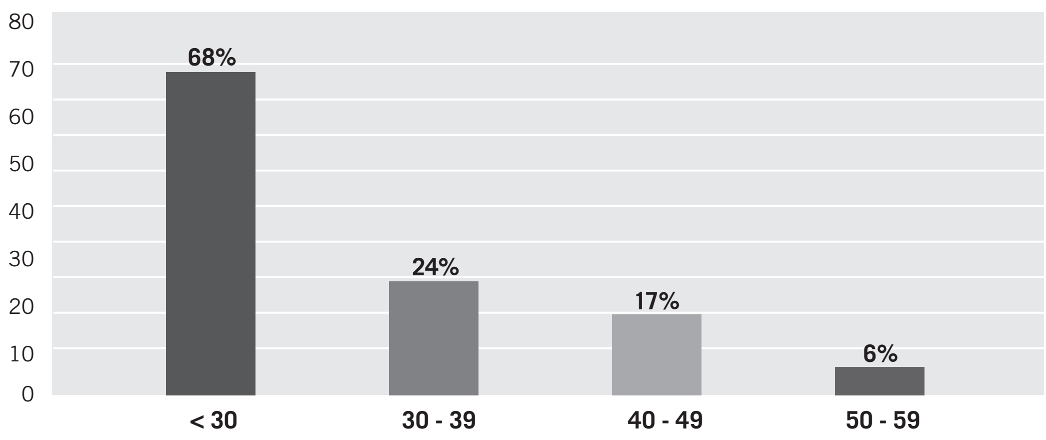
The Group seeks to cultivate a culture of healthy work-life balance. All working hours comply with national laws and benchmark industry standards, and overtime work is considered voluntary. The Group assists staff to balance commitments outside of work by offering a range of leaves, which include annual, marriage, maternity, paternity, compassionate and others. To encourage social bonding in the workplace, the Group will also arrange recreational events, such as sport activities, birthday and festive celebrations.

During the Reporting Year under review, the Group-wide employee turnover rate was 24.1%. The charts below present the turnover rate by gender, age and region.

Turnover rate by gender



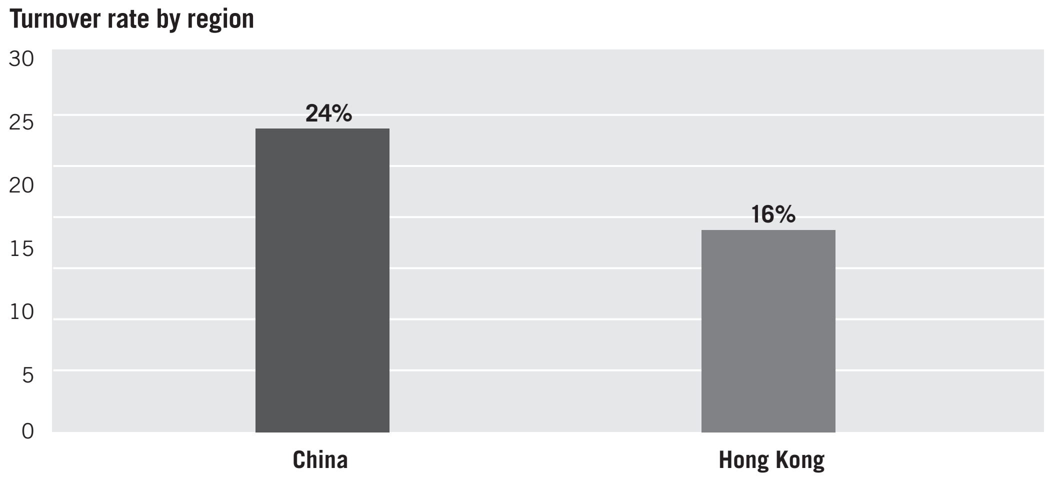
Turnover rate by age group



10. EMPLOYEE CARE *(continued)*

Aspect B1: Employment *(continued)*

Work-life balance *(continued)*



Aspect B2: Workplace Health and Safety

It is of paramount importance to ensure a safe and healthy workplace for our employees. The Group's safety management system was developed by the chief operations officer and technical managers collectively. Our management team is responsible for identifying any actual and potential hazards and risks to each position and work, and to ensure that our work environment is in line with or beyond the requirements of relevant laws and regulations.

The ESG taskforce also assists to ensure latest updates to relevant legislation and industry practices are identified and addressed in our safety management systems. During the Year, the Group has encountered no incidents of non-compliance with all applicable laws and regulations related to occupational health and safety at all operating regions.

In the meantime, the Group is striving for the highest caution standard to protect the health and safety of staff during the outbreak of the novel Coronavirus epidemic (the "Epidemic"). To maintain our business, the Group has included the pandemic into our enterprise risk management policies.

The Group adopted special work managements such as work-from-home policies and flexible working hours, so that our staff can act against pandemic under flexible commuting plans, especially for the staff who are retained in Mainland China due to travel restrictions. Furthermore, the Group reduced employees' travel plans to reduce the chances of transmission. The Group keeps our hygiene standards to the highest level to ensure our employees work comfortably. The Group also minimises face-to-face communication with customer and suppliers. In case of any face-to-face communications, the Group provides protective and disinfection products, as well as requires customers and employees to wear masks when entering the offices.

10. EMPLOYEE CARE *(continued)*

Aspect B2: Workplace Health and Safety *(continued)*

Safety guideline

The Group has implemented various production safety measures in accordance with the "Production Safety Law of the People's Republic of China" and other related laws and regulations to prevent accidents. The Group will conduct regular safety audits to determine whether the operation of our plants are in compliance with the workplace safety procedures, industrial safety instructions and their regulations. In case of any sign of non-compliant practices, corrective actions will be immediately taken to prevent occurrence of work-related injuries. In accordance with the "Regulation on Work-Related Injury Insurance" issued by Guangdong Province and relevant laws and regulations, we will provide treatments and related supports to those injured employees. The Group's various measures, which are implemented throughout its workplaces and production facilities, will enhance the occupational health and safety conditions, and ensure compliance with the applicable laws and regulations. In addition, the Group has formulated a series of safety guidelines, rules, and procedures governing our production activities in various aspects, including fire safety, plant safety, work injury, and emergency and evacuation procedures. In strict compliance with the labour safety regulations, we will conduct regular testing of machinery, equipment, and materials, while ensuring our employees are provided with personal protective equipment. Furthermore, we will provide training programs and protective equipment. To raise the awareness of industrial safety, as well as reduce burns, allergies, and poisoning caused by exposure to chemicals during the production process, the Group requires our employees to wear the plastic gloves and protective goggles when transporting and preparing chemical liquids. In case of any sign of non-compliant practices, corrective actions will be immediately taken to prevent occurrence of work-related injuries.

The Group promotes safety awareness through various channels, including meetings and seminars, and are in accordance with the "Regulation on Work-Related Injury Insurance" issued by Guangdong Province and relevant laws and regulations. The Group will provide treatments and related support to those injured employees. The Group also conducts comprehensive risk assessments prior to operating any new plants, processes, hazardous substances and/or facility layouts.

The Group abides to safety-first principles through the following workplace procedures and provisions that include, but are not limited to regular safety inspection and setting up fire protection facilities in factories and offices in accordance with the national engineering building fire control standards. The Group will rectify non-conformances once we identify any during inspections. The Group also regularly holds fire training and emergency drills to raise fire awareness among all employees.

During the Year, the Group did not find any case of violations of laws and regulations in relation to the health and safety of the workplace, and neither work-related fatalities nor work injury was notified.

During the Reporting Year under review, the Group's operations recorded 0 fatalities over the past three financial years, and 0 lost days due to work injury in FY2021. Safety-related training were also held which raised staff awareness regarding the latest regulatory updates as well as safe operational procedures.

10. EMPLOYEE CARE *(continued)*

Aspect B3: Development and Training

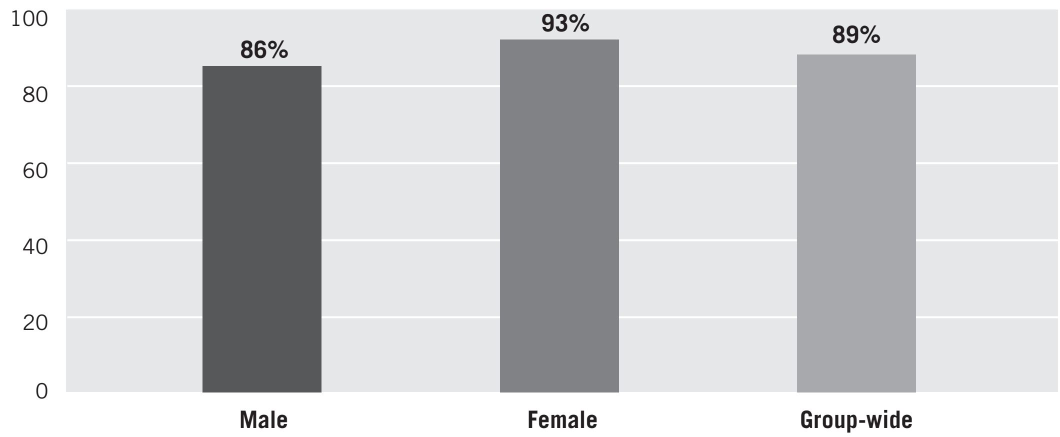
The Group regards our staff as the most valuable assets. The Group has established the "Training Management Regulate" to regulate the training and employee management. The management will formulate and implement the annual training plans, and carry out regular reviews over the effectiveness of such training plans to improve the effectiveness of the training system. In our efforts to cater towards the needs of our staff, the Group develops yearly plans regarding the staff training and development. During the Year, internal annual training plan includes induction training for new staff, on-the-job training as well as position-related training. The Group intends to hold regular training programmes and encourages staffs to attend training courses and seminars that are related directly or indirectly to the Group's business. Department Heads will analysis and report the effectiveness of the training sessions through assessing and reviewing the performance of trained staff. To promote continuous development, staff is encouraged to engage in external programmes, such as online courses for continuous professional development and skill set enhancement. The trainings can further increase its efficiency and productivity of the Group while the overall risk and uncertainties of the Group can also be reduced.

The Group dedicates significant resources to attract and retain talented employees, and to ensure that our staff grows in competence and skill sets alongside the business. Furthermore, the Group actively provides professional training to our directors and senior management so that they will always maintain the related knowledge and skills and keep abreast of the times. Professional training includes various lectures and seminars, which discusses topics related to leadership, corporate governance, and the latest legal developments. The Group provides the training materials to all directors while the Company Secretary and Financial Controller of the Company have attended regular training.

During the Reporting Year under review, a total number of 379 employees have attended training hours, of which 249 and 130 were male and female respectively. In terms of employee category, 12, 6, 33 and 328 of employees trained were of executive, technical, administrative and production respectively.

During the Reporting Year under review, the Group has provided a total of 634 training hours for staff, which averages to 1.7 and 1.1 hours per male and female staff. In terms of employee category, an average of 15.8, 1.6, 0.3 and 1.0 training hours per staff were received by executive, technical, administrative and production respectively.

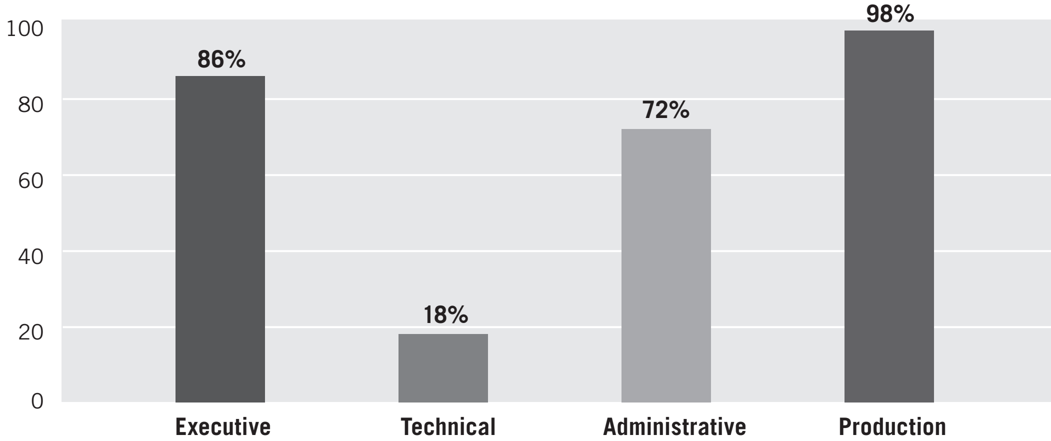
Percentage of employees trained by gender



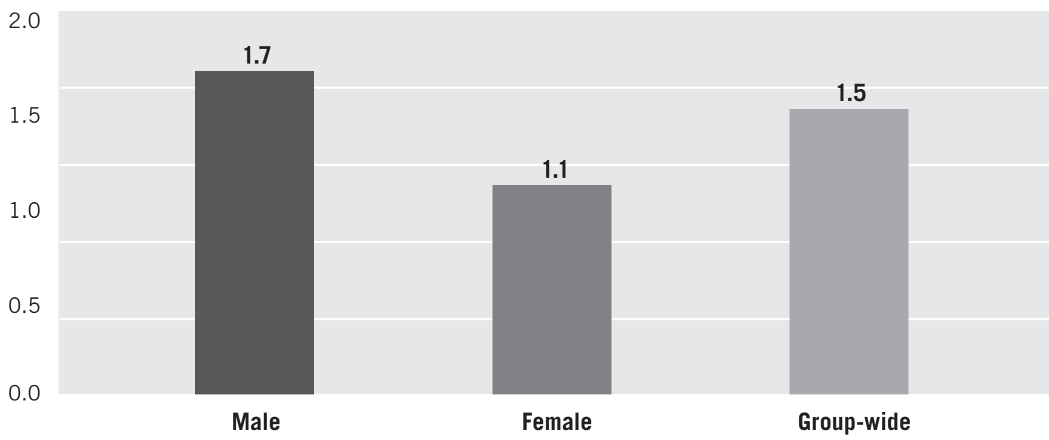
10. EMPLOYEE CARE *(continued)*

Aspect B3: Development and Training *(continued)*

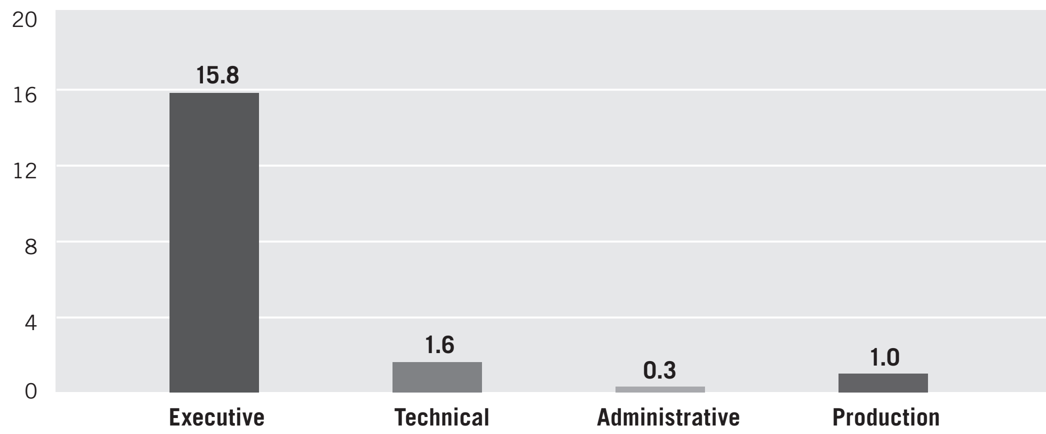
Percentage of employees trained by employee category



Average training hours per employee by gender



Average training hours by employee category



10. EMPLOYEE CARE *(continued)*

Aspect B4: Labour Standard

Child and forced labour, though seemingly irrelevant to most developed societies, are in fact easily present in the value chain of any business operation. To combat against such practices, the Group prohibits all forms of child labour and forced labour or modern slavery, as defined by International Labour Organisation, not only in our operations but also throughout our supply chain.

The Group strictly prohibits the employment of any child labour and forced labour in its business in Mainland China. The Group clearly stipulates in recruitment guidelines that only employees meeting the statutory age requirements can be recruited, and that new employees should provide true and accurate personal data when they join the Group. The Group prohibits any form of forced, bonded or compulsory labour, human trafficking and other kinds of slavery and servitude. Any form of discrimination, harassment or bullying is not tolerated. The Group extends our commitment to our suppliers by requiring all business partners to take measures to avoid and eliminate any form of forced, bonded or compulsory labour, or human trafficking. The rights and freedoms of every individual is protected as no worker is asked to surrender identification documents nor lodge deposits as a condition of employment. Cases of child labour in our businesses are averted by conducting age verification of all job applicants.

During the Year, the Group has encountered no incidents of non-compliance with all applicable laws and regulations related to anti-child and anti-forced labour practices at all operating regions. Major applicable laws and regulations include but are not limited to "Convention concerning the Abolition of Forced Labour" related to labour employment, the "Labour Law of the People's Republic of China" related to the employment of teenagers under 16 and their legal rights, and the "Provisions on the Prohibition of Using Child Labour" promulgated by the State Council of the People's Republic of China and implemented since 1 December 2002.

11. ETHICAL OPERATIONS

The Group commits to the delivery of quality products grounded on ethical business conduct and supply chain management, as well as to meaningful engagements with the community.

Aspect B5: Supply Chain Management

The Group procured from a total of 525 suppliers during the Year, of which 4, 21, 3, 3, 493 and 1 located in North China, East China, Southwest China, South Central China, South China and Northwest China respectively. When screening potential suppliers, the Group will select the appropriate suppliers by taking into account the requirements on research and development including raw material pricing, services, scale, technical capabilities, reputation, product quality and the ability to ensure the timely delivery of raw materials. Besides, the Group will enter into the "Quality Assurance Agreement" with the suppliers to ensure that the product quality of the suppliers is up to standard. To integrate the environmental vision into the procurement of office supplies, the Group avoids disposable products and chooses suppliers who provide durable products with less packaging materials, and priority is given to environmentally friendly products, such as refillable ballpoint pens and mechanical pencils, and environmental paper, so as to raise its awareness of sustainable development. The Group also implements the following initiatives:

– The Group established supplier management system to ensure internal operation is fully complied with the legal requirements under the "Prevention of Bribery Ordinance". It is committed to developing and maintaining effective and productive working relationships with its supply chain stakeholders. The majorities of its suppliers are local businesses;

– The Group conducts a survey of raw materials on environmental management substances and review whether the supplier's environmental quality meets statutory regulation. The Group sets up "Environmental Protection Agreement", "Pledge against Use of Environment-related Materials" and "Prohibited and Restricted Material Agreement" with the suppliers so that the products from these suppliers will be free from hazardous substances and meet environmental standards, laws and regulations;

– Suppliers that have obtained environmental certifications (e.g. IECQ QC08000, SONY GP/GB) are given priority as qualified suppliers and the relevant qualified suppliers are registered in the "List of Approved Suppliers". The Chief Operations Officer visits the factory of the candidate supplier and verifies the certification of materials and quality; and

– The Group takes measures to examine whether its major suppliers and contractors are in compliance with relevant laws and regulations and other required standards for health, safety, forced labor and child labor, and examine the suppliers' awareness in the above aspects;

During the Year, the Group did not aware of any suppliers who have had significant violation to the code of conduct or other potential negative impacts on the business ethics, environmental protection, human rights and labour practices, nor did any of them have any non-compliance incidents in respect of human rights issues.

The Group also values anti-corruption work in procurement and other aspects. The Group's procurement process strictly complies the relevant regulations, including but not limited to the "Bidding Law of the People's Republic of China" and is conducted under conditions of openness, fairness and impartiality. No discriminatory treatment will be given to any supplier. Furthermore, the Group will only select suppliers and partners who have had a good business record in the past and have no serious violations of relevant laws and regulations or violations of business ethics.

11. ETHICAL OPERATIONS *(continued)*

Aspect B5: Supply Chain Management *(continued)*

Furthermore, the Group gradually takes environmental consideration into account in the procurement process. To integrate the environmental vision into the procurement of product supplies, the Group avoids disposable products and chooses suppliers who provide durable products with less packaging materials. Priority will be given to environmentally friendly materials and office goods, so as to raise the suppliers' awareness of sustainable development.

The Group conducts annual supply chain ESG risks assessment by determining and addressing the Group's level of exposure to country-specific, product-specific and industry specific risks. Annual supplier assessments are also conducted to ensure suppliers' businesses are operating in compliance, as well as making progress in environmental and social performance.

Aspect B6: Product Responsibility

The Group offers quality products and services grounded on responsible operating practices. The Group commits to meeting customer needs through innovation and sound business ethics. In order to ensure the quality of the Group's products, the Group has established a quality management system in addition to the quality policy and in accordance with the automotive industry quality control system and standard, to ensure the standardization of production processes, which allows us to continue improving the systems and product quality through measurement and analysis, as well as achieve sustainable development goals. Through the implementation of a strict management system, we have achieved the Group's quality policy of producing high-quality products, delivering products on time, and meeting customer requirements. We also maintain communication with its customers to ensure understanding and meeting customer needs and expectations, and understand customers' satisfaction.

Product quality and safety

Assuring the quality and safety of our products is of topmost importance. The Group's Quality Management System ("QMS"), certified under the requirements of the ISO 9001 Quality Management standards, ensures all our business activities are brought out through quality processes. In addition, the Group's products also meet the requirements of relevant standards, including "Audio, Video and Similar Electronic Equipment Safety Requirements (GB8898-2011)" and "Information Technology Equipment Safety Part 1: General Requirements (GB4943. 1-2011). Furthermore, in order to meet the requirements of overseas customers, the Group's products are also in compliance with the requirements of conflict minerals issued by the US Securities and Exchange Commission. During the Year, the Group has encountered no incidents of non-compliance with all applicable laws and regulations related to product/service quality and safety at all operating regions.

11. ETHICAL OPERATIONS *(continued)*

Aspect B6: Product Responsibility *(continued)*

Product quality and safety *(continued)*

For various production processes, the Group has implemented the standard quality control system, including production processes, and inspection of finished products, and services. Our established professional quality control team is responsible for quality assurance and control in regard to various products to ensure that the products upon shipment will meet various quality standards. Among them, the Group's products meet the following chemical requirements, including but not limited to:

– Materials in the Substances of Very High Concerns ("SVHC") under the European Registration, Evaluation, Authorisation and Restriction of Chemicals ("REACH") Regulation;

– Directive on Restriction of Hazardous Substances in Electrical and Electronic Equipment (2011/65/EU) ("RoHS 2.0 Directive");

– Directive Relating to Restrictions on the Marketing and Use of PFOS (2006/122/EC);

– Halogen-free requirements; and

– Heavy metal requirements of EU Directive on Packaging and Packaging Waste (94/62/EC).

With a customer-focused and process-based approach, the Group strives for continual improvement to product quality. The QMS manual is implemented by the quality assurance manager through the following processes.

– Product design, modification and manufacture, and ex-certified product recall processes meet the ISO/IEC 80079-34 and ATEX directive, which ensure both the safety of products being used in explosive atmospheres (i.e. work areas that contain flammable gases, mists or vapours, and/or combustible dusts);

– All safety critical components or sub-assemblies from manufacturers are required to acquire a Certificate of Conformity that indicates full conformance to test specifications. In the event none has been acquired, the Group will carry out independent inspection before accepting the components;

– Product risk analysis is conducted to assist in identification and mitigation of product quality and safety risks. In addition, the Group has carried out internal audits on a periodic basis to ensure the QMS manual is implemented properly; and

– The Group has physical laboratories and chemical laboratories to perform corresponding tests on raw materials, products and electroplating chemicals, including raw material analysis, sampling for reliability testing and other tests, such as backlight testing, and chemical composition analysis.

11. ETHICAL OPERATIONS *(continued)*

Aspect B6: Product Responsibility *(continued)*

Product quality and safety *(continued)*

The Group has formulated the "Customer Service Control Procedures", pursuant to which, the relevant departments are required to collate customer feedback through various channels in order to continue improving product quality. Customer complaints are handled by a service center led by the quality assurance manager. Adhering to ISO 9001 guidelines, a formal complaint mechanism handles all cases in a fair and systematic manner. During the Year, the Group did not faced any major product liability claims, and did not recalled any products due to safety and health reason and had not received any major customer complaints about the quality of the Group's products.

The Group's scientific research team has established highly recognized technologies over the years. The Group has a number of patents which are well recognised within the electronic products industry. These patents cover, including but not limited to the following:

– Aluminium nitride ceramic packaging technology;

– Multi-layer leadless gold finger circuit board manufacturing method;

– High-density interconnect and high-reliability multilayer circuit board;

– Bright copper-oriented high thermal conductivity ceramic circuit board; and

– Teflon high-frequency circuit board.

Customer privacy

As the Group's policy, all employees must keep all corporate and customer information, including but not limited to transaction details, business forecasts, plans and budgets. The information should be kept confidential and cannot be used for personal purposes or disclosed to any third party for any benefit. When the Group deals with all customer data, only authorised personnel of relevant departments can access, process and retain data for operation.

Intellectual property rights protection

The Group values the protection of intellectual property, trademarks and patent rights and fully complies with relevant local laws and regulations. The Group has registered the patents and copyrights in regard to its inventions (including technologies, software, and systems), while undertaking to properly access the licenses and intellectual property rights of the third-party companies without violation against any applicable laws and regulations. For this reason, all of the Group's employees must not download any software programs from the Internet to their computers without the prior consent of the relevant department to avoid infringement of intellectual property rights due to possible improper use of the software.

11. ETHICAL OPERATIONS *(continued)*

Aspect B6: Product Responsibility *(continued)*

Marketing communication and product labelling

Responsible marketing practices are crucial to gaining customer trust and confidence. Clear guidelines have been established on the ethical usage of all forms of sales promotion and direct marketing and digital marketing communications. All product brochures available on our website are reviewed to ensure the information is complete and accurate. Product labelling serves a critical function, ensuring unique product identification and that customers are informed of any possible product risks. All direct marketing and digital marketing communications, especially product endorsements, should uphold transparency. Ongoing assessment of policies is conducted through periodic assessment.

Aspect B7: Anti-corruption

The Group is committed to achieving and maintaining the highest standards of openness, probity and accountability. All employees are expected to carry out their work in an honest and ethical manner as outlined in the Employment Handbook. It is every employee's responsibility and it is all interest of the Group to ensure that any inappropriate behaviour or organisational malpractice compromising the interest of the shareholders, investors, customers and the wider public do not occur under any circumstances.

The Group has adopted Code of Conduct in the Group's Employment Handbook and Procedures Manual that includes provisions for conflicts of interest, privacy and confidentiality of information, due diligence, bribery and anti-corruption. Whistle-blowing policy is implemented to encourage employees and others who have serious concerns about the integrity of the works should point out or disassociate with misconducts and illegal acts. The Group will process the reports promptly, fairly and confidentially. The whistleblowing system keeps the identity of any whistleblower confidential, and ensures that whistle-blowers will not be treated unfairly because of reports, the whistle-blowers will not face unfair dismissal, unwarranted disciplinary actions, etc. Employees who breach anti-corruption policy will face disciplinary action, which could result in dismissal.

The development of robust internal controls is the key to our management approach. The Group has established a code of conduct on the prohibition of bribery and corruption, acceptance/offering of gifts/advantages and abuse of office, as well as conflict of interest declaration. The soliciting or accepting of advantages from parties as a reward for or inducement to doing any act in relation to the company's business is strictly prohibited. The established guidelines make it clear to all staff the criteria of accepting and offering of gifts and advantages becomes beyond that of a courtesy/token gift. Senior management is also provided the guidance clearly on what constitutes the office abuse, such as regarding the misuse of company's assets for personal interest. With regard to conflict of interests, the fundamental rule is to avoid any conflict of interest as far as practicable. Applicable laws include but not limited to Company Law of the People's Republic of China, The Bidding Law of the People's Republic of China and Anti-Unfair Competition Law of the People's Republic of China.

During the year, the Group held internal training regarding the anti-corruption and anti-money laundering and send out the anti-corruption materials to the staff. To ensure the continuous enhancement of our anti-corruption internal controls, the Group conducts annual corruption risk assessments.

11. ETHICAL OPERATIONS *(continued)*

Aspect B8: Community investment

The Group is committed to operating as a responsible corporate and continually supporting the economic and social vitality of local communities through corporate sponsorships, charitable donations and innovative product development. As part of the electronic industry and general community, the Group directs the charitable efforts towards elderly and underprivileged groups as the primary focus. The Group hopes to foster a sense of social responsibility among its employees. Therefore, it has been encouraging employees to participate in charity activities during their work and personal time to make greater contributions to the community. The Group encourages employees to participate in social charity and fundraising activities, such as visiting elderly homes, orphanages, and participating in blood donation activities to express their concern for society. The Group believes that through directly participating in these activities that contribute to the community, its staff could build up positive value and eventually be a socially responsible citizen.

12. SUSTAINABLITY

The Group understands the importance of achieving economic, environmental and social sustainability for the long term success of the business. The sustainability guidelines lay out the principles and actions for managing and performing in an ethical manner, throughout the operational flow. The Group shall continue to deliver safe and quality services that minimise the expense of the environment. The Group shall also continue to provide hearty services to customers, as well as give back to the community.

DIRECTORS' REPORT

The directors (the "**Directors**") present their annual report and the audited consolidated financial statements of China Silver Technology Holdings Limited (formerly known as "TC Orient Lighting Holdings Limited") (the "**Company**", and together with its subsidiaries collectively referred to as the "**Group**") for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company, whose major operating subsidiaries are principally engaged in the manufacturing and trading of light emitting diode (LED) lighting, and single-sided, doubled-sided and multi-layered printed circuit boards (PCBs). The activities of its principal subsidiaries are more particularly set out in note 37 to the consolidated financial statements.

Further discussion and analysis of these activities as regulated by Schedule 5 to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (the "**Company Ordinance**"), including a fair review of the business and a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2021, and an indication of likely future development in the Group's business, can be found in the sections headed "Statement from the Chairman" and "Management Discussion and Analysis" of this Annual Report. The above sections form part of this report of the Directors.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2021 are more particularly set out in the consolidated statement of profit or loss and other comprehensive income on page 78.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2021 and 2020.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 158.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of Changes in Equity on page 81 and note 26 to the consolidated financial statement respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's has no distributable reserve available to shareholders at 31 December 2021 (2020: nil) were as follows:

	2021 **HK$'000**	2020 HK$'000
Share premium	**567,711**	566,877
Contributed surplus	**145,058**	145,058
Accumulated losses	**(1,003,509)**	(1,005,153)
	(290,740)	(293,218)

DISTRIBUTABLE RESERVES OF THE COMPANY *(continued)*

Under the Companies Law of the Cayman Islands, the share premium account and the contributed surplus are distributable to the shareholders of the Company provided that immediately following the date on which any dividend is proposed to be distributed; the Company will be able to pay its debts as they fall due in the ordinary course of business.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 25 to the consolidated financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

EXECUTIVE DIRECTORS

Mr. Kong Chan Fai *(appointed as Executive Director and Vice Chairman on 15 October 2021)*
Mr. Xu Ming *(Chief Executive Officer)*
Mr. Zeng Yongguang
Mr. Guo Jun Hao
Mr. Mai Huazhi
Mr. Lin Wanan *(resigned on 15 October 2021)*

NON-EXECUTIVE DIRECTORS

Mr. Lai Yubin *(Chairman)*
Mr. Wei Xiaomin

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Kwok On
Mr. Bonathan Wai Ka Cheung
Dr. Loke Yu (alias Loke Hoi Lam)
Ms. Qiu Yumei

DIRECTORS' SERVICE CONTRACTS

No director to be proposed for re-election at the forthcoming AGM has a service contract which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into during the year or subsisting at the end of the year are set out below:

SHARE OPTION SCHEME

Old Share Option Scheme

The share option scheme of the Company which was adopted on 5 June 2006 (the "**Old Share Option Scheme**") was established before the Company's listing on The Stock Exchange of Hong Kong Limited in June 2006 for the purposes of attracting and retaining the best available personnel, providing additional incentive to employees, directors, consultants and advisers of the Group and promoting the success of the business of the Group. A summary of the principal terms of the Old Share Option Scheme can be founded on pages V-12 to V-20 of the Company's prospectus.

The Old Share Option Scheme had a life span of ten years and expired on 4 June 2016. Upon expiry of the Old Share Option Scheme, no further share option should be granted under the expired scheme but in all other respects the rules of the Old Share Option Scheme remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted prior thereto or otherwise as may be required in accordance with the rules of the Old Share Option Scheme, and share options which were granted prior to the termination or expiry of the Old Share Option Scheme will continue to be valid and exercisable in accordance with the rules of the Old Share Option Scheme and their terms of issue.

As disclosed by the Company on 22 July 2016 and 20 December 2017, as a result of the completion of the open offer and rights issue on 25 July 2016 and 20 December 2017, respectively, the exercise price of the share options and the number of Shares to be allotted and issued upon the exercise of the share options granted under the Old Share Option Scheme were adjusted. As at the date of this report, the number of Shares issuable on exercise of the outstanding options under the Old Share Option Scheme were 22,794,654 Shares, representing 0.74% of the existing issued share capital of the Company.

New Share Option Scheme

Following the expiry of the Old Share Option Scheme, the Company adopted a new share option scheme at its extraordinary general meeting held on 19 August 2016 (the "**New Share Option Scheme**") for the purposes of providing the Company with a flexible means of giving incentive or rewards to directors, employees, consultants, advisers, contractors of the Group or any of its invested entities, or discretionary trust or controlled corporation of any of the foregoing (the "**Eligible Participants**") for their retention and contribution or potential contribution to the Group and providing the Eligible Participants with an opportunity to have a personal stake in the Company with a view to motivating the Eligible Participants to utilise their performance and efficiency for the benefit of the Group and attracting and retaining or otherwise maintaining an on-going relationship with the Eligible Participants whose contributions are or will be beneficial to the long term growth of the Group. A summary of the principal terms of the New Share Option Scheme can be found on pages 9 to 17 of the Company's circular dated 29 July 2016.

SHARE OPTION SCHEME *(continued)*

New Share Option Scheme *(continued)*

The New Share Option Scheme had a life span of ten years running from 19 August 2016 to 18 August 2026. Under the terms of the New Share Option Scheme, the Board may, at its discretion, grant options to Eligible Participants to subscribe for Shares. Initially, the maximum number of Shares which may be issued upon the exercise of all options to be granted under the New Share Option Scheme (the "**Scheme Mandate Limit**") was 90,225,766 Shares, being 10% of the Shares in issue as at the date of approval of the New Share Option Scheme on 19 August 2016. The maximum entitlement of each Eligible Participant in any 12-month period must not exceed 1% of the shares in issue, provided that the maximum entitlement for any grantee being a substantial shareholder or an independent non-executive director or their associates shall be capped at 0.1% of the shares in issue (or HK$5 million in value based on the closing price of the shares underlying the options, whichever is higher). Any grant exceeding these individual limits shall be subject to shareholders' approval, with the relevant grantees and their associates abstaining from voting. The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time.

Unless otherwise determined by the Directors at their sole discretion, there is no requirement of a minimum period for which an Option must be held or any performance target which must be satisfied or achieved before such an Option can be exercised. An Option shall be exercisable at any time during an exercise period to be notified by the Board to each grantee, provided that no Option shall be exercisable later than ten years after its date of grant. The subscription price of the options must be at least the highest of: (a) the closing price of a Share as stated in the daily quotations sheet of the Stock Exchange on the date of grant which must be a business day; (b) the average of the closing prices of the Shares as shown on the daily quotations sheets of the Stock Exchange for the five Business Days immediately preceding the date of grant; and (c) the nominal value of a Share. HK$1.00 is payable by each Eligible Participant to the Company on acceptance of an offer of an Option, which shall be paid within 21 days from the date of offer.

On 8 October 2019, the Company granted 220,000,000 share options under the New Share Option Scheme (the "**2019 Options**") to Eligible Participants at an exercise price of HK$0.10 per share, amongst which 1,000,000 options lapsed before the beginning of 2021. During the year 2021, 71,000,000 Shares were issued on the exercise of the 2019 Options and 148,000,000 options were lapsed. As at the date of this report, no 2019 Options were outstanding.

At the annual general meeting of the Company held on 22 June 2020, the Scheme Mandate Limit was refreshed to allow the Company to grant up to the maximum of 271,823,697 Options, representing 10% of the Shares in issue on the date of approval of the refreshment. No Options were granted by the Company since then, and the number of Options available for grant remains at 271,823,697.

SHARE OPTION SCHEME *(continued)*

New Share Option Scheme *(continued)*

Grantee	Date of grant	Exercise price per share HK$	Outstanding as at 1 January 2021 '000	Granted during the period '000	Reclassification during the period '000	Exercised during the period '000	Lapsed/ Forfeited during the period '000	Outstanding as at 31 December 2021 '000	
Directors:									
Mai Huazhi	8 October 2019	0.100	5,000	–	–	–	5,000	–	*(Note 3)*
Xu Ming	8 October 2019	0.100	1,000	–	–	–	1,000	–	*(Note 3)*
Guo Jun Hao	8 October 2019	0.100	1,000	–	–	–	1,000	–	*(Note 3)*
Wong Kwok On	8 October 2019	0.100	1,000	–	–	–	1,000	–	*(Note 3)*
Bonathan Wai Ka Cheung	8 October 2019	0.100	1,000	–	–	–	1,000	–	*(Note 3)*
Loke Hoi Lam	8 October 2019	0.100	1,000	–	–	–	1,000	–	*(Note 3)*
Subtotal			10,000	–	–	–	10,000	–	
Consultants:	22 October 2014	0.854	15,870	–	–	–	–	15,870	*(Note 2)*
	8 October 2019	0.100	22,000	–	–	18,000	4,000	–	*(Note 3)*
Subtotal			37,870	–	–	18,000	4,000	15,870	
Employees:	2 September 2011	1.440	6,295	–	–	–	6,295	–	*(Note 1)*
	22 October 2014	0.854	6,924	–	–	–	–	6,924	*(Note 2)*
	8 October 2019	0.100	187,000	–	–	53,000	134,000	–	*(Note 3)*
Subtotal			200,219	–	–	53,000	140,295	6,924	
Total			248,089	–	–	71,000	154,295	22,794	

Note 1: These options have vested (i) as to 25% on 2 March 2012 (i.e. six months after the date of grant); (ii) as to further 25% on 2 March 2013; (iii) as to further 25% on 2 March 2014; and (iv) as to the remaining 25% on 2 March 2015. These options will expire on the 10th anniversary after the date of grant, i.e. on 2 September 2021. As disclosed in the Company's announcement dated 20 December 2017, the exercise price of this series of options were adjusted from HK$1.747 (before 20 December 2017) to HK$1.440 (after 20 December 2017) as a result of the Company's one-for-one rights issue in 2017.

Note 2: Options are exercisable on or after the date of grant of 22 October 2014. These options will expire on the 10th anniversary after the date of grant. As disclosed in the Company's announcement dated 20 December 2017, the exercise price of this series of options were adjusted from HK$1.035 (before 20 December 2017) to HK$0.854 (after 20 December 2017) as a result of the Company's one-for-one rights issue in 2017.

Note 3: These options are vesting (i) as to 50% from 8 October 2019; and (ii) as to further 50% from 1 January 2021. These options have expired on 31 December 2021.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Other than the Company's share option scheme disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 33 to the consolidated financial statements, no contracts of significance, to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACT

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

CONNECTED TRANSACTIONS

The Company has not entered into any connected transactions during the year, and no continuing connected transactions of the Company subsisted as at 31 December 2021.

CHANGES OF DIRECTORS' INFORMATION

During the year under review and up to the date of this report, the following changes in Directors' information are disclosed pursuant to Rule 13.51B of the Listing Rules:

On 25 January 2021, Dr. Loke Yu (also known as Loke Hoi Lam) ("**Dr. Loke**") resigned as an independent non-executive director of CIMC-TianDa Holdings Company Limited, a company formerly listed on the Stock Exchange. On 10 June 2021, Dr. Loke resigned as an independent non-executive director of Zhong An Group Ltd (Stock Code: 672), a company listed on the Stock Exchange. On 6 December 2021, Dr. Loke resigned as an independent non-executive director of Chiho Environmental group Limited (Stock Code: 976), a company listed on the Stock Exchange.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2021, the interests or short positions of the directors and chief executives and their associates in the shares, underlying shares and debenture of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("**SFO**"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), were as follows:

Interests in Shares:

Name of Directors	Capacity	Number of shares held (Long position)	Percentage of issued share capital
Zeng Yongguang	Interest of Spouse (Note 1)	1,000,000	0.04%

Note 1: Based on the DI filings made by the relevant person, Mr. Zeng Yongguang is deemed to be interested in the 1,000,000 shares of the Company held by his spouse, Ms. Zeng Xiaoxian.

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

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2021, the following person (other than a director or chief executive of the Company) had an interest or short position in the shares and underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Interest in shares:

Name of Shareholders	Capacity	Number of shares held (long position)	Percentage of issued share capital
Intelligent South Network (Note 1)	Beneficial owner	216,000,000	7.74%
Union Insurance (Note 1)	Interest in controlled corporation and beneficial owner	296,084,000	10.62%
Ms. Li Sidi (Note 1)	Interest in controlled corporation	296,084,000	10.62%
China Silver Investments (Note 2)	Beneficial onwer	152,039,495	5.45%
Mr. Jiang Jianjun (Note 2)	Interest in controlled corporation and beneficial owner	265,619,495	9.52%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

Note 1: Based on the then latest disclosure of interest ("**DI**") filings made by the relevant persons, as at 31 December 2021, Ms. Li Sidi was deemed to be interested in 296,084,000 Shares, comprising: (a) 80,084,000 Shares which were held by her controlled corporation, Union Insurance Limited ("**Union Insurance**"); and (b) 216,000,000 Shares which were held by Intelligent South Network Group Limited ("**Intelligent South Network**"), a wholly owned subsidiary of Union Insurance.

Note 2: Based on the then latest DI filings made by the relevant persons, as at 31 December 2021, Mr. Jiang Jianjun was deemed to be interested in 265,619,495 Shares, comprising: (a) 152,039,495 Shares which were held by his controlled corporation, China Silver Investments Development Limited ("**China Silver Investments**"); and (b) 113,580,000 Shares which were held by him personally.

Note 3: The shareholding percentages are calculated on the basis of 2,789,236,970 issued Shares of the Company as at 31 December 2021.

Other than disclosed above, as at 31 December 2021, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive director confirmed that he is independent within the definition of Rule 3.13 of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Year, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of its own listed securities.

MAJOR CUSTOMERS AND SUPPLIERS

There are no customer or supplier of the Group that have individually contributed 10% or more of the Group's turnover and purchases during the year 2021. Besides, the top 5 customers and top 5 suppliers combined are less than 30% of the Group's turnover and purchases.

At no time during the Year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2021.

AUDIT COMMITTEE

The Audit Committee of the Company ("**AC**") comprises of four independent non-executive Directors, namely, Dr. Loke Yu (alias Loke Hoi Lam), Ms. Qiu Yumei, Mr. Wong Kwok On and Mr. Bonathan Wai Ka Cheung. Dr. Loke Yu (alias Loke Hoi Lam) is the chairman of the AC. One out of four AC members, Dr. Loke Yu (alias Loke Hoi Lam) possesses recognised professional qualifications in accounting and has wide experience in audit and accounting.

No former partner of the Company's existing auditing firm acted as a member of the AC within two years from ceasing to be a partner or having any financial interest in the auditing firm.

The AC was delegated with the authority of the Board of the Company to investigate any activity within its terms of reference. The primary function of the AC is to review and supervise the Group's financial reporting process and internal controls. The AC has also reviewed arrangements to enable employees of the Group to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters, and to ensure proper arrangements that in place for fair and independent investigation and follow up actions. The full terms of reference of the AC are available on the Company's website: www.csthltd.com and the website of the Stock Exchange: www.hkexnews.hk.

The Group's audited financial statements for the year ended 31 December 2021 have been reviewed by the audit committee, which is of the opinion that such statements comply with applicable accounting standards, the Listing Rules and other legal requirements, and that adequate disclosures have been made.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set out by the Remuneration Committee on the basis of their merit, qualifications, and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

DIVIDEND POLICY

The Company adopts a dividend policy ("**Dividend Policy**"), taking into account all circumstances in particular the following factors before declaring or recommending dividends: (a) the current and projected financial performance of the Company; (b) the Company's growth and investment opportunities; (c) the availability of distributable amounts under the Company's constitution and applicable company laws; (d) other macro and micro economic factors; and (e) other factors and events which the Board may consider relevant from time to time.

The Board does not recommend the payment of any dividend in respect of the year.

DONATION

During the year, the Group made charitable and other donations amounting to Nil.

AUDITOR

A resolution will be submitted to the upcoming AGM of the Company to re-appoint Messrs. HLB Hodgson Impey Cheng Limited as the auditor of the Company.

BANK BORROWINGS

Bank borrowings of the Company at 31 December 2021 and 2020 are set out in the consolidated statement of financial position on page 79 and note 22 to the consolidated financial statements respectively.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company follows the Model Code as the code of conduct for Directors in their dealings in the Company's securities. Further details of the Model Code are set out in the Corporate Governance Report on page 5 of this Annual Report.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 5 to 17 of this Annual Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group is committed to contributing to the sustainability of the environment and maintaining a high standard of corporate social governance essential for creating a framework for motivating staff, and contributes to the community in which we conduct our businesses and creating a sustainable return to the Group.

Working Conditions

The Company adopted the Board diversity policy in accordance with the requirement set out in the CG Code. The Company recognizes that the Board diversity is an essential element contributing to the sustainable development of the Company. In designing the Board's composition, the Board diversity has been considered from a number of aspects, including but not limited to the skills, knowledge, gender, age, cultural and educational background or professional experience. A Board Diversity Policy, with the aim of enhancing the quality of the Board's performance by diversity, was adopted in August 2013.

The Group encourages its staff to participate in external seminars and lectures to keep abreast of changes and updates on areas of legal, compliance, financial accounting and reporting, and market industry practices. Through these types of training, we believe that the Group can increase its efficiency and productivity while overall reduction of risk and uncertainties of the Group can be reduced.

The Company encourages continuous professional development training for the Directors and senior management to develop and refresh their knowledge and skills which includes seminars and workshops, updates on regulatory requirements and development and corporate governance practices.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE *(continued)*

Health and Safety

The Group strives to provide a healthy and safe working environment to the employees. In order to maintain a healthy and safe working environment, the Group has upgraded and maintained tools, office and IT equipment.

Environment Protection

Conservation of the environment is a key focus for the Group. The Group complies with environmental legislation, encourages environmental protection and promotes environmental protection awareness to all employees of the Group.

Community Involvement

The Group is committed to participating in community events from time to time, and to the improvement of community wellbeing and social services. The Group supports and encourages staff to actively participate in a wide range of charitable events outside working hours, to raise awareness and concern for the community, and to inspire more people to take part in serving the community.

Compliance with Laws and Regulations

The Group has compliance and risk management policies and procedures, and members of the senior management are delegated with the continuing responsibility to monitor adherence and compliance with all significant legal and regulatory requirements.

As far as the Company is aware, save as already disclosed in the Company's announcements, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company and its subsidiaries.

INDEMNITY OF DIRECTORS

A permitted indemnity provision that provides for indemnity against liability incurred by directors and chief executives of the Group is currently in force and was in force throughout the year ended 31 December 2021.

On behalf of the Board

Lai YuBin
Chairman

Hong Kong
25 March 2022

INDEPENDENT AUDITORS' REPORT

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF CHINA SILVER TECHNOLOGY HOLDINGS LIMITED
中華銀科技控股有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Silver Technology Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 78 to 157 which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and 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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 3 in the consolidated financial statements, which indicates that the Group incurred a loss of approximately HK$6,649,000 during the year ended 31 December 2021 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$232,129,000. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. 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. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Valuation of property, plant and equipment	
Refer to Notes 3 and 15 to the consolidated financial statements.	
Included in the property, plant and equipment, the Group has building amounted to approximately HK$128,262,000 as at 31 December 2021 and are stated at revalued amounts. Independent external valuations were obtained in order to support management's estimates. The valuations are dependent on certain key assumptions that require significant management judgement, including market price and conditions of the properties.	Our procedures in relation to the management's valuation of property, plant and equipment included: • Evaluating the independent valuer's competence, capabilities and objectivity; • Assessing the methodologies used and the appropriateness of the key assumption based on our knowledge of the property industry and using our valuation experts; • Checking on a sample basis, the accuracy and relevance of the input data used. We found the key assumptions were supported by the available evidence.

Key audit matter	How our audit addressed the key audit matter
Allowance for expected credit losses assessment of trade receivables	
Refer to Note 18 to the consolidated financial statements.	
As at 31 December 2021, the Group had gross trade receivables with normal credit terms of approximately HK$171,887,000 and allowance for expected credit losses ("**ECL**") of approximately HK$85,183,000. As at 31 December 2021, the Group had gross trade receivables with extended credit terms of approximately HK$52,320,000 and allowance for ECL of approximately HK$5,901,000. In general, the credit terms granted by the Group to the customers ranged between 30 to 180 days on printed circuit boards customers and trading of towers and electric cable customer with normal credit term and credit period ranging from one year to ten years on its trade on Light Emitting Diode customers with extended credit terms which is based on contractual repayment schedule. Management performed periodic assessment on the recoverability of the trade receivables and the sufficiency of provision for impairment based on information including credit profile of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the ECL for the allowance for ECL assessment. We focused on this area due to the allowance for ECL assessment of trade receivables under the ECL model involved the use of significant management judgements and estimates.	Our procedures in relation to management's assessment on allowance for ECL of the trade receivables as at 31 December 2021 included: • Understanding and evaluating that the Group has implemented to manage and monitor its credit risk on a sample basis; • Checking, on a sample basis, the ageing profile of the trade receivables as at 31 December 2021 to the underlying financial records and post year-end settlements to bank receipts; • Inquiring of management for the status of each of the material trade receivables past due as at year end and corroborating explanations from management with supporting evidence, understanding on-going business relationship with the customers based on trade records, checking historical and subsequent settlement records of and other correspondence with the customers; and • Assessing the appropriateness of ECL provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses. We found that the management judgment and estimates used to assess the recoverability and allowance for ECL of the trade receivables to be supportable by available evidence.

Key audit matter	How our audit addressed the key audit matter
Allowance for expected credit losses assessment of other receivables	
Refer to Note 18 to the consolidated financial statements.	
As at 31 December 2021, the Group's other receivables amounted to approximately HK$43,197,000 was recognised in the Group's consolidated statement of financial position. The balance of allowance for ECL of other receivables represents the management's best estimates at the end of the reporting period of ECL under Hong Kong Financial Reporting Standard 9: *Financial Instruments* Expected Credit Losses models. Management assesses whether the credit risk of other receivables have increased significantly since their initial recognition, and apply a three-stage impairment model to calculate their ECL. The measurement models of ECL involves significant management judgments and assumptions, primarily including the following: – Selection of appropriate model and determination of relevant key measurement parameters, including probability of default, loss given default and exposure at default; – Criteria for determining whether or not there was a significant increase in credit risk or a default; and – Economic indicator for forward-looking measurement, and the application of economic scenarios and weightings. We focus on this area due to the allowance for ECL of other receivables under ECL model involved the use of significant management judgements and estimates.	Our procedures in relation to management's assessment on allowance for ECL of other receivables as at 31 December 2021 included: • Understood and tested the procedures performed by management, including its procedures on periodic review on overdue receivables and the assessment of ECL on the other receivables; • Understood and evaluated the modelling methodologies for ECL measurement, assessed the reasonableness of the model selection and key measurement parameters determination; • For the historical information, discussed with management to understand the management's identification of significant increase in credit risk, defaults and credit-impaired loans, corroborated management's explanation with supporting evidence; • For forward-looking measurement, we assessed the reasonableness of economic indicator selection, economic scenarios and weightings application, assessed the reasonableness of the estimation by comparing with industry data; and • Checked major data inputs used in ECL models on sample basis to the Group's record. We found that the management judgment and estimates used to access the collectability and allowance for ECL of other receivables to be supportable by available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon (the "**Other Information**").

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 AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITORS' 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 auditors' report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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

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

We communicate with 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, action 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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditors' report is Yau Wai Ip.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Yau Wai Ip
Practicing Certificate Number: P07849

Hong Kong, 25 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Turnover	5	**375,375**	237,572
Cost of sales		**(353,882)**	(232,531)
Gross profit		**21,493**	5,041
Other income	6	**24,777**	17,202
Other gains and losses, net	7	**14,083**	(23,869)
Selling and distribution expenses		**(16,681)**	(16,399)
Administrative expenses		**(38,396)**	(45,143)
Finance costs	8	**(11,925)**	(12,308)
Loss before tax		**(6,649)**	(75,476)
Income tax expense	9	**–**	–
Loss for the year	10	**(6,649)**	(75,476)
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss			
Surplus on revaluation of properties	15	**1,777**	19,509
Deferred taxation arising from revaluation of properties		**(444)**	(4,877)
		1,333	14,632
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation		**(1,743)**	2,720
Other comprehensive (expense)/income for the year		**(410)**	17,352
Total comprehensive expense for the year		**(7,059)**	(58,124)
Loss for the year attributable to:			
Owners of the Company		**(3,936)**	(74,351)
Non-controlling interests		**(2,713)**	(1,125)
		(6,649)	(75,476)
Total comprehensive (expense)/income attributable to:			
Owners of the Company		**(4,229)**	(58,241)
Non-controlling interests		**(2,830)**	117
		(7,059)	(58,124)
Loss per share			
Basic and diluted (in HK cents)	14	**(0.14)**	(2.74)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	15	**235,030**	161,780
Right-of-use assets	16	**15,768**	16,383
Trade receivables with extended credit terms	18	**–**	4,855
		250,798	183,018
Current assets			
Inventories	17	**49,391**	37,564
Trade and other receivables	18	**181,054**	238,073
Pledged bank deposits	19	**50,775**	41,771
Bank balances, deposits and cash	19	**19,900**	25,114
		301,120	342,522
Current liabilities			
Trade and other payables	20(a)	**138,054**	152,520
Contract liabilities	21	**11,377**	13,938
Bills payables	20(b)	**159,076**	117,236
Taxation payables		**67,747**	67,102
Lease liabilities	23	**685**	1,113
Bank borrowings	22	**156,310**	154,762
		533,249	506,671
Net current liabilities		**(232,129)**	(164,149)
Total assets less current liabilities		**18,669**	18,869
Non-current liabilities			
Lease liabilities	23	**–**	685
Deferred taxation	24	**18,177**	17,733
		18,177	18,418
Net assets		**492**	451

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	**2021** **HK$'000**	2020 HK$'000
Capital and reserves			
Share capital	25	**278,924**	271,824
Reserves	26	**(219,083)**	(214,854)
Equity attributable to owners of the Company		**59,841**	56,970
Non-controlling interests		**(59,349)**	(56,519)
Total equity		**492**	451

The consolidated financial statements on pages 78 to 157 were approved and authorised for issue by the Board of Directors on 25 March 2022 and are signed on its behalf by:

Lai Yu Bin
Non-Executive Director

Guo Jun Hao
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Share capital HK$'000 (note 25)	Share premium HK$'000	Capital redemption reserve HK$'000 (note 26)	Property revaluation reserve HK$'000	The People's Republic of China (the "PRC") statutory reserve HK$'000 (note 26)	Special reserve HK$'000 (note 26)	Share option reserve HK$'000	Capital contribution reserve HK$'000 (note 26)	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2020	271,824	566,877	470	36,656	15,003	1,156	22,748	1,893	14,303	(816,784)	114,146	(56,636)	57,510
Loss for the year	–	–	–	–	–	–	–	–	–	(74,351)	(74,351)	(1,125)	(75,476)
Other comprehensive income/(expense):													
Exchange differences arising on translation	–	–	–	–	–	–	–	–	1,478	–	1,478	1,242	2,720
Surplus on revaluation of properties	–	–	–	19,509	–	–	–	–	–	–	19,509	–	19,509
Deferred tax arising from revaluation of properties	–	–	–	(4,877)	–	–	–	–	–	–	(4,877)	–	(4,877)
Total comprehensive income/(expenses) for the year	–	–	–	14,632	–	–	–	–	1,478	(74,351)	(58,241)	117	(58,124)
Expiry or lapse of share option	–	–	–	–	–	–	(4,419)	–	–	4,419	–	–	–
Share-based payment	–	–	–	–	–	–	1,065	–	–	–	1,065	–	1,065
Subtotal	–	–	–	–	–	–	(3,354)	–	–	4,419	1,065	–	1,065
At 31 December 2020 and 1 January 2021	271,824	566,877	470	51,288	15,003	1,156	19,394	1,893	15,781	(886,716)	56,970	(56,519)	451
Loss for the year	–	–	–	–	–	–	–	–	–	(3,936)	(3,936)	(2,713)	(6,649)
Other comprehensive income/(expense):													
Exchange differences arising on translation	–	–	–	–	–	–	–	–	(1,626)	–	(1,626)	(117)	(1,743)
Surplus on revaluation of properties	–	–	–	1,777	–	–	–	–	–	–	1,777	–	1,777
Deferred tax arising from revaluation of properties	–	–	–	(444)	–	–	–	–	–	–	(444)	–	(444)
Total comprehensive income/(expenses) for the year	–	–	–	1,333	–	–	–	–	(1,626)	(3,936)	(4,229)	(2,830)	(7,059)
Expiry or lapse of share option	–	–	–	–	–	–	(7,247)	–	–	7,247	–	–	–
Exercise of share option	7,100	834	–	–	–	–	(834)	–	–	–	7,100	–	7,100
Subtotal	7,100	834	–	–	–	–	(8,081)	–	–	7,247	7,100	–	7,100
At 31 December 2021	278,924	567,711	470	52,621	15,003	1,156	11,313	1,893	14,155	(883,405)	59,841	(59,349)	492

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
OPERATING ACTIVITIES			
Loss before tax		**(6,649)**	(75,476)
Adjustments for:			
Depreciation of property, plant and equipment	15	**8,098**	9,717
Finance costs	8	**11,925**	12,308
(Gain)/loss on disposal of property, plant and equipment	7	**(11,053)**	18
Impairment of right-of-use assets	16	**–**	1,769
Reversal of allowance for expected credit losses recognised on trade receivables with normal credit terms	7	**(836)**	(1,168)
(Reversal of allowance)/allowance for expected credit losses recognised on other receivables	7	**(2,986)**	27,965
Allowance/(Reversal of allowance) for expected credit losses recognised for trade receivables with extended credit terms	7	**89**	(5,544)
Imputed interest on trade receivables with extended credit terms	6	**(430)**	(789)
Interest income	6	**(608)**	(464)
Depreciation of right-of-use assets	16	**615**	1,699
Share-based payment	10	**–**	1,065
Waiver of over-provision of interest expense from other borrowings	6	**–**	(7,279)
Operating cash flow before movements in working capital		**(1,835)**	(36,179)
Increase in inventories		**(11,338)**	(3,198)
Decrease in trade and other receivables		**66,526**	36,763
Decrease in trade and other payables		**(17,565)**	(28,035)
(Decrease)/increase in contract liabilities		**(2,674)**	3,113
Increase in bills payables		**40,265**	87,242
NET CASH GENERATED FROM OPERATING ACTIVITIES		**73,379**	59,706
INVESTING ACTIVITIES			
Withdrawal of pledged bank deposits		**154,515**	68,301
Interest received		**608**	464
Proceeds from disposal of property, plant and equipment		**13,655**	1,004
Placement of pledged bank deposits		**(163,016)**	(95,304)
Addition of property, plant and equipment	15	**(82,173)**	(11,799)
NET CASH USED IN INVESTING ACTIVITIES		**(76,411)**	(37,334)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
FINANCING ACTIVITIES			
Repayment of bank borrowings		**(154,762)**	(227,778)
Interest paid		**(11,838)**	(12,147)
Bank borrowings raised		**156,310**	238,096
Exercise of share option		**7,100**	–
Repayment of other borrowings		**(1,786)**	(14,080)
Repayment of lease liabilities		**(1,200)**	(1,200)
Other borrowing raised		**3,571**	–
NET CASH USED IN FINANCING ACTIVITIES		**(2,605)**	(17,109)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(5,637)**	5,263
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**25,114**	22,433
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**423**	(2,582)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR			
Represented by bank balances, deposits and cash		**19,900**	25,114

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 12 November 2004 and was registered as a non-Hong Kong Company under Part 16 of Hong Kong Companies Ordinance (Cap. 622) ("**new CO**"). Its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). China Silver Investments Development Ltd. is a shareholder of the Company who had reported its shareholding interest to the Company through the making of disclosure of interest filings during the year. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The Company acts as an investment holding company. The principal activities of its subsidiaries are the manufacture and trading of light emitting diode ("**LED**") lighting, and single-sided, doubled-sided and multi-layered printed circuit boards ("**PCB**").

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company and all values are rounded to nearest thousand except otherwise indicated.

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

2.1 Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountant ("**HKICPA**") for the first time for their annual reporting period commencing 1 January 2021:

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

In addition, the Group applied the agenda decision of the HKFRS Interpretations Committee (the "**Committee**") of the HKICPA issued on June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

2.2 New and amendments to HKFRSs in issue but not yet effective

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

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

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

The directors of the Company (the "**Directors**") anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

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

The consolidated financial statements have been prepared on the historical cost basis except for certain properties that are measured at revalued amount at the end of each reporting period, as explained in the accounting policies set out below.

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of Preparation *(continued)*

Going concern basis

The Group incurred a loss approximately HK$6,649,000 during the year ended 31 December 2021 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$232,129,000. In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group. The Directors adopted the going concern basis for the preparation of the consolidated financial statements and implemented the following measures in order to improve the working capital and liquidity and cash flow position of the Group:

(1) Banking and necessary facilities

As at 31 December 2021, the Group had bank borrowings amounting to HK$156,310,000 which were due within 12 months. Based on the latest communication with the banks, the Directors are not aware of any reason of the bank not to extend the borrowings. Moreover, the Group is in the process of negotiating with its bankers to secure necessary facilities to meet the Group's working capital and financial requirements in the near future.

(2) Financial support

A substantial shareholder of the Company has agreed to continuously provide financial support for the continuing operations of the Company so as to enable it to meet its liabilities when they fall due and carry on its business without a significant curtailment of operations in the twelve months from 31 December 2021.

(3) Alternative sources of external funding

On 17 February 2022, the Company and the subscribers entered into the subscription agreements pursuant to which the Company has conditionally agreed to allot and issue, and the subscribers have agreed to subscribe for, an aggregate of 286,000,000 subscription shares at the subscription price of HK$0.10 per share. The net proceeds from the subscriptions amount to approximately HK$28,400,000. The subscription was completed on 3 March 2022. For details of the subscriptions, please refer to the Company's announcements dated 17 February 2022 and 3 March 2022.

After the completion of the subscriptions, the Company will continue to explore any possibility of conducting further equity fund raising to satisfy its funding needs if suitable opportunities arise. In the opinion of the Directors, in light of the various measures or arrangements implemented after the end of reporting period together with the expected results of the other measures, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(continued)

Significant Accounting Policies

Basis of Consolidation

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

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

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

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

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Changes in the Group's Ownership Interests in Existing Subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant Accounting Policies *(continued)*

Changes in the Group's Ownership Interests in Existing Subsidiaries *(continued)*

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Revenue Recognition and Other Income Recognition

Revenue from contracts with customers

Revenue is recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Control of the good or service is transferred over time if the Group's performance:

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

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

Revenue from the sale of PCB and LED lighting are recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products. The normal credit term is 30 days to 180 days upon delivery. Payment in advance is required for some contracts.

A contract liability is recognised when the consideration is received from customers before the goods are delivered. A receivable is recognised when the goods are delivered and accepted as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant Accounting Policies *(continued)*

Revenue Recognition and Other Income Recognition *(continued)*

Revenue from contracts with customers (continued)

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest come is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, Plant and Equipment

Property, plant and equipment, excluding buildings and construction in progress, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses.

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Construction in progress is carried at cost, less any identified impairment losses. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of buildings commences when they are ready for their intended use.

Any revaluation increase arising on revaluation of buildings is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated loss.

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

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

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant Accounting Policies *(continued)*

Ownership Interests in Leasehold Land and Building

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

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" (upon application of HKFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Inventories

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

Impairment Losses on Non-Financial Assets

At the end of the reporting period, the Group reviews the carrying amounts of its non-financial assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("**CGU**") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When allocating an impairment loss to individual assets within a CGU, the carrying amount of an individual asset should not be reduced below the highest of its fair value less cost of disposal (if measurable), its value in use (if determinable), and zero. If this results in an amount being allocated to an asset which is less than its pro rata share of the impairment loss, the excess is allocated to the remaining assets within the CGU on a pro rata basis.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant Accounting Policies *(continued)*

Impairment Losses on Non-Financial Assets *(continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the CGU) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Financial instruments

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

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

Financial assets

Classification and measurement of financial assets

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

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Classification and measurement of financial assets *(continued)*

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

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

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets

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

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

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

Significant increase in credit risk

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

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

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

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Significant increase in credit risk *(continued)*

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

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

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

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

Credit-impaired financial assets

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

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

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

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

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

(e) the disappearance of an active market for that financial asset because of financial difficulties.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Write-off policy

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

Measurement and recognition of ECL

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

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

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivable) and amounts due from customers are each assessed as a separate group.
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

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

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

Financial liabilities and equity instruments

Classification as financial liabilities or equity

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

Equity instruments

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

Effective interest method

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, bills payables, lease liabilities and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments (continued)

Derecognition

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

Lease

Definition of a lease

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

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

As a lessee

Allocation of consideration to components of a contract

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

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

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

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

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant Accounting Policies *(continued)*

Lease *(continued)*

As a lessee (continued)

Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

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

Lease liabilities

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

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant Accounting Policies *(continued)*

Lease *(continued)*

As a lessee (continued)

Lease liabilities *(continued)*

The lease payments include:

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

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

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

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

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

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant Accounting Policies *(continued)*

Lease *(continued)*

As a lessee (continued)

Lease modifications

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

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

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

Equity-Settled Share-Based Payment Transactions

Share options granted to directors, employees and others providing similar services rendered by employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expense immediately to profit or loss.

When the share options are exercised, the amount previously recognised in share option reserve will be transferred to share capital and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

Taxation

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

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

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant Accounting Policies *(continued)*

Taxation *(continued)*

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

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

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

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

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

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant Accounting Policies *(continued)*

Foreign Currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserves (attributed to non-controlling interests as appropriate).

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Government Grants

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

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other income”.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant Accounting Policies *(continued)*

Retirement Benefits Costs

Payments to the Mandatory Provident Fund Scheme and the state-managed retirement benefit schemes, which are defined contribution schemes, are recognised as an expense when employees have rendered services entitling them to the contributions.

Segment Reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the consolidated financial statements provided regularly to the Group's most senior executive management 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.

Related Party Transactions

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

(i) A person or a close member of that person's family is related to the Group if that person:

  (a) has control or joint control over the Group;

  (b) has significant influence over the Group; or

  (c) is a member of the key management personnel of the Group or of a parent of the Group.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant Accounting Policies *(continued)*

Related Party Transactions *(continued)*

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

(a) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiaries is related to the others);

(b) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group which the other entity is a member);

(c) both entities are joint ventures of the same third party;

(d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(e) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employees are also related to the Group;

(f) the entity is controlled or jointly controlled by a person identified in (i);

(g) a person identified in (i)(a) 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); or

(h) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the Group's parent.

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

A transaction is considered to be a related party transaction when there is a transfer of resources, or obligations between the Group and a related party, regardless of whether a price is charged.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant Accounting Policies *(continued)*

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable. Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group which qualifies as business combination, except for those acquisitions which qualify as a common control combination and are therefore accounted for using the merger accounting.

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and incurred or assumed at the date of exchange and, all acquisition-related costs are expensed. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of profit or loss and other comprehensive income.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an 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.

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

Estimated Impairment of Property, Plant and Equipment and Right-of-use Assets

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

As at 31 December 2021, the carrying amounts of property, plant and equipment and right-of-use assets are HK$235,030,000 and HK$15,768,000 (2020: HK$161,780,000 and HK$16,383,000). No Impairment losses (2020: HK$Nil and HK$1,769,000) respectively were recognised during the year ended 31 December 2021. Details are disclosed in Notes 15 and 16.

Estimated Allowance for Expected Credit Losses of Trade and Other Receivables

The loss allowances for ECL for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 30(b).

Fair Value Measurements and Valuation Processes

As set out in Note 15, properties were revalued as at 31 December 2021 by a firm of independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each of reporting period.

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

Write-Down of Inventories

The Group writes down inventories based on an assessment of the net realisable value of inventories. Allowance is applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgment and estimates on the conditions and usefulness of the inventories. The management may consider the aging analysis, technology development of the industry, net realisable value for obsolete and slow-moving inventories that are no longer suitable for use in operation and subsequent sales or usage. Where the actual outcome or expectation of the net realisable value of inventories is different from the original estimate, such difference will impact the carrying value of inventories and write down for inventories in the period in which such estimate has changed. The carrying amount of inventories at 31 December 2021 was HK$49,391,000 (2020: HK$37,564,000)._

5. TURNOVER

All revenue contracts are for period of one year or less, as permitted by practical expedient under HKFRS 15 *Revenue from Contracts with Customers*, the transaction price allocated to these unsatisfied contracts is not disclosed.

	2021 **HK$'000**	2020 HK$'000
Disaggregation of revenue from contracts with customers		
An analysis of the Group's turnover is by types of goods as follows:		
Sales of printed circuit boards ("**PCB**")	**365,555**	237,572
Light Emitting Diode ("**LED**") lighting	**9,820**	–
Total revenue recognised at a point in time	**375,375**	237,572
Time of revenue recognition		
At a point in time	**375,375**	237,572
Geographic market:		
The PRC	**290,166**	145,168
Hong Kong	**25,872**	40,729
Others	**59,337**	51,675
	375,375	237,572

6. OTHER INCOME

	2021 HK$'000	2020 HK$'000
Bank interest income	**608**	464
Waiver of interest expenses from other borrowings	**–**	7,279
Imputed interest on trade receivables with extended credit terms	**430**	789
Sales of scrap materials	**20,888**	6,349
Government grants (Note)	**140**	1,183
Others	**2,711**	1,138
	24,777	17,202

Note: Government grants were mainly granted to the Group as subsidies to support the operation of the Hong Kong and PRC subsidiaries. During the year ended 31 December 2020, the Group recognised government grants of approximately HK$633,000 in respect of COVID-19 related subsidies which is related to Employment Support Scheme provided by the Hong Kong Government. For other government grants, there are no special conditions or contingencies that are needed to be fulfilled and they were non-recurring in nature.

7. OTHER GAINS AND LOSSES, NET

	2021 HK$'000	2020 HK$'000
Net foreign exchange loss	**(703)**	(767)
Reversal of/(provision of) allowance for expected credit losses ("**ECL**") recognised on other receivables	**2,986**	(27,965)
Reversal of allowance for ECL recognised on trade receivables with normal credit terms	**836**	1,168
(Provision of)/reversal of allowance for ECL recognised on trade receivables with extended credit terms	**(89)**	5,544
Gain/(loss) on disposal of property, plant and equipment	**11,053**	(18)
Impairment loss on right-of-use assets	**–**	(1,769)
Others	**–**	(62)
	14,083	(23,869)

8. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on:		
– Bank and other borrowings wholly repayable within five years	**11,838**	12,147
– Lease liabilities	**87**	161
	11,925	12,308

9. INCOME TAX EXPENSE

	2021 HK$'000	2020 HK$'000
The charge comprises:		
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	–	–
Hong Kong Profits Tax	–	–
	–	–

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in Hong Kong for both years.

Under the Law of the People's Republic of China on EIT (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

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

	2021 HK$'000	2020 HK$'000
Loss before tax	(6,649)	(75,476)
Tax rate applicable to the major operations of the Group	25%	25%
Tax at the applicable rate	(1,662)	(18,869)
Tax effect of expenses not deductible for tax purpose	22	7,700
Tax effect of income not taxable for tax purpose	(1,100)	(4,107)
Tax effect of tax losses not recognised	1,536	12,390
Tax effect of different tax rate of subsidiaries	1,204	2,886
Income tax expense	–	–

10. LOSS FOR THE YEAR

	2021 HK$'000	2020 HK$'000
Loss for the year has been arrived at after charging:		
Employee expenses, including directors' and chief executive officer's remuneration (Note)	**47,853**	55,155
Retirement benefit schemes contributions (Note)	**5,037**	1,584
Total employee expenses	**52,890**	56,739
Auditors' remuneration:		
Audit service	**1,800**	1,800
Cost of inventories recognised as an expense	**353,882**	232,531
Depreciation of property, plant and equipment	**8,098**	9,717
Research and development costs recognised as an expense	**367**	465
Depreciation of right-of-use assets	**615**	1,699
Expenses relating to short-term leases	**428**	339
Share-based payment	**–**	1,065

Note: Employee expenses and retirement benefit schemes contributions included the direct and indirect labour cost and share-based payment expenses. The employee expenses were charged to cost of sales and administrative expenses with amount of HK$32,161,000 (2020: HK$31,235,000) and HK$20,729,000 (2020: HK$25,504,000) respectively.

11. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS

The emoluments of the directors and chief executive officer were as follows:

2021

	Guo Jun Hao HK$'000	Wei Xiaomin (note a) HK$'000	Zeng Yong Guang HK$'000	Xu Ming (note b) HK$'000	Wong Kwok On HK$'000	Cheung Wai Ka HK$'000	Loke Yu HK$'000	Mai Huazhi HK$'000	Lin Wanan (note c) HK$'000	Lai Yubin (note d) HK$'000	Qiu Yumei (note e) HK$'000	Wang Menglei (note f) HK$'000	Kong Chan Fai (note g) HK$'000	Total HK$'000
Fee	–	240	–	–	120	240	180	–	–	360	240	–	–	1,380
Salaries and other benefits	227	–	360	340	–	–	–	240	190	–	–	–	77	1,434
Retirement benefit scheme contributions	11	–	18	17	–	–	–	–	–	–	–	–	–	46
Total emoluments	238	240	378	357	120	240	180	240	190	360	240	–	77	2,860

11. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS *(continued)*

2020

	Guo Jun Hao	Wei Xiaomin (note a)	Zeng Yong Guang	Li Hongxiang (note h)	Xu Ming (note b)	Wong Kwok On	Cheung Wai Ka	Loke Yu	Mai Huazhi	Yau Yan Ming Raymond (note i)	Lin Wanan (note c)	Lai Yubin (note d)	Qiu Yumei (note e)	Wang Menglei (note f)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Fee	–	112	–	120	–	120	240	180	–	–	–	168	112	–	1,052
Salaries and other benefits	240	–	360	–	360	–	–	–	240	160	112	–	–	–	1,472
Share-based payments	5	–	–	5	5	5	5	5	25	–	–	–	–	–	55
Retirement benefit scheme contributions	12	6	18	–	18	–	–	–	–	8	–	–	–	–	62
Total emoluments	257	118	378	125	383	125	245	185	265	168	112	168	112	–	2,641

Notes:

(a) Mr. Wei Xiaomin was appointed as a non-executive director on 14 July 2020.

(b) Mr. Xu Ming was appointed as the Chief Executive Officer on 9 April 2020.

(c) Mr. Lin Wanan was appointed as an executive director on 14 July 2020 and resigned on 15 October 2021.

(d) Mr. Lai Yubin was appointed as a non-executive director and as the Chairman of the Company on 14 July 2020.

(e) Ms. Qiu Yumei was appointed as an independent non-executive Director on 14 July 2020.

(f) Mr. Wang Menglei was appointed as a deputy chief executive officer on 9 September 2020 and resigned on 8 September 2021.

(g) Mr. Kong Chan Fai was appointed as executive director and vice chairman on 15 October 2021.

(h) Mr. Li Hongxiang was retired on 22 June 2020.

(i) Mr. Yau Yan Ming Raymond resigned on 9 April 2020.

None of the director agreed to waive or has waived any emoluments during the year.

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group for the year, one (2020: two) were directors of the Company whose emoluments are included in the disclosure in Note 11 above. The emoluments of the remaining four (2020: three) individuals, including nil (2020: one) senior management during the year ended 31 December 2021, were as follows:

	2021 HK$'000	2020 HK$'000
Salaries and other benefits	2,376	2,702
Retirement benefit schemes contributions	68	71
Share-based payment	–	5
	2,444	2,778

	2021	2020
Their emoluments were within the following bands:		
Nil to HK$1,000,000	4	3

The emoluments paid or payable to members of senior management (excluding the Directors) were within the following bands:

	2021	2020
Nil to HK$1,000,000	–	1

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

13. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2021, nor has any dividend been proposed since the end of the reporting period (2020: Nil).

14. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the year is based on the following data:

	2021	2020
	HK$'000	HK$'000
Loss		
Loss attributable to owners of the Company	**(3,936)**	(74,351)

	2021	2020
	'000	'000
Number of shares		
Weighted average number of ordinary shares for calculating basic and diluted loss per share	**2,759,475**	2,718,237

The basic and diluted loss per share are the same for the years ended 31 December 2021 and 2020. The calculation of the diluted loss per share for both years did not assume the exercise of the Company's outstanding share options as the effect is anti-dilutive.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Furniture and fixtures	Motor vehicles	Office equipment	Leasehold improvements	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST OR VALUATION								
At 1 January 2020	117,270	341,624	2,430	6,761	8,104	103,090	–	579,279
Addition	362	7,519	–	1,510	–	2,408	–	11,799
Disposal	–	(79,925)	–	–	–	–	–	(79,925)
Surplus on revaluation	19,509	–	–	–	–	–	–	19,509
At 31 December 2020 and 1 January 2021	137,141	269,218	2,430	8,271	8,104	105,498	–	530,662
Addition	–	–	–	–	–	–	82,173	82,173
Disposal	–	(25,724)	–	(253)	–	–	–	(25,977)
Surplus on revaluation	1,777	–	–	–	–	–	–	1,777
At 31 December 2021	138,918	243,494	2,430	8,018	8,104	105,498	82,173	588,635
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
At 1 January 2020	5,348	323,451	2,178	6,737	8,096	92,258	–	438,068
Provide for the year	2,650	4,571	110	106	3	2,277	–	9,717
Disposal	–	(78,903)	–	–	–	–	–	(78,903)
At 31 December 2020 and 1 January 2021	7,998	249,119	2,288	6,843	8,099	94,535	–	368,882
Provide for the year	2,658	2,903	101	288	5	2,143	–	8,098
Disposal	–	(23,122)	–	(253)	–	–	–	(23,375)
At 31 December 2021	10,656	228,900	2,389	6,878	8,104	96,678	–	353,605
CARRYING VALUES								
At 31 December 2021	128,262	14,594	41	1,140	–	8,820	82,173	235,030
At 31 December 2020	129,143	20,099	142	1,428	5	10,963	–	161,780

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment are depreciated on a straight-line method at the following rates per annum:

Buildings	Over the remaining term of the leases
Leasehold improvements	10% or over the term of lease, whichever is shorter
Plant and machinery	10%
Furniture and fixtures	10%
Motor vehicles	18%
Office equipment	18%

The carrying value of the Group's buildings shown above are situated in the PRC under medium-term leases.

Impairment assessment

The management of the Group concluded there was indication of impairment and conducted impairment assessment on recoverable amounts of certain property, plant and equipment and right-of-use assets with carrying amounts (before impairment) of HK$235,030,000 (2020: HK$161,780,000) and HK$15,768,000 (2020: HK$18,152,000), respectively.

For the year ended 31 December 2021, the Group estimates the recoverable amounts of the individual assets based on higher of fair value less costs of disposal and value in use. The carrying amount of the relevant assets does not exceed the recoverable amount based on fair value less costs of disposal categorised under level 3 fair value hierarchy and no impairment has been recognised. The recoverable amounts of individual assets are calculated based on market approach and replacement cost approach.

For the year ended 31 December 2020, the recoverable amount of the relevant assets has been determined on the basis of their value in use and fair value less cost to disposal. That value in used calculation uses cash flow projections based on financial budgets approved by the directors covering a five year period with a pre-tax discount rate is 9.4%. The annual growth rate after a five year period used is 3%. The assumptions of annual revenue growth rates are determined based on expectation for the market development and is not expected to exceed the average long-term growth rate for the manufacturing printed circuit board industry. Another key assumption for the value in use calculated is the budgeted gross profit and operating expenses, which is determined based on the recent performance. Based on the result of the unexpected poor performance of the assessment, management of the Group determined that the recoverable amount is lower than the carrying amount. Based on the result of assessments, an impairment of HK$Nil and HK$1,769,000 (note 16) has been recognised against the carrying amount of property, plant and equipment and right-of-use assets respectively.

The Group's buildings were valued on 31 December 2021 and 2020 by Roma Appraisals Limited, an independent qualified professional valuer not connected with the Group.

If buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of HK$76,627,000 (2020: HK$79,285,000).

The Group has pledged buildings having carrying amounts of HK$128,262,000 (2020: HK$129,143,000), to secure general banking facilities granted to the Group.

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Details of the Group's buildings and information about the fair value hierarchy as at 31 December 2021 and 2020 are as follows:

	Carrying value of buildings		Fair value hierarchy	Valuation technique(s) and significant unobservable inputs	Relationship of unobservable inputs to fair value
	2021	2020			
	HK$'000	HK$'000			
Industrial properties in the PRC	**128,262**	129,143	Level 3	Direct comparison method – based on price per square foot, using market observable comparable prices of similar properties ranging from HK$3,216 to HK$3,624 (2020: HK$3,003 to HK$3,250) per sq.ft, and adjusted taking into account of locations and other individual factors such as floor level, building age, size and conditions of the properties.	The higher the price per square feet, the higher the fair value.

There were no transfers into or out of level 3 during the year.

16. RIGHT-OF-USE ASSETS

The Group's right-of-use assets comprise:

	Land use rights in the PRC under medium-term leases	Property leases	Total
	HK$'000	HK$'000	HK$'000
As at 31 December 2021			
Carrying amount	15,768	–	15,768
As at 31 December 2020			
Carrying amount	16,383	–	16,383
For the year ended 31 December 2021			
Depreciation charge	615	–	615
For the year ended 31 December 2020			
Depreciation charge	615	1,084	1,699
Impairment loss	–	1,769	1,769

The right-of-use assets are charged to profit or loss over the respective term of the lease on a straight-line basis.

During the year, the Group leases property for own use. Lease contracts are entered into for fixed term of three years. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

As at 31 December 2021, the Group has pledged the land use rights of carrying amount of HK$15,768,000 (2020: HK$16,383,000) to secure general banking facilities granted to the Group.

17. INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials	21,760	14,462
Work in progress	10,887	6,509
Finished goods	16,744	16,593
	49,391	37,564

18. TRADE AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables with normal credit terms	171,887	176,536
Less: Allowance for ECL	(85,183)	(86,019)
	86,704	90,517
Trade receivables with extended credit terms	52,320	58,208
Less: Allowance for ECL	(5,901)	(5,812)
	46,419	52,396
Total trade receivables, net of allowance for doubtful debts	133,123	142,913
Less: Non-current portion of trade receivables with extended credit terms	–	(4,855)
Current portion of trade receivables	133,123	138,058
Advances to suppliers	3,668	9,337
Value-added tax recoverable	1,066	4,873
	4,734	14,210
Other receivables	43,197	85,805
	47,931	100,015
Trade and other receivables shown under current assets	181,054	238,073

18. TRADE AND OTHER RECEIVABLES *(continued)*

The Group generally allows an average credit period of 30 days to 180 days to its trade on PCB customers and tradings of towers and electric cable customers with normal credit terms and credit period ranging from one year to ten years to its trade on LED lighting customers with extended credit terms which is based on the contractual repayment schedule. The following is an aging analysis of trade receivables with normal credit terms and trade receivables with extended credit terms, net of allowance for ECL respectively, presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	Extended credit terms		Normal credit terms		Total	
	2021	2020	**2021**	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
0 – 30 days	**–**	–	**26,520**	28,241	**26,520**	28,241
31 – 60 days	**–**	–	**18,317**	19,982	**18,317**	19,982
61 – 90 days	**–**	–	**12,652**	10,267	**12,652**	10,267
91 – 180 days	**–**	–	**20,908**	23,665	**20,908**	23,665
Over 180 days	**46,419**	52,396	**8,307**	8,362	**54,726**	60,758
	46,419	52,396	**86,704**	90,517	**133,123**	142,913

18. TRADE AND OTHER RECEIVABLES *(continued)*

Note:

i. Movement in allowance for lifetime ECL that has been recognised for trade receivables with normal credit terms in accordance with the simplified approach set out in HKFRS 9 for the years ended 31 December 2021 and 2020.

	HK$'000
Balance as at 1 January 2020	87,187
Reversal of allowance for ECL	(1,168)
Balance as at 31 December 2020 and 1 January 2021	86,019
Reversal of allowance for ECL	(836)
Balance as at 31 December 2021	85,183

ii. Trade Receivables with Extended Credit Terms

At 31 December 2021, the balances represent the carrying amounts of trade receivables with extended credit terms of HK$46,419,000 (2020: HK$52,396,000) resulting from the sales of LED lighting products to external customers ("**LED Receivables**") which will mostly be settled by instalments ranging from one to ten years pursuant to the supply contracts. The fair value of the considerations recognised is determined using an imputed rate of interest.

At the end of the reporting period, the Group has LED Receivables which fall due as follows:

	2021 **HK$'000**	2020 HK$'000
Within one year	**46,419**	47,541
In the second to fifth year inclusive	**–**	4,855
	46,419	52,396

Included in the trade receivables with extended credit terms are balances of HK$21,583,000 (2020: HK$23,776,000) receivable from certain government authorities in the PRC.

18. TRADE AND OTHER RECEIVABLES *(continued)*

Notes: *(continued)*

ii. **Trade Receivables with Extended Credit Terms** *(continued)*

Movement in allowance for lifetime ECL that has been recognised for trade receivables with extended credit terms in accordance with the simplified approach set out in HKFRS 9 Financial Instruments for the year ended 31 December 2021 and 2020.

	HK$'000
Balance as at 1 January 2020	11,356
Reversal of allowance for ECL	(5,544)
Balance as at 31 December 2020 and 1 January 2021	5,812
Provision for allowance for ECL	89
Balance as at 31 December 2021	5,901

iii. **Other receivables**

Movement in allowance for ECL that has been recognised for other receivables in accordance with the general approach set out in HKFRS 9 Financial Instruments for the year ended 31 December 2021 and 2020.

	HK$'000
Balance as at 1 January 2020	25,808
Provision for allowance for ECL	27,965
Balance as at 31 December 2020 and 1 January 2021	53,773
Reversal of allowance for ECL	(2,986)
Balance as at 31 December 2021	50,787

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

	2021 **HK$'000**	2020 HK$'000
United States dollars ("**US$**")	**40,390**	30,475
Renminbi ("**RMB**")	**76,872**	96,382
	117,262	126,857

19. PLEDGED BANK DEPOSITS/BANK BALANCES, DEPOSITS AND CASH

As at 31 December 2021, the pledged bank deposits comprise deposits for the issue of bills payable. The pledged bank deposits are classified as current assets because the bills payable being secured are due within one year.

Pledged bank deposits and bank balances and deposits with original maturity less than three months carry interest at market interest rates ranging from 0.01% to 0.3% (2020: 0.01% to 0.3%) per annum.

The pledged bank deposits and bank balances, deposits and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2021	2020
	HK$'000	HK$'000
US$	**1,446**	2,049
RMB	**58,658**	54,555
HK$	–	4
	60,104	56,608

Included in the pledged bank deposits and bank balances, deposits and cash were amounts in RMB of approximately HK$66,659,000 (2020: HK$54,555,000) which were not freely convertible into other currencies.

As at 31 December 2021. there were bank balances of approximately HK$4,539,000 (2020: HK$8,868,000) freezed due to litigation. Please refer to Note 36 for details.

20. TRADE, BILLS AND OTHER PAYABLES

(a) Trade and Other Payables

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

	2021 HK$'000	2020 HK$'000
0 – 30 days	**10,990**	9,541
31 – 60 days	**4,460**	9,741
61 – 90 days	**13,101**	9,730
91 – 180 days	**10,106**	14,782
Over 180 days	**61,136**	57,749
Total trade payables	**99,793**	101,543
Other payables (Note)	**23,900**	33,364
Accrued salaries and other accrued charges	**14,361**	17,613
	138,054	152,520

The credit period on purchases of goods ranged from 90 days to 120 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Note: As at 31 December 2021, the Group's other payables included unsecured loans from independent third parties in the amount of approximately HK$3,571,000 (2020: HK$1,786,000), carrying interest at the rate of 18% (2020: 18%) and repayable within one year. During the year ended 31 December 2021, HK$324,000 (2020: HK$521,000) interests were paid and recognised in the finance cost of consolidated statement of profit or loss.

(b) Bills Payables

The bills payables are non-interest-bearing and are normally settled on credit terms ranging from 180 to 365 days.

The aged analysis of bills payables based on issue date of the bill at the end of the reporting period is as follows:

	2021 HK$'000	2020 HK$'000
0 – 30 days	**15,635**	33,703
31 – 60 days	**–**	5,800
61 – 90 days	**–**	2,928
91 – 180 days	**37,113**	28,088
Over 180 days	**106,328**	46,717
	159,076	117,236

20. TRADE, BILLS AND OTHER PAYABLES *(continued)*

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

	2021 **HK$'000**	2020 HK$'000
US$	**154**	4,232
RMB	**280,714**	230,035
	280,868	234,267

21. CONTRACT LIABILITIES

	2021 **HK$'000**	2020 HK$'000
Receipts in advance of sales of goods	**11,377**	13,938

When the Group receive a deposit before the sales activity commences, this will give rise to contract liabilities.

The balance of contract liabilities is expected to be settled within the year.

	Total HK$'000
Balance at 1 January 2020	10,825
Decrease in contract liabilities as a result of recognising revenues during the year that was included in the contract liabilities at the beginning of the year	(10,825)
Increase in contract liabilities excluding amount recognised as revenue during the year	13,938
Balance at 31 December 2020 and 1 January 2021	13,938
Decrease in contract liabilities as a result of recognising revenues during the year that was included in the contract liabilities at the beginning of the year	(13,938)
Increase in contract liabilities excluding amount recognised as revenue during the year	11,377
Balance at 31 December 2021	11,377

22. BANK BORROWINGS

	2021 HK$'000	2020 HK$'000
Secured – Fixed-rate borrowings	**156,310**	154,762
Carrying amounts repayable within one year based on scheduled payment dates set out in the loan agreements	**156,310**	–
Carrying amounts not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**–**	154,762
	156,310	154,762
Less: Classification as current liabilities	**(156,310)**	(154,762)
Amounts shown under non-current liabilities	**–**	–
The carrying amount of bank borrowings that contain a repayment on demand clause (shown under current liabilities), but repayable:		
– within a period of more than two year but not exceeding five years	**–**	154,762

As at 31 December 2021 and 2020, the bank borrowings were secured by assets of the Group which was disclosed in Note 31, corporate guaranteed by the Company and its subsidiaries.

The above bank borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2021 HK$'000	2020 HK$'000
RMB	**156,310**	154,762

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

	2021	2020
Effective interest rates:		
Fixed-rate borrowings	**5.30% to 5.35%**	4.85% to 5.30%

23. LEASE LIABILITIES

The Group's lease liabilities arise from the lease of properties of 3 years. Interest rate underlying for the lease was 6.97% per annum.

At 31 December 2021 and 2020, the Group had lease liabilities repayable as follows:

	2021		2020	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	HK$'000	HK$'000	HK$'000	HK$'000
Within 1 year	685	700	1,113	1,200
After 1 year but within 2 years	–	–	685	700
	685	700	1,798	1,900
Less: total future interest expenses		(15)		(102)
Present value of lease liabilities		685		1,798
Presented as:				
Non-current		–		685
Current		685		1,113
		685		1,798

24. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2021 HK$'000	2020 HK$'000
Deferred tax liabilities	**(18,177)**	(17,733)

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior years.

	Revaluation of properties HK$'000	Undistributable profits of PRC subsidiaries HK$'000	Total HK$'000
At 1 January 2020	(12,456)	(400)	(12,856)
Credited to other comprehensive income	(4,877)	–	(4,877)
At 31 December 2020 and 1 January 2021	(17,333)	(400)	(17,733)
Credited to other comprehensive income	(444)	–	(444)
At 31 December 2021	(17,777)	(400)	(18,177)

At 31 December 2021, the Group has unused tax losses of HK$119,304,000 (2020: HK$113,160,000) available for offset against future assessable profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

25. SHARE CAPITAL

	Number of shares		Amount	
	2021	2020	**2021**	2020
	Number	Number		
	'000	'000	**HK$'000**	HK$'000
Authorised:				
Ordinary of shares of HK$0.10 each				
At 1 January and 31 December	**12,000,000**	12,000,000	**1,200,000**	1,200,000
Issued and full paid:				
Ordinary shares of HK$0.10 each				
At 1 January	**2,718,237**	2,718,237	**271,824**	271,824
Exercise of share option (Note)	**71,000**	–	**7,100**	–
At 31 December	**2,789,237**	2,718,237	**278,924**	271,824

Note: During the year ended 31 December 2021, 71,000,000 share options were exercised and as a result of which 71,000,000 ordinary shares were issued. Approximately HK$7,100,000 and HK$834,000 were recorded as share capital and share premium, respectively.

26. RESERVES

(a) PRC Statutory Reserve

As stipulated by the relevant PRC laws and regulations, certain subsidiaries of the Company in the PRC shall set aside certain percent of their net profit after taxation prepared in accordance with generally accepted accounting policies in the PRC for the PRC statutory reserve (except where the reserve balance has reached 50% of the paid-up capital of the respective enterprises). The reserve can only be used, upon approval by the board of directors of respective enterprises and by relevant authority, to offset accumulated losses or increase capital.

(b) Special Reserve

The special reserve represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of subsidiaries acquired pursuant to the group reorganisation.

(c) Capital Contribution Reserve

The capital contribution reserve represents a fair value adjustment on non-current interest-free loan from a shareholder.

(d) Capital Redemption Reserve

The capital redemption reserve represents the aggregate par value of shares which have been repurchased and cancelled.

(e) Distributable Reserve

The Company has no distributable reserve available to shareholders at 31 December 2021 (2020: HK$Nil).

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank borrowings	Other borrowings (Included in other payables)	Lease liabilities	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2020	144,444	15,866	2,837	163,147
Accrued interest	11,626	521	161	12,308
Interest paid	(11,626)	(521)	–	(12,147)
Financing cash inflows	238,096	–	–	238,096
Financing cash outflows	(227,778)	(14,080)	(1,200)	(243,058)
At 31 December 2020 and 1 January 2021	154,762	1,786	1,798	158,346
Accrued interest	**11,514**	**324**	**87**	**11,925**
Interest paid	**(11,514)**	**(324)**	**–**	**(11,838)**
Financing cash inflows	**156,310**	**3,571**	**–**	**159,881**
Financing cash outflows	**(154,762)**	**(1,786)**	**(1,200)**	**(157,748)**
At 31 December 2021	**156,310**	**3,571**	**685**	**160,566**

28. SHARE OPTION SCHEME

Old Share Option Scheme

The share option scheme of the Company which was adopted on 5 June 2006 (the "**Old Share Option Scheme**") had a life span of ten years and expired on 4 June 2016. Upon expiry of the Old Share Option Scheme, no further share option should be granted under the expired scheme but in all other respects the rules of the Old Share Option Scheme remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted prior thereto or otherwise as may be required in accordance with the rules of the Old Share Option Scheme, and share options which were granted prior to the termination or expiry of the Old Share Option Scheme will continue to be valid and exercisable in accordance with the rules of the Old Share Option Scheme and their terms of issue.

As disclosed by the Company on 22 July 2016 and 20 December 2017, as a result of the completion of the open offer and rights issue on 25 July 2016 and 20 December 2017, respectively, the exercise price of the share options and the number of Shares to be allotted and issued upon the exercise of the share options granted under the Old Share Option Scheme were adjusted. Following the adjustment, the number of Shares issuable on exercise of the outstanding options under the Old Share Option Scheme became 22,794,654 Shares, representing 0.74% of the issued share capital of the Company on the date of this report.

New Share Option Scheme

Following the expiry of the Old Share Option Scheme, the Company adopted a new share option scheme at its extraordinary general meeting held on 19 August 2016 (the "**New Share Option Scheme**") with a life span of ten years. Under the terms of the New Share Option Scheme, the Board may, at its discretion, grant options to eligible participants to subscribe for Shares.

The New Share Option Scheme had a life span of ten years running from 19 August 2016 to 18 August 2026. Under the terms of the New Share Option Scheme, the Board may, at its discretion, grant options to Eligible Participants to subscribe for Shares. Initially, the maximum number of Shares which may be issued upon the exercise of all options to be granted under the New Share Option Scheme (the "**Scheme Mandate Limit**") was 90,225,766 Shares, being 10% of the Shares in issue as at the date of approval of the New Share Option Scheme on 19 August 2016. The maximum entitlement of each Eligible Participant in any 12-month period must not exceed 1% of the shares in issue, provided that the maximum entitlement for any grantee being a substantial shareholder or an independent non-executive director or their associates shall be capped at 0.1% of the shares in issue (or HK$5 million in value based on the closing price of the shares underlying the options, whichever is higher). Any grant exceeding these individual limits shall be subject to shareholders' approval, with the relevant grantees and their associates abstaining from voting. The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time.

28. SHARE OPTION SCHEME *(continued)*

New Share Option Scheme *(continued)*

Unless otherwise determined by the Directors at their sole discretion, there is no requirement of a minimum period for which an Option must be held or any performance target which must be satisfied or achieved before such an Option can be exercised. An Option shall be exercisable at any time during an exercise period to be notified by the Board to each grantee, provided that no Option shall be exercisable later than ten years after its date of grant. The subscription price of the options must be at least the highest of: (a) the closing price of a Share as stated in the daily quotations sheet of the Stock Exchange on the date of grant which must be a business day; (b) the average of the closing prices of the Shares as shown on the daily quotations sheets of the Stock Exchange for the five Business Days immediately preceding the date of grant; and (c) the nominal value of a Share. HK$1.00 is payable by each Eligible Participant to the Company on acceptance of an offer of an Option, which shall be paid within 21 days from the date of offer.

On 8 October 2019, the Company granted 220,000,000 share options under the New Share Option Scheme (the "**2019 Options**") to eligible participants at an exercise price of HK$0.10 per share, amongst which 1,000,000 options lapsed before the beginning of 2021. During the year 2021, 71,000,000 Shares were issued on the exercise of the 2019 Options and 148,000,000 options were lapsed. As at the date of this report, no 2019 Options were outstanding.

At the annual general meeting of the Company held on 22 June 2020, the Scheme Mandate Limit was refreshed to allow the Company to grant up to the maximum of 271,823,697 Options, representing 10% of the Shares in issue on the date of approval of the refreshment. No Options were granted by the Company since then, and the number of Options available for grant remains at 271,823,697.

28. SHARE OPTION SCHEME *(continued)*

New Share Option Scheme *(continued)*

	Date of grant	Exercise price since 20 December 2017	At 1 January 2020 '000	Granted during the Year '000	Reclassified during the Year '000	Exercised during the Year '000	Lapsed/ Expired during the Year '000	At 31 December 2020 '000	Granted during the year '000	Reclassified during the year '000	Exercise during the year '000	Lapsed/ Expired during the year '000	At 31 December 2021 '000	
Directors	8 October 2019	0.100	11,000	–	–	–	(1,000)	10,000	–	–	–	(10,000)	–	(Note 4)
Consultants	29 November 2010	2.316	1,903	–	–	–	(1,903)	–	–	–	–	–	–	(Note 1)
	22 October 2014	0.854	15,870	–	–	–	–	15,870	–	–	–	–	15,870	(Note 3)
	8 October 2019	0.100	22,000	–	–	–	–	22,000	–	–	(18,000)	(4,000)	–	(Note 4)
Subtotal			39,773	–	–	–	(1,903)	37,870	–	–	(18,000)	(4,000)	15,870	
Employees	2 September 2011	1.440	6,295	–	–	–	–	6,295	–	–	–	(6,295)	–	(Note 2)
	22 October 2014	0.854	6,924	–	–	–	–	6,924	–	–	–	–	6,924	(Note 3)
	8 October 2019	0.100	187,000	–	–	–	–	187,000	–	–	(53,000)	(134,000)	–	(Note 4)
Subtotal			200,219	–	–	–	–	200,219	–	–	(53,000)	(140,295)	6,924	
Total			250,992	–	–	–	(2,903)	248,089	–	–	(71,000)	(154,295)	22,794	
Exercisable at the end of the year			140,992					138,589					22,794	
Weighted average exercise price			0.22					0.16					0.854	

Note 1: These options have vested (i) as to 30% on the date of grant of 29 November 2010; (ii) as to further 30% one year after the date of grant; and (iii) as to the remaining 40% two years after the date of grant. These options will expire on the 10th anniversary after the date of grant. As disclosed in the Company's announcement dated 20 December 2017, the exercise price of this series of options were adjusted from HK$2.807 (before 20 December 2017) to HK$2.316 (after 20 December 2017) as a result of the Company's one-for-one rights issue in 2017.

Note 2: These options have vested (i) as to 25% on 2 March 2012 (i.e. six months after the date of grant); (ii) as to further 25% on 2 March 2013; (iii) as to further 25% on 2 March 2014; and (iv) as to the remaining 25% on 2 March 2015. These options will expire on the 10th anniversary after the date of grant, i.e. on 2 September 2021. As disclosed in the Company's announcement dated 20 December 2017, the exercise price of this series of options were adjusted from HK$1.747 (before 20 December 2017) to HK$1.440 (after 20 December 2017) as a result of the Company's one-for-one rights issue in 2017.

Note 3: Options are exercisable on or after the date of grant of 22 October 2014. These options will expire on the 10th anniversary after the date of grant. As disclosed in the Company's announcement dated 20 December 2017, the exercise price of this series of options were adjusted from HK$1.035 (before 20 December 2017) to HK$0.854 (after 20 December 2017) as a result of the Company's one-for-one rights issue in 2017.

Note 4: These options have vested (i) as to 50% from 8 October 2019; and (ii) as to further 50% from 1 January 2021. These options have expired on 31 December 2021.

28. SHARE OPTION SCHEME *(continued)*

The Group recognised a share-based payment of HK$1,065,000 during the year ended 31 December 2020.

The fair value of equity-settled share options during the year was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2019 Grant date 8-10-2019
Exercise price of share option (HK$ per share option)	0.10
Dividend yield (%)	–
Expected volatility (%)	85
Risk-free interest rate (%)	1.61
Expected life of options (years)	2.4
Weighted average share price (HK$ per share)	0.045
Fair value of share option (HK$ per share option)	0.012

The expected life of the options is based on the historical exercising record and is not necessarily indicative of the exercise patterns that may occur. The volatility was referenced to the annualised volatility of the historical share prices of the Company with similar tenor as the life of the option, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

29. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes the bank borrowings disclosed in Note 22, and equity attributable to owners of the Company as disclosed in the consolidated statement of changes in equity.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, issue of new shares and share buy-back as well as the issue of new debt or the redemption of existing debt.

30. FINANCIAL INSTRUMENTS

(a) Categories of Financial Instruments

	2021 HK$'000	2020 HK$'000
Financial assets		
Amortised cost (including cash and cash equivalents)	**246,995**	295,603
Financial liabilities		
Amortised cost	**454,125**	426,316

(b) Financial Risk Management Objectives and Policies

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

Market risk

(i) Currency risk

The Group operates in Hong Kong and the PRC with most of the transactions denominated and settled in US$, HK$ and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The management do not expect the net foreign currency risk from these activities to be significant and hence; the Group do not precriting hedge the foreign exchange risks. The Group periodically review liquid assets and liabilities held in currencies other than the functional currencies of the respective subsidiaries to evaluate its foreign exchange risk, exposure and with consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the monetary assets and liabilities that are denominated in currencies other than the functional currencies of the relevant group entities at the reporting date are as follows:

	2021 HK$'000	2020 HK$'000
Assets		
US$	**41,836**	32,524
RMB	**135,530**	150,937
Liabilities		
US$	**154**	4,232
RMB	**437,024**	384,797

30. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial Risk Management Objectives and Policies *(continued)*

Market risk *(continued)*

(i) Currency risk (continued)

Sensitivity analysis
The Group's currency risk is mainly concentrated on the fluctuation of US$ and RMB.

Since HK$ is pegged to US$, the Group does not expect any significant movement in US$/HK$ exchange rate. If the HK$ weakened by 2% (2020: 2%) against RMB, the Group's loss for the year ended 31 December 2021 would increase by HK$4,522,000 (2020: increase by HK$3,508,000). If the HK$ strengthened by 2% (2020: 2%) against RMB, there would be an equal and opposite impact on the loss for the year. No sensitivity analysis for HK$ against US$ is presented as management considered that it is not significant. Management will monitor foreign exchange exposure to mitigate the foreign currency risk.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and interest bearing other borrowings (see Notes 20 and 22 for details of these borrowings).

The Group is also exposed to cash flow interest rate risk in relation to its bank balances (see Note 19 for details) and its fixed-rate bank borrowings and other borrowing (see Notes 20 and 22 for details of these borrowings). The Group currently does not have any interest rate hedging policy. Management will also consider hedging significant interest rate exposure should the needs arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances. The Group considered interest rate risk on bank balances is insignificant.

30. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial Risk Management Objectives and Policies *(continued)*

Credit risk

As at 31 December 2021, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has concentration of credit risk on certain major customers of the electronics industry. At the end of the reporting period, the five largest receivable balances accounted for approximately 36% (2020: 26%) of the trade receivables with normal credit terms and the largest trade receivable attributable to the Group's trade receivables with normal credit terms was approximately 23% (2020: 10%). The major customers are located in Hong Kong ("**HK**") and the PRC and are mainly engaged in the manufacturing and trading of consumer electronics. The five largest customers under normal credit terms have continuous repayment history and credit quality with reference to the track records of these customers under internal assessment by the Group.

The Group also has concentration of credit risk on certain major customers of the LED lighting industry. At the end of the reporting period, the five largest receivable balances accounted for approximately 58% (2020: 70%) of the trade receivables with extended credit terms and the largest trade receivable attributable to the Group's trade receivables with extended credit terms was approximately 19% (2020: 26%). The major customers are located in the PRC including certain government authorities in the PRC and corporations which are mainly engaged in the construction industry. The trade receivables from certain government authorities in the PRC accounted for approximately 46% (2020: 45%) of the trade receivables with extended credit terms.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

30. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial Risk Management Objectives and Policies *(continued)*

Credit risk *(continued)*

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9 *Financial Instruments*, which permits the use of the lifetime ECL provision for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL. It considers available reasonable and supportive forwarding-looking information.

	0 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	Over 180 days	Total
As at 31 December, 2021						
ECL rate	**0.10%**	**0.14%**	**0.52%**	**1.63%**	**62.35%**	
Gross carrying amount (HK$'000)	**26,546**	**18,343**	**12,718**	**21,255**	**145,345**	**224,207**
Lifetime ECL (HK$'000)	**(26)**	**(26)**	**(66)**	**(347)**	**(90,619)**	**(91,084)**
	26,520	**18,317**	**12,652**	**20,908**	**54,726**	**133,123**

	0 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	Over 180 days	Total
As at 31 December, 2020						
ECL rate	0.09%	0.13%	0.68%	1.09%	60.08%	
Gross carrying amount (HK$'000)	28,266	20,006	10,331	23,925	152,216	234,744
Lifetime ECL (HK$'000)	(25)	(26)	(70)	(260)	(91,450)	(91,831)
	28,241	19,980	10,261	23,665	60,766	142,913

As at 31 December 2021, trade receivables that are individually significant have been separately assessed for impairment. The Group makes periodic assessments on the recoverability of the receivables based on the background and reputation of the customers, historical settlement records and past experience.

30. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial Risk Management Objectives and Policies *(continued)*

Credit risk *(continued)*

Other receivables

	As at 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Other receivables, gross	49,477	–	44,507	93,984
Less: Allowance for ECL	(6,280)	–	(44,507)	(50,787)
Other receivables, net	43,197	–	–	43,197

	As at 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
	HKS'000	HKS'000	HKS'000	HKS'000
Other receivables, gross	97,221	–	42,357	139,578
Less: Allowance for ECL	(11,416)	–	(42,357)	(53,773)
Other receivables, net	85,805	–	–	85,805

Movements for ECL of other receivables are as follows:

	Stage 1	Stage 2	Stage 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2020	5,249	20,559	–	25,808
Provision of allowance for ECL	6,167	–	21,798	27,965
Transfer of stages	–	(20,559)	20,559	–
As at 31 December 2020 and 1 January 2021	11,416	–	42,357	53,773
Reversal of allowance for ECL	(2,986)	–	–	(2,986)
Transfer of stages	(2,150)	–	2,150	–
As at 31 December 2021	6,280	–	44,507	50,787

30. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial Risk Management Objectives and Policies *(continued)*

Credit risk *(continued)*

Other receivables (continued)

Other receivables are categorised into the following stages by the Group:

Stage 1

Other receivables have not experienced a significant increase in credit risk since origination and impairment recognised on the basis of 12 months ECL (12-month ECLs).

Stage 2

Other receivables to customers have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime ECL (Lifetime ECLs non credit-impaired).

Stage 3

Other receivables that are in default and considered credit impaired (Lifetime ECLs credit-impaired).

In assessing whether the credit risk of other receivables has increased significantly since initial recognition, the Group compares the risk of default occurring on the other receivables 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 past due for more than 90 days. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- an actual or expected significant deterioration in other receivables's external or internal credit rating (if available);
- 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; and
- the financial asset is past due.

30. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial Risk Management Objectives and Policies *(continued)*

Credit risk *(continued)*

Pledged bank deposits and bank balances, deposits and cash

The credit risk on pledged bank deposits and bank balances, deposits and cash are limited because the majority of the counterparties are bank with high credit-ratings assigned by International credit-ratio agencies. The Group has no other significant concentration of credit risk.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group has net current liabilities of HK$232,129,000 as at 31 December 2021 (2020: HK$164,149,000).

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both principal and interest cash outflows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	Weighted average effective interest rate %	Within 1 year or on demand HK$'000	1–2 years HK$'000	2–3 years HK$'000	Over 3 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
2021							
Non-derivative financial liabilities							
Trade and other payables	18.0	138,697	–	–	–	138,697	138,054
Bills payables	–	159,076	–	–	–	159,076	159,076
Lease liabilities	6.97	700	–	–	–	700	685
Bank borrowings			–	–	–		
– fixed-rate	5.33	164,641	–	–	–	164,641	156,310
		463,114	–	–	–	463,114	454,125

30. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial Risk Management Objectives and Policies *(continued)*

Liquidity risk *(continued)*

	Weighted average effective interest rate %	Within 1 year or on demand HK$'000	1–2 years HK$'000	2–3 years HK$'000	Over 3 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
2020							
Non-derivative financial liabilities							
Trade and other payables	18.0	154,627	–	–	–	154,627	152,520
Bills payables	–	117,236	–	–	–	117,236	117,236
Lease liabilities	6.97	1,200	700	–	–	1,900	1,798
Bank borrowings							
– fixed-rate	5.06	154,762	–	–	–	154,762	154,762
		427,825	700	–	–	428,525	426,316

Bank borrowings with a repayment on demand clause are included in the "on demand" time band in the above maturity analysis. As at 31 December 2021, the aggregate carrying amounts of these bank borrowings amounted to HK$156,310,000 (2020: HK$154,762,000). Taking into account the Group's financial position, the management does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management believes that such bank borrowings will be repaid two years after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

Maturity Analysis – Bank loans with a repayment on demand clause based on scheduled repayments

	Within 1 year HK'000	**1-2 years** HK'000	**2-3 years** HK'000	**Over 3 years** HK'000	**Total undiscounted cash outflows** HK'000	**Carrying amount** HK'000
31 December 2021	164,641	–	–	–	164,641	156,310
31 December 2020	–	–	179,464	–	179,464	154,762

30. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair Value

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

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

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

31. PLEDGE OF ASSETS

At the respective end of the reporting periods, the following assets were pledged to secure bank borrowings and bills payables to secure general banking facilities granted to the Group:

	2021 **HK$'000**	2020 HK$'000
Buildings	**128,262**	129,143
Pledged bank deposits	**50,775**	41,771
Right-of-use assets	**15,768**	16,383
	194,805	187,297

32. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "**MPF Scheme**") for all qualifying employees in Hong Kong. The MPF Scheme is a registered scheme under the MPF Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employers and their employees are each required to make contributions to the MPF Scheme at a rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees and capped at HK$1,500 per month.

The retirement benefit scheme contributions arising from the MPF Scheme charged to profit or loss represent contributions payable to the funds by the Group at rates specified in the rules of the MPF Scheme.

The employees employed by the entities in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC entities are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes operated by the PRC government is to make the specific contributions under the schemes.

As at 31 December 2021 and 2020, no forfeited contribution is available to reduce the contribution payable in the future years.

33. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in this annual report, the Group entered the following material related party transactions:

Related Party Transactions

Compensation of key management personnel

The remuneration of key management for the Group (representing directors and the chief executive officer) during the year are set out as follows:

	2021 **HK$'000**	2020 HK$'000
Short-term benefits	**3,067**	2,777
Post-employment benefits	**50**	66
Share-based payments	**–**	55
	3,117	2,898

34. CAPITAL COMMITMENTS

As at 31 December 2021, the Group had capital commitment of approximately HK$28,907,000 (2020: HK$Nil) in respect of addition of property, plant and equipment contracted for but not provided in the consolidated financial statements.

35. SEGMENTAL INFORMATION

The Group determines its operating segment based on the reports reviewed by directors of the Company who are the chief operating decision maker ("**CODM**") for making strategic decisions. The Group is engaged in the manufacturing and trading of PCB and LED lighting and trading of towers and electric cable and the information reported to the CODM was analysed based on the three types of PCB, LED lighting and trading of towers and electric cable which represent the operating segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- Manufacturing and trading of Single-sided PCB ("**Single-sided PCB**")
- Manufacturing and trading of Double-sided PCB ("**Double-sided PCB**")
- Manufacturing and trading of Multi-layered PCB ("**Multi-layered PCB**")
- Manufacturing and trading of LED lighting
- Trading of tower and electric cable

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

35. SEGMENTAL INFORMATION *(continued)*

Segment Turnover and Results

The following is an analysis of the Group's turnover and results by reportable and operating segment.

	2021 **HK$'000**	2020 HK$'000
TURNOVER – external sales		
Single-sided PCB	**66,256**	59,420
Double-sided PCB	**229,513**	143,794
Multi-layered PCB	**69,786**	34,358
LED lighting	**9,820**	–
Tradings of tower and electric cable	**–**	–
Total	**375,375**	237,572
RESULTS		
Segment profit/(loss)		
– Single-sided PCB	**1,364**	(10,431)
– Double-sided PCB	**4,927**	(25,243)
– Multi-layered PCB	**1,436**	(6,032)
– LED lighting	**(379)**	(3,856)
– Trading of tower and electric cable	**(1,157)**	(21,938)
	6,191	(67,500)
Other income	**3,459**	10,064
Central administrative costs	**(4,374)**	(5,732)
Finance costs	**(11,925)**	(12,308)
Loss before tax	**(6,649)**	(75,476)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit/(loss) represents the profit/(loss) incurred by each segment after allocation of selling and administrative staff cost with reference to turnover and without allocation of certain other income, central administrative costs (mainly including audit fee, exchange loss and depreciation of property, plant and equipment for administrative purpose) and finance costs. This is the measure reported to the Group's CODM for the purposes of resource allocation and performance assessment.

35. SEGMENTAL INFORMATION *(continued)*

Other Segment Information

Amounts included in the measure of segment results:

	2021 HK$'000	2020 HK$'000
Depreciation		
– Single-sided PCB	**1,498**	2,562
– Double-sided PCB	**5,411**	6,199
– Multi-layered PCB	**1,577**	1,481
– LED lighting	**–**	–
– Trading of tower and electric cable	**–**	–
	8,486	10,242
– Unallocated	**227**	1,174
	8,713	11,416
(Reveral of)/provision of allowance for ECL on trade and other receivables		
– Single-sided PCB	**(699)**	1,239
– Double-sided PCB	**(2,492)**	2,999
– Multi-layered PCB	**(739)**	717
– LED lighting	**(167)**	(5,524)
– Trading of tower and electric cable	**364**	21,822
	(3,733)	21,253

35. SEGMENTAL INFORMATION *(continued)*

Geographical Information

Detailed below is information about the Group's turnover from external customers and information about its non-current assets (excluding trade receivables with extended credit terms), analysed by their geographical location: Group's operations are located in HK and the PRC.

	Turnover from external customers For the year ended 31 December		Non-current assets As at 31 December	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
Asia:				
HK	**25,872**	40,729	**907**	1,199
Taiwan	**211**	5,056	**–**	–
The PRC (other than HK and Taiwan)	**290,166**	145,168	**249,891**	176,964
Other Asian countries	**3,506**	–	**–**	–
Europe:				
Austria	**–**	3,831	**–**	–
Hungary	**10,212**	12,391	**–**	–
Turkiye (formerly known as Turkey)	**42,384**	26,687	**–**	–
France	**136**	964	**–**	–
Germany	**1,632**	1,235	**–**	–
Other European countries	**1,122**	1,109	**–**	–
Others	**134**	402	**–**	–
	375,375	237,572	**250,798**	178,163

The non-current assets excluded trade receivables with extended credit terms.

Information About Major Customers

No customer of the Group has individually contributed 10% or more of the Group during the year ended 31 December 2021 and no major customer is presented accordingly.

36. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY

	2021 HK$'000	2020 HK$'000
ASSETS		
Investments in subsidiaries	**85,878**	85,878
Bank balances and cash	**259**	454
	86,137	86,332
LIABILITIES		
Amounts due to subsidiaries	**80,985**	82,925
Other payables	**3,292**	3,044
	84,277	85,969
Net assets	**1,860**	363
CAPITAL AND RESERVES		
Share capital	**278,924**	271,824
Reserves (note)	**(277,064)**	(271,461)
	1,860	363

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

Lai Yu Bin
Non-Executive Director

Guo Jun Hao
Executive Director

36. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY *(continued)*

Note: Reserves of the Company:

	Share premium	Capital redemption	Share option reverse	Capital contribution reserve	Contributed surplus	Accumulated losses	Total reserve
At 1 January 2020	566,877	470	22,748	1,893	145,058	(993,975)	(256,929)
Loss and total comprehensive expense of the year	–	–	–	–	–	(11,178)	(11,178)
Share-based payment	–	–	1,065	–	–	–	1,065
Lapse/expiry of share option	–	–	(4,419)	–	–	–	(4,419)
At 31 December 2020 and 1 January 2021	566,877	470	19,394	1,893	145,058	(1,005,153)	(271,461)
Loss and total comprehensive expense of the year	–	–	–	–	–	(5,603)	(5,603)
Exercise of share option	834	–	(834)	–	–	–	–
Lapse/expiry of share option	–	–	(7,247)	–	–	7,247	–
At 31 December 2021	567,711	470	11,313	1,893	145,058	(1,003,509)	(277,064)

The contribution surplus of the Company represents the difference between the underlying net assets of Tat Chun Printed Circuit Board Company Limited and Tat Chun PCB International Company Limited acquired by the Company under the group reorganisation and the nominal amount of the ordinary shares issued by the Company in exchange thereof.

37. LITIGATION

(a) The Company was informed by its legal advisers that a writ of summons dated 10 May 2016 under Hong Kong High Court Action No. 1228/2016 (the "**Legal Action**") was filed by Mr. Li Jian Chao ("**Mr. Li**"), seeking to claim from the Company an alleged outstanding special bonus payment in the amount of HK$1,640,000. Mr. Li was formerly the chief executive officer and executive director of the Company before he resigned on 5 June 2015. On 12 July 2016, the Company filed a defence and counterclaim against Mr. Li (re-amended on 3 May 2018, the "**Counterclaim**"), whereby the Company denied (inter alia) that Mr. Li is entitled to the alleged amount and counterclaimed from Mr. Li (inter alia) a total sum of HK$5,240,000, being wrongful receipts by Mr. Li based on certain invalid resolutions purportedly passed by the Board between 31 December 2014 and 4 June 2015, and/or damages for breach of fiduciary duties by Mr. Li when he was a director of the Company between 1 September 2014 and 5 June 2015. The Company will continue to uphold its rights in the Legal Action and the Counterclaim. In the meantime, the Board considers that the Legal Action and the Counterclaim are unlikely to result in any material adverse effect to the Company's operations or financial position. Further details relating to the Legal Action and Counterclaim are more particularly set out in the Company's announcements dated 13 May 2016 and 14 July 2016.

The trial has heard by the Court in October 2021. The Company is waiting for the judgement to be handed down by the Court.

(b) During the Year, the Company's operating subsidiaries in the PRC were involved in various litigations as defendants due to disputes in ordinary businesses with suppliers, contractors and ex-employees, including: (a) claims in the total amounts of approximately RMB828,000 which were already settled subsequent to the end of the reporting period and the full amount of approximately RMB828,000 were recognised as trade and other payable in the consolidated statement of financial position as at 31 December 2021; and (b) claims in the total amounts of RMB4,024,000 which were still undergoing legal processes. As a prudent measure, full amount of RMB4,024,000 were recognised as trade and other payables as at 31 December 2021 in the consolidated statement of the financial position. The claims have been accompanied by asset-preservation orders imposed on bank accounts of our PRC subsidiaries for the total amounts of approximately HK$4,539,000, equivalent to approximately RMB3,767,000 as at 31 December 2021.

38. PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries are set out below:

Name of subsidiary	Place of Incorporation/ operation	Issued and fully paid share capital/ registered capital	Proportion of Nominal value of issued share capitally paid up capital held by the Company Directly 2021	Directly 2020	Indirectly 2021	Indirectly 2020	Principal activities
Tat Chun PCB International Company Limited 達進電路版國際有限公司	HK	Ordinary shares HK$10,000	**100%**	100%	**–**	–	Investment holding
Tat Chun Printed Circuit Board Company Limited 達進電路版有限公司	HK	Ordinary shares HK$600,000	**100%**	100%	**–**	–	Trading of printed circuit boards
TC Hong Kong Electric Company Limited 達進香港電子有限公司	HK	Ordinary shares HK$1	**100%**	100%	**–**	–	Trading of printed circuit boards
Zhongshan Tat Chun Printed Circuit Board Company Limited 中山市達進電子有限公司	The PRC (note i)	Registered capital HK$236,500,000	**–**	–	**100%**	100%	Manufacturing and trading of printed circuit boards
Guangdong Tat Chun 廣東達進電子科技有限公司	The PRC (notes ii & iii)	Registered capital HK$417,676,502 Paid up capital HK$265,008,609	**55.5%**	55.5%	**44.5%**	44.5%	Manufacturing and trading of printed circuit boards
達進東方照明 (深圳) 有限公司 ("TC Orient (SZ)")	The PRC (note ii)	Registered capital HK$113,827,000	**–**	–	**70%**	70%	Manufacturing and trading of LED lighting
達進東方能源管理 (啟東) 有限公司	The PRC (note i)	Registered capital HK$62,121,300	**–**	–	**100%**	100%	Trading of LED lighting
吳川榮森貿易有限公司 ("RS")	The PRC	Registered capital HK$595,000 Paid up capital HK$303,450	**–**	–	**51%**	51%	Trading of tower and electric cable

38. PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Notes:

(i) The companies are wholly foreign-owned enterprises established in the PRC.

(ii) The companies are sino-foreign equity joint ventures.

(iii) As at 31 December 2021, the Group had capital commitment in respect of capital not yet injected into a PRC subsidiary amounted to HK$146,474,761 (2020: HK$145,024,516).

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

The above table includes the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Details of Non-Wholly Owned Subsidiaries that have Material Non-Controlling Interests

Details of 達進東方照明（深圳）有限公司 ("**TC Orient (SZ)**") and 吳川榮森貿易有限公司 ("**RS**"), non-wholly owned subsidiary with material non-controlling interests, and other individually immaterial subsidiaries with non-controlling interests are set out below.

	2021 **HK$'000**	2020 HK$'000
Loss allocated to non-controlling interest of TC Orient (SZ) (note a)	**907**	1,026
Loss allocated to non-controlling interest of RS (note b)	**1,737**	21
Individually immaterial subsidiaries	**69**	78
	2,713	1,125
Accumulated non-controlling interests TC Orient (SZ) (note a)	**(8,621)**	(7,524)
Accumulated non-controlling interests of RS (note b)	**(31,172)**	(29,429)
Individually immaterial subsidiaries	**(19,556)**	(19,566)
	(59,349)	(56,519)

Summarised financial information in respect to TC Orient (SZ) and RS are set out below. The summarised financial information below represents the amounts before intra-group eliminations.

38. PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

(a) TC Orient (SZ)

	2021 HK$'000	2020 HK$'000
Current assets	**246,671**	249,268
Non-current assets	**71,564**	76,419
Current liabilities	**333,263**	337,060
Total equity	**(15,028)**	(11,373)
Revenue	**9,820**	–
Expenses	**(12,844)**	(3,420)
Loss for the year	**(3,024)**	(3,420)
Other comprehensive loss for the year	**(631)**	(1,946)
Total comprehensive loss for the year	**(3,655)**	(5,366)
Net cash outflow from operating activities	**(299)**	(413)
Net cash inflow from investing activities	**–**	–
Net cash outflow from financing activities	**–**	–
Net cash outflow	**(299)**	(413)

38. PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

(b) 吳川榮森貿易有限公司 ("RS")

	2021 HK$'000	2020 HK$'000
Current assets	**1,766**	2,708
Non-current assets	**–**	–
Current liabilities	**64,592**	61,977
Total equity	**(62,826)**	(59,269)
Revenue	**–**	–
Expenses	**(3,545)**	(43)
Loss for the year	**(3,545)**	(43)
Other comprehensive (loss)/income for the year	**(12)**	18
Total comprehensive loss for the year	**(3,557)**	(25)
Net cash outflow from operating activities	**(325)**	(127)
Net cash inflow from investing activities	**–**	–
Net cash inflow from financing activities	**–**	–
Net cash outflow	**(325)**	(127)

39. EVENT AFTER THE REPORTING PERIOD

(a) On 17 February 2022, the Company and the Subscribers entered into the Subscription Agreements pursuant to which the Company has conditionally agreed to allot and issue, and the Subscribers have agreed to subscribe for, an aggregate of 286,000,000 Subscription Shares at the Subscription Price of HK$0.10 per Subscription Share. The 286,000,000 Subscription Shares represent: (i) approximately 10.25% of the existing issued share capital of the Company; and (ii) approximately 9.30% of the issued share capital of the Company as enlarged by the issue of 286,000,000 Subscription Shares. The gross and net proceeds from the Subscriptions are expected to be approximately HK$28.6 million and HK$28.4 million, respectively. It is intended that the net proceeds from the Subscriptions will be used by the Company as to HK$24.4 million for the repayment of the Group's debts and liabilities when they fall due and as to HK$4 million for the Group's working capital (such as salaries, rental payments, professional fees and office overheads). The Subscriptions were completed on 3 March 2022.

(b) On 24 February 2022, the Board proposed to implement: (a) a share consolidation on the basis that every five issued and unissued Existing Shares of HK$0.10 each will be consolidated into one Consolidated Share of HK$0.50 each; and (b) the change of the board lot size from 2,000 Existing Shares to 10,000 Consolidated Shares upon the share consolidation becoming effective. The share consolidation has yet to be proposed for the consideration and, if thought fit, approval by the shareholders of the Company at an EGM to be convened in due course.

FINANCIAL SUMMARY

For the year ended 31 December 2021

RESULTS

	Year ended 31 December				
	2017	2018	2019	2020	**2021**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Turnover	559,443	340,415	274,477	237,572	**375,375**
Loss for the year	(98,458)	(133,768)	(120,572)	(75,476)	**(6,649)**

ASSETS AND LIABILITIES

	As at 31 December				
	2017	2018	2019	2020	**2021**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	894,955	667,532	520,308	525,540	**551,918**
Total liabilities	(598,748)	(530,867)	(462,798)	(525,089)	**(551,426)**
Total equity	296,207	136,665	57,510	451	**492**
Equity attributable to owners of the Company	302,727	175,981	114,146	56,970	**59,841**
Non-controlling interests	(6,520)	(39,316)	(56,636)	(56,519)	**(59,349)**
	296,207	136,665	57,510	451	**492**