太 睿 國 際 控 股 有 限 公 司

PacRay International Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 1010

ANNUAL REPORT

2021

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Duan Hongtao *(Chairman)* *Note 1*
Ms. Li Weina
Mr. Zhang Fumin *Note 2*
Ms. Liu Wenjia *Note 3*
Mr. Yang Lin *Note 4*
Mr. Xu Yinsheng *Note 5*
Ms. Lau Mei Ying *Note 6*
Mr. Leung Pok Man *Note 6*
Mr. Wang Yi *Note 8*

Non-Executive Director

Mr. Zhou Danqing *Note 5*

Independent Non-Executive Directors

Ms. Ching Ching
Mr. Song Donglin *Note 7*
Mr. Zhang Shengdong
Ms. Weng Yuzhen *Note 6*

BOARD COMMITTEES

Audit Committee

Ms. Ching Ching *(Chairman)*
Mr. Song Donglin *Note 7*
Mr. Zhang Shengdong
Ms. Weng Yuzhen *Note 6*

Nomination Committee

Mr. Song Donglin *(Chairman)* *Note 7*
Ms. Ching Ching
Mr. Zhang Shengdong
Ms. Weng Yuzhen *Note 6*

Remuneration Committee

Mr. Song Donglin *(Chairman)* *Note 7*
Ms. Ching Ching
Mr. Zhang Shengdong
Ms. Weng Yuzhen *Note 6*

Notes:

1. *Appointed on 16 April 2021 and resigned on 14 February 2022*
2. *Appointed on 16 April 2021*
3. *Appointed on 23 July 2021 and resigned on 17 December 2021*
4. *Resigned on 28 May 2021*
5. *Resigned on 30 September 2021*
6. *Resigned on 15 April 2021*
7. *Appointed on 15 April 2021*
8. *Appointed on 8 March 2022*

COMPANY SECRETARY
Mr. Chow Kin Wing

STOCK CODE
1010

WEBSITE
http://pacray.com.hk

AUDITOR
Zenith CPA Limited
Certified Public Accountants

LEGAL ADVISOR
Michael Li & Co.

PRINCIPAL BANKERS
Bank of Communications (Hong Kong) Limited
Dah Sing Bank, Limited

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
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50 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
4th Floor North Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

EXECUTIVE DIRECTORS

Mr. Duan Hongtao, aged 33, was appointed as the executive director of the Company on 16 April 2021, appointed as chairman of the Board of Directors on 10 May 2021 and resigned as executive director and chairman on 14 February 2022. He obtained a master's degree of engineering in software engineering from Jilin University. He served as (i) president of Zhongying Holding Group Limited* (中盈控股集團有限公司) from February 2014 to December 2015; (ii) chairman of Zhongying Holding Group Limited from January 2016 to September 2020; (iii) chairman of Zhongying Int'l Holding Group Limited ("**Zhongying Int'l**") from September 2020 to present; and (iv) a director of Bank of Huludao Co., Ltd (葫蘆島銀行股份有限公司) from May 2017 to September 2020. He has long been engaged in various businesses including finance, investment and trading, and has extensive experience in investment management and corporate development.

Mr. Duan holds 99% equity interest of Zhongying Int'l, which directly and indirectly holds 277,683,012 shares of the Company, representing 75% of the issued share capital of the Company.

Ms. Li Weina, aged 37, was appointed as the executive director of the Company on 14 August 2020. She joined the Group from July 2019, and is taking the role of a vice president in human resource and administration. She obtained a bachelor degree in Marketing in Huaqiao University* (華僑大學) in 2007. She was employed as an administration and human resource manager and secretary to chief officer in Zhongxin Fengyue (Dalian) Limited* (中信豐悅(大連)有限公司) from 2010 to 2014, and a manager of the board office and secretary to chief officer in Zhongying Holding Group Limited* (中盈控股集團有限公司) from 2014 to 2019. She has extensive experience in human resource and administration management.

Mr. Zhang Fumin, aged 50, was appointed as the executive director of the Company on 16 April 2021. He obtained a master's degree in business administration from Dalian Maritime University. He served as (i) director of the transaction centre at Dalian Branch of Bank of China from December 1994 to November 2002; (ii) president of Dalian Software Park sub-branch of Bank of China from November 2002 to June 2006; (iii) director of consumer loan department at Dalian High-tech Park sub-branch of Bank of China from June 2006 to July 2013; (iv) general manager of Dalian Zhongying Shipbuilding Co., Ltd. (大連中盈船業製造有限公司) from 2015 to March 2016; (v) general manager of Dalian Wanjin Investment Co., Ltd.* (大連萬錦投資有限公司) from March 2016 to November 2018; (vi) general manager of Liaoning Jinlong Super Yacht Manufacturing Co., Ltd.* (遼寧錦龍超級遊艇製造有限公司) from December 2018 to January 2020; (vii) employee of Zhongying Int'l, a controlling shareholder of the Company, from November 2020 to January 2021; and (viii) general manager of Dalian Zhongying Lianhai Yacht Management Limited (大連中盈聯海遊艇管理有限公司) from January 2021 to present. He has extensive experience in financial management, risk control and internal control.

Mr. Wang Yi, aged 60, was appointed as the executive director of the Company on 8 March 2022. He graduated in Nordic International College in Sweden with Master of Laws degree. He currently serves as the director in Beijing Love Oxygen Forest Technology Company Limited. He served as a consultant in the Company from June 2019 to February 2020 and has been serving as the director of China Foundation of Culture and Arts for Children since November 2016. Mr. Wang has also worked in different companies. He has been engaged in various businesses including finance and investment, and has extensive experience in investment management and corporate development.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Ching Ching, aged 42, was appointed as the independent non-executive director of the Company on 23 June 2020. She obtained a Bachelor of Science in Business Administration (Finance and Management Information System) in University of Arizona (USA) in 2001 and an Executive Master of Business Administration Certificate in Fudan University in 2014. She is a Fellow Member of both the Institute of Public Accountants Australia, Certified Management Accountant Australia, Institute of Financial Accountants (UK), the Association of International Accountants and the Royal Statistical Society. She is also a Professional Member of CACFO (中國總會計師協會) and the British Computer Society. She is currently the Responsible Officer of Donvex Asia Capital Limited, a company licensed by the Securities and Futures Commission to conduct the type 9 regulated activity — asset management. She has around 20 years of experience in corporate finance, merge and acquisition, and business valuation.

Mr. Song Donglin, aged 65, was appointed as the independent non-executive director of the Company on 15 April 2021. He (i) obtained an undergraduate degree and a master's degree from the Jilin University in 1982 and 1985, respectively; (ii) served as a teacher of the Economics Department of Jilin University from 1985 to 1993, and was a visiting scholar at Rutgers University in the United States from 1988 to 1990; (iii) obtained a doctoral degree from Jilin University in 1994; (iv) served as the deputy dean of the Business School of Jilin University from 1993 to 2000; (v) served as the deputy dean and dean of the School of Economics of Jilin University from 2000 to 2005; (vi) served as the vice president of Changchun Taxation College from 2005 to 2006; (vii) served as the president of Changchun Taxation College from 2006 to 2010; (viii) served as the president of Jilin University of Finance and Economics from 2010 to 2018; and (ix) has been serving as an independent director of Jilin Bank since March 2020. Mr. Song has extensive experience in the fields of economics and business administration.

Mr. Zhang Shengdong, aged 57, was appointed as the independent non-executive director of the Company on 4 March 2019. He graduated in Peking University (北京大學) with doctoral degree in Sciences in 2002. He is currently a professor of the School of Electronic and Computer Engineering of Peking University (北京大學 — 信息工程學院).

Mr. Zhang was a director of Shenzhen Topray Solar Co., Ltd (深圳拓日新能源科技股份有限公司) from February 2010 to May 2016, which is listed on the Shenzhen Stock Exchange in the People's Republic of China. He has been a director of Shenzhen Refond Optoelectronics Co., Ltd (深圳市瑞豐光電子股份有限公司) since December 2019, which is listed on the Shenzhen Stock Exchange in the People's Republic of China.

CHIEF EXECUTIVE OFFICER

Mr. Lam Fuk Tak, aged 46, was appointed as the Chief Executive Officer of the Company on 11 November 2021. Mr. Lam is a seasoned entrepreneur in corporate management, holding a number of leadership roles spanning across different lines of business and geographies over the past decade. Mr. Lam is experienced in development, operation management, and startup investment in media and entertainment, corporate finance, and education businesses.

Mr. Lam is a fellow member of both the CPA Australia and the Hong Kong Institute of Certified Public Accountants. Mr. Lam graduated from the University of Wollongong Australia with a Bachelor in Commerce and thereafter, spent over 10 years working in international accounting firms. After leaving PricewaterhouseCoopers in 2009, Mr. Lam joined ChinaVision Media Group Limited ("**ChinaVision**"), subsequently renamed as Alibaba Pictures Group Limited (stock code: 1060). During his five-year tenure as the chief financial officer of ChinaVision, Mr. Lam played pivotal roles in a number of significant transactions including but not limited to noteworthy mergers and acquisitions as well as various fundraising events. Mr. Lam then acted as a senior consultant of Huanxi Media Group Limited (stock code: 1003) from 2015 to 2016, providing strategic advice with respect to mergers and acquisitions, business development, and different kinds of corporate transactions.

COMPANY SECRETARY

Mr. Chow Kin Wing was appointed as the company secretary of the Company on 30 September 2021. Mr. Chow has extensive experience in financial management, internal control, company secretary and other financial functions.

Mr. Chow is an associate member of Hong Kong Institute of Certified Public Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, the assets, liabilities and total equity of the Group for the last five financial years, as extracted from the audited financial statements and this Annual Report of the Company for the year ended 31 December, is set out below:

RESULTS

	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**105,619**	92,647	74,339	60,709	36,580
Loss before tax	**(52,550)**	(4,820)	(22,353)	(40,167)	(2,637)
Income tax expense	**(290)**	(733)	(361)	(20)	(49)
Loss for the year	**(52,840)**	(5,553)	(22,714)	(40,187)	(2,686)
Attributable to owners of the Company	**(52,840)**	(5,495)	(21,065)	(40,187)	(2,686)

ASSETS AND LIABILITIES

	31 December 2021	31 December 2020	31 December 2019	31 December 2018	31 December 2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**43,154**	79,293	49,724	34,298	44,300
Net current assets	**19,396**	28,060	51,824	84,050	116,803
Total assets less current liabilities	**62,550**	107,353	101,548	118,348	161,103
Non-current liabilities	**—**	(67)	(5,637)	–	–
Net assets	**62,550**	107,286	95,911	118,348	161,103
Shareholders' equity					
Share capital	**37,025**	37,025	33,659	33,659	33,659
Reserves	**25,525**	70,261	62,833	84,689	127,444
	62,550	107,286	96,492	118,348	161,103
Non-controlling interest	**—**	–	(581)	–	–
	62,550	107,286	95,911	118,348	161,103

LETTER FROM THE BOARD

On behalf of the board of directors (the "**Directors**") (the "**Board**") of PacRay International Holdings Limited (the "**Company**"), I hereby report on the results of the Company and its subsidiaries (the "**Group**") for the year 2021.

BUSINESS REVIEW

2021 was a challenging year to the Group. The COVID-19 pandemic has given rise to a challenging and uncertain economic environment to the global market and brought prolonged adverse impact on all kinds of businesses. There is still no indication that the economy could fully recover from the severe and long-lasting impact of the COVID-19 pandemic in the short-term.

In response to this extremely difficult situation, the Group has been closely monitoring its business portfolio and has actively taken various decisive measures to reform. Objectives of these measures were: (i) to maintain the core businesses that can create reliable returns with competitive advantages; (ii) to exit from businesses that have not met expectations or might require further input from the Group; and (iii) to continuously seek opportunities that enhance the Group's revenue bases and profit-making abilities.

In 2021, the Group's core businesses include i) the design and sales of integrated circuits and semi-conductor parts, ii) executive jet management, and iii) sales of yachts and other yachting related businesses. The management of the Group (the "**Management**") has worked relentlessly to optimize the Group's business portfolio in order to take advantage of the coming recovery in the market.

As a result of the reform by the Management, the Group terminated its finance lease and money lending businesses in the PRC and Hong Kong, respectively, and disposed of the entire equity interests of the tea business in the PRC in 2021. The Group also adopted a passive strategy for its investment properties in the Island of Saipan, where the local property market was relatively inactive because of the severe impact of the pandemic.

By virtue of the aforesaid re-organization, the Group was able to concentrate its resources on the core businesses, in particular, the yachting related businesses. The business and financial results of such deployment have not yet been fully reflected in the consolidated financial statements of the Group for the year ended 31 December 2021.

On the other hand, the Management was focusing on maintaining, enhancing and creating competitive advantages of the Group's businesses. Such measures include but not limited to cost control on the business of integrated circuits and semi-conductor parts, platform building on the business of executive jet management, and active marketing and branding in the yachting related businesses. The Management was confident that the Group was able to tackle the harsh business environment, and achieve long-term profitability.

The Management would like to emphasize that the process of reforming the Group's business portfolio is a continuous and on-going process. New measures or strategies may be formulated or implemented from time to time, depending on availability and feasibility of the then opportunities. Should there be any update, the Group will inform its shareholders as soon as appropriate.

BUSINESS OUTLOOK

In 2021, the Group took various decisive measures to maintain a relatively stable business performance amid unprecedented challenges posed by the COVID-19 pandemic. Looking ahead into 2022, the Management will continue to act with caution to steer clear of the lingering uncertainties resulted from the pandemic and ramp up the business as economic conditions gradually improve.

While the pandemic poses great challenges to most industries, the yachting industry has seen a demand spike and recorded a consistent growth since 2019. According to Boat International, the number of mega yachts either in construction or on order has increased by more than 25% from 2021 to 2022. The Group has been positioning itself to capture this growing market share by i) expanding its shipyard facilities in Hainan of the PRC, ii) establishment of a research and development center in the Netherlands, iii) engaging adept and skillful workforce, iv) building sales teams and/or agencies in major cities around the world, and v) contributing more resources in marketing and promoting the yachting related businesses.

The Group together with its ultimate holding company have been exploring with the Government of the Hainan Province of the PRC to establish a Hainan Equipment Pioneer Zone (the "**Pioneer Zone**"), which will be developed in three phases, including i) a mega yacht industry base, ii) a tourism equipment production base, and iii) an education research and development industry base. The Pioneer Zone is one of the Hainan Province's pivotal development projects in the short to medium term, and will emerge as a perfect "Marine Equipment Industry Pilot Area". During the year, the Group leased a shipyard in Lingao of Hainan. Once the cooperation with the Government of the Hainan Province has been accomplished, the Group will be able to hugely expand its current production facilities, and thus increase its production capacities.

In late March 2022, the Group incorporated a limited liability company in the Netherlands, which was set up as the headquarter for the research and development of yacht construction, and as the sales office in Europe. Following the set up of this Dutch company, on 31 March of 2022, the Group has derived from its ultimate holding company the trademark rights of "Balk" for yacht building and various related businesses, at a nominal consideration of HK$1 for a term of 3 years starting from 1 April 2022 to 31 March 2025. The Balk brand has a history of 224 years and obtained the Dutch royal yacht manufacturer certification in 2002.

By establishing the production facility in Hainan where labour and material costs are relatively low, the Group will be able to benefit from a much more competitive cost base comparing to other overseas yacht manufacturers. The relatively lower manufacturing costs in the PRC combined with the centuries-old Balk brand and the sophisticated technologies from the Netherlands, the Group will be able to deliver high quality yachts at a competitive price. The Group foresees the Chinese yachting market will outpace the global market in the long term and the mega yachts built by the Group are expected to become one of the best-sellers in the global yachting market.

In the coming year, the Group will continue its focal point of developing the yachting businesses in the areas of sales, construction, refitting and after-sales services. In addition to the sales of mega yachts, the Group is expanding its business to luxury yacht rentals, onboard entertainment and yacht tourism. For the other business segments, the Group will adopt a steady approach in carrying on the businesses through the existing effective policies. The Group will pursue to explore other business opportunities in the yachting industry so as to widen the revenue stream and generate higher returns for the shareholders.

Subsequent to the year ended 31 December 2021, the Group has sold a total number of 5 yachts, one of which has already been delivered to the customer, while the remaining 4 are still under construction. Moreover, the Group granted to an independent third party the exclusive yacht agency right to sell 46-meter yacht in Hong Kong.

With the recovery of the market in sight, the Management will focus on maintaining, enhancing and creating competitive advantages of the Group's businesses. The Management is confident that the responsive measures taken have allowed the Group to deploy its resources into businesses with promising future, and will therefore enhance its revenue base and create long-term profitability.

CHANGE IN SHAREHOLDING

During the year, Zhongying Int'l completed the acquisition of the Company's shares and was holding 277,683,012 shares of the Company, representing approximately 75% of the total issued share capital of the Company as at the year ended 31 December 2021.

The Company was of the view that the change in the controlling shareholder represented a new page for the development and growth of the Group. A stable shareholder relationship, together with the management's diligence, would help the Group to achieve a brighter future in the challenging environment.

Following the change in the controlling shareholder, the Company maintained a cordial communication with Zhongying Int'l which indicated a strong support to the Group's development. On 12 May 2021 and 28 October 2021, the Company obtained two loans of HK$100,000,000 each, totalling HK$200,000,000 (the "**Shareholder Loans**") from Zhongying Int'l. The Group mainly used the Shareholder Loans (i) as the general working capital for the Group; and (ii) for growing the yachting businesses.

ACKNOWLEDGEMENT

On behalf of the Board, I wish to take this opportunity to express our appreciation to the management and staff of the Group for their commitment and dedication and sincere gratitude to the shareholders for their continued confidence in and support of the Group.

For and on behalf of the Board of
PacRay International Holdings Limited

Li Weina
Executive director

Hong Kong, 31 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is a management discussion and analysis of the Group for the year ended 31 December 2021.

SEGMENT REVIEW

Design and sales of integrated circuit and semi-conductor parts

Design and distribution of integrated circuit and semi-conductor parts in Mainland China, Hong Kong and Taiwan remains as one of the core businesses of the Group. The Group acquires raw material integrated circuit ("**IC**") and semi-conductor related parts from external suppliers and relies on internet technology and related equipment for the design of IC related products before sourcing out to external sub-contractors for production. The Group does not involve in the manufacturing processes in the course of business.

The Group's IC products are used in industrial and housing measuring tools and electronic bicycles battery charger market. The core research and development team in Shanghai provides the design of the products and the products are then sourced to certain external suppliers or sub-contractors for subsequent productions. After conducting successful testing of the sub-contracted products in Shanghai, the Group then sells the products to customers, which are usually end-product manufacturers/producers.

There are mainly two types of products in integrated circuit and semi-conductor parts: caliper and microcontroller unit ("**MCU**"), each of the products has approximately 10 different models. For the year ended 31 December 2021, the total product mix between caliper and MCU remained relatively stable, approximately 78% (2020: 66%) and 22% (2020: 34%) of the revenue was generated from the caliper and MCU respectively.

For the year ended 31 December 2021, the operation of this segment recorded (i) a revenue of approximately HK$39.5 million (2020: approximately HK$31.1 million); and (ii) a gross profit of approximately HK$24.9 million (2020: approximately HK$16.2 million). The Management noticed that competition in the IC market was becoming more intensive, due to swift advance in technology, increase in cost of production and change in customers' demands, which added further pressure on profit margins.

Executive jet management

For the year ended 31 December 2021, the business of executive jet management recorded a slight improvement, with a revenue of approximately HK$63.8 million (2020: approximately HK$58.4 million). Services provided by this business mainly include executive jet management, aircraft sales service and pilot training service. The main revenue comprised of aircraft management service fee, aircraft operation agency fee, pilot rental fee, aircraft maintenance and management fee.

The Management adopted a customer-oriented strategy and focused on improving the service quality, as well as expanding the service categories, with an aim to build up competitive advantages to tackle with external competitions.

Yachting businesses

The Group commenced to look for business opportunities in the yachting businesses since 2019 by entering into a non-exclusive agency agreement with an independent third party to sell 46-meter mega yachts and 110-feet catamaran yachts. In late 2020, the Group noticed excellent growth potential in the yachting industry, especially under the consideration that (i) the yacht consumption or investment was getting more recognition among the affluent class; (ii) construction of the relevant facilities, such as yacht harbor and yacht club, had made yacht consumption more feasible and appealing; and (iii) customers had preference to well-branded yachts with world-wide presence, which offered more opportunities to the Group. As such, the Management was of the view that it would be beneficial for the Group to deploy additional resources to expand the yachting businesses.

For the year ended 31 December 2021, the operation of this segment recorded revenue of approximately HK$1.9 million (2020: approximately HK$2.3 million) which was mainly derived from mega yacht management. The Management was positive about the long-term potential of this segment and placed the yachting businesses at a high strategic position. During the year, other than yacht management, most of the yachting businesses were carried out in relation to promotion and marketing activities, and set up of a high-tech and sustainable mega yacht manufacturing base in Hainan, the PRC. The Management intended to adopt an aggressive expansion strategy by means of i) expanding its shipyard facilities in Hainan of the PRC, ii) establishment of a research and development center in the Netherlands, iii) engaging adept and skillful workforce, iv) building sales teams and/or agencies in major cities around the world, and v) contributing more resources in marketing and promoting the yachting related businesses. On the other hand, the Management would consistently and closely monitor the performance of the yachting businesses to formulate feasible and profitable long-term strategies. For further details of the prospect of the yachting businesses, please refer to the BUSINESS OUTLOOK section.

On 31 December 2021, the Group entered into a sales agreement with an independent third party to sell a 46-meter yacht at a consideration of RMB110 million. The yacht was passed to the buyer on 12 February 2022 in good condition, upon which the control of the yacht was also transferred to the buyer.

On 1 March 2022, the Group reached an agreement with an independent third party which was authorised to act as the agent of the Group and granted the exclusive yacht agency in Hong Kong for a term of 3 years, effective from 1 March 2022 to 28 February 2025.

On 23 March 2022, the Group signed a sales agreement with an independent third party to sell four 46-meter yachts at a consideration of US$60 million . As at the date of this report, these four ordered yachts are still under construction, and are expected to be completed in the third quarter of 2022.

Property investment

The Group possessed a leasehold interest on a land parcel in the Island of Saipan, with a site area of approximately 4,536 square meters upon which there is a housing development namely Miller's Estates. The total gross floor area of these properties in the Island of Saipan was approximately 1,953 square meters within six apartment buildings containing an aggregate of 31 apartment units. According to the valuation assessed by an independent professional valuer, the properties in the Island of Saipan had a value of approximately HK$30.3 million as at 31 December 2021 (2020: approximately HK$30.3 million). The properties in the Island of Saipan constituted the sole investment of the Group's investment properties.

For the year ended 31 December 2021, the local economy in the Island of Saipan was not promising due to severe impact of the COVID-19 pandemic. In particular, the tourism industry, a pillar of the local economy, was interrupted by local quarantine policies and public health concerns. As the performance of the property markets was highly correlated to the economic activities, no revenue was recorded for the year. As the local property market in the Island of Saipan was inactive, the management adopted a passive investment strategy for this business segment for the year. If there is a recovery in the Island of Saipan's economy, the Group would consider and explore different options in realizing the investment potential of the properties, such as leasing or sales.

Investment holding

As at 31 December 2021, the Group had the following investments:

- 23,000,000 unlisted shares of Cornerstone Securities Limited ("**Cornerstone Securities**"), representing approximately 8.81% of the entire issued capital of Cornerstone Securities. Cornerstone Securities is a company incorporated in Hong Kong with limited liability. It holds licenses to conduct the type 1 regulated activity (dealing in securities) and the type 4 regulated activity (advising on securities) and is principally engaged in security dealing business in Hong Kong.

  For the year ended 31 December 2021, (i) no acquisition or disposal of the investment in Cornerstone Securities was conducted; and (ii) no dividend in relation to the investment in Cornerstone Securities was received or claimed. As at 31 December 2021, the investment in Cornerstone Securities has a fair value of approximately HK$8.4 million (2020: approximately HK$12.3 million), representing approximately 3% of the total assets of the Company (2020: 8%). The Company intends to hold the investment in Cornerstone Securities as a passive and long-term investment, and does not plan for active trading.

- Certain shares of a company listed in The Stock Exchange of Hong Kong Limited, which have a fair value of approximately HK$0.1 million (2020: approximately HK$0.2 million) as at 31 December 2021.

- 202 unlisted shares of Red Power Developments Limited ("**Red Power**"), representing 20.2% of the entire issued capital of Red Power, which is a company incorporated in the British Virgin Islands with limited liability. Through its subsidiaries, Red Power is principally engaged in the provision of air transportation services, development, sales, lease and maintenance of equipment involving the application of aviation technology in the PRC.

For the year ended 31 December 2021, (i) no acquisition or disposal of the investment in Red Power was conducted; and (ii) no dividend in relation to the investment in Red Power was received or claimed.

The COVID-19 pandemic and the resultant travel restrictions and quarantine requirements had dreadfully impacted the worldwide aviation industry. Red Power and its subsidiaries were also victimized by these epidemic control measures, which in turn, severely affected the businesses and cash flow forecast of Red Power. Accordingly, the Group carried out an impairment assessment of Red Power and full impairment of the investment in an associate was recognised for the year ended 31 December 2021.

Other business

Finance lease services

For the year ended 31 December 2021, the finance lease industry in the PRC was yet to be fully recovered from the impact caused by the COVID-19 pandemic. Delays in lease payment, decreases in collateral value and increases in default rate remained noticeable during the year. After carefully reviewing the Group's strategic position in this segment, including the limited resources available to expand or maintain the Group's competitive advantages, the Management had decided to terminate this operation in 2021.

Due to the uncertainties of the recovery of the economy and the unsatisfactory performance of this segment in the past years, the Management maintained a cautious strategy on recovering the existing receivables, and provided full impairment on the finance lease receivables.

CHANGE IN SHAREHOLDING

On 22 December 2020, Zhongying Int'l and the Company jointly announced that Zhongying Int'l would purchase 127,992,770 shares of the Company, representing approximately 34.57% of the total issued share capital of the Company, from Glory Genius International Holdings Limited, a previous controlling shareholder of the Company.

The purchase of 127,992,770 shares of the Company was completed on 23 December 2020. Following the completion, Zhongying Int'l and parties acting in concert with it became interested in an aggregate of 161,650,770 shares of the Company, representing approximately 43.66% of the existing issued share capital of the Company. As a result of the completion, Zhongying Int'l was required to make a conditional mandatory cash offer for all the issued shares of the Company not already owned by Zhongying Int'l and parties acting in concert with it pursuant to the Hong Kong Code on Takeovers and Mergers. SPDB International Capital Limited, on behalf of Zhongying Int'l, made the offer (the "**Offer**") to acquire all the offer shares on the basis of HK$1.345 in cash for each offer share.

The Offer was closed on 2 February 2021. Zhongying Int'l received valid acceptances in respect of a total of 167,156,242 offer shares, representing approximately 45.15% of the entire issued share capital of the Company. Accordingly, Zhongying Int'l and parties acting in concert with it held a total of 328,807,012 shares of the Company, representing approximately 88.81% of the entire issued share capital of the Company, immediately after completion of the Offer.

In order to restore the public float of the Company, Zhongying Int'l proceeded a placing of 51,124,000 shares of the Company from 25 February 2021 to 3 March 2021. Upon completion of the placing, 51,124,000 shares of the Company, representing approximately 13.81% of the issued share capital of the Company, had been placed to not less than six placees who are third parties independent of the Company and its connected persons and parties not acting in concert with Zhongying Int'l, at the placing price of HK$1.345 per placing share. Accordingly, Zhongying Int'l and parties acting in concert with it held a total of 277,683,012 shares, representing approximately 75% of the entire issued share capital of the Company, immediately after completion of the placing.

LOANS FROM A SHAREHOLDER

Following the change in the controlling shareholder as mentioned above, the Company maintained a cordial communication with Zhongying Int'l which indicated strong support to the Group's development. On 12 May 2021 and 28 October 2021, the Company obtained two loans of HK$100,000,000 each, totaling HK$200,000,000 from Zhongying Int'l. The Shareholder Loans were negotiated with an aim for the Group to develop the existing yachting businesses and/or explore other possible opportunities. The Group mainly used the Shareholder Loans (i) as the general working capital for the Group; and (ii) for growing the yachting businesses.

The term of the Shareholder Loans is one year, and is interest-free with no default interest, and requires no collateral. The Company may choose to repay all or part of the Shareholder Loans in advance.

The Shareholder Loans could improve the liquidity and increase the cash ratio of the Group, and provide certain guarantee for development of new businesses without incurring interest cost. Accordingly, the Management considered that the terms of the Shareholder Loans were favourable to and in the interests of the Company and all shareholders as a whole.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's operations, financials and prospects are affected by risks and uncertainties. Based on a review on the operation and environment of the Group's businesses, the risk factors listed below may directly or indirectly lead to significant differences in the Group's operating performances, financial positions and development prospects from its expected or past performances. These factors are not comprehensive, and there may be other risks and uncertainties that are not known by the Group or may not be noticeable at present, but may become significant in the future.

Business Risk

The Group's businesses are subject to risks associated with changes in the general macroeconomic, political, social and regulatory conditions in the markets in which it operates.

Performance of all business segments of the Group may be affected by fluctuations in market prices and market demands of the Group's final products and services. Some products, for example, integrated circuits and semi-conductor parts manufactured by the Group, have a relatively standardized design and/or predetermined production cycle, and therefore may not be able to meet changeable requirements of the customers. On the other hand, the executive jet management services and the yachting businesses are subject to price and quality competitions from other service providers and yacht manufacturers. If the Group fails to adapt and respond successfully, it may adversely affect the business performance and development prospects.

Raw materials or outsourced services which are provided by the Group's suppliers are subject to price fluctuations. The Group does not enter into any material contracts to hedge against such price fluctuations. Therefore, any increases in these raw materials or outsourced services will exert pressures on the Group's costs, gross profits and final prices that the Group in turn charges the customers. Should there be any significant increases in the prices of raw materials or outsourced services which are out of the Group's expectation over a period, the Group's performances would be significantly affected.

Industry Risk

All business segments of the Group are operated in industries which are highly competitive. Competition may intensify as the Group's competitors expand their products or services, lower their prices, or strengthen their qualities. There may be new competitors entering into the Group's existing markets as well. If the Group does not compete successfully against existing and new competitors, the Group may not be able to maintain its existing business scale and operating performance.

Policy Risk

Some business segments of the Group must abide by various policies and regulations. For example, the executive jet management business and the yachting businesses are all subject to intensive compliance requirements. Central and local regulators may require the Group to apply for new licenses, and impose new rules, regulations or requirements. Changes in policies and regulations will affect the development of the Group's business, such as increasing compliance costs and reducing business opportunities.

Credit Risk

All business segments of the Group allow a certain credit term for the customers. All trade and other receivables are accounted for by their carrying amounts less expected credit loss. However, such amounts do not represent the Group's maximum exposure to credit risk. On the other hand, the Group has certain long-term equity investments in listed and unlisted companies in Hong Kong. All the Group's financial assets, including trade and other receivables and equity investments, are subject to credit risk. Save for their own performances of each individual customer and each investment, there are a lot of factors which can affect their credit risks, such as the general economy, government policies and investor confidences.

Other Risks

Some risks are not noticeable from the daily operations of the Group, but they can have a material adverse impact on the Group. For the year ended 31 December 2021, the ongoing COVID-19 pandemic caused significant impacts on the businesses of the Group. For example, under the safety concerns that the COVID-19 pandemic imposed on the workers, the management had to amend their usual business strategies, such as re-scheduling the production process or investing more in hygiene facilities. However, there was no guarantee that such measures were effective in the long-term. On the other hand, such significant events may deteriorate other risks and uncertainty that the Group are facing, such as an increase in credit risk. Given the complexity, materiality and unpredictability of these events, the Group is of the view that their impacts may take a longer time to fully emerge. Therefore, the financial results of the Group in the past may not have fully reflected all impacts caused by the COVID-19 pandemic.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2021, the Group achieved a revenue of approximately HK$105.6 million (2020: approximately HK$92.6 million). The revenue was principally contributed by the Group's core businesses, i.e. the design and sales of integrated circuit and semiconductor parts business and the executive jet and yacht management businesses.

For the year ended 31 December 2021, 37.4% of the consolidated revenue came from the business of the design and sales of integrated circuits and semi-conductor parts (2020: 33.6%), while 62.2% of the consolidated revenue came from the businesses of executive jet and yacht management (2020: 65.5%).

Operating expenses

Operating expenses comprise selling and distribution costs and general and administrative expenses in aggregate of approximately HK$59.4 million for the year ended 31 December 2021 (2020: approximately HK$40.7 million). Such increase was mainly due to the increase in staff salaries, selling, distribution and marketing expenses, and administrative costs as a result of the expansion of the yachting businesses.

Loss for the year

For the year ended 31 December 2021, loss for the year attributable to owners of the Company was approximately HK$52.8 million (2020: approximately HK$5.5 million). The increase in loss was mainly attributable to increase in shared loss of investment in an associate, marketing and business development expenses for the yachting businesses and impairment of investment in an associate. Basic loss per share attributable to ordinary equity holders of the Company was approximately HK$14.26 cents (2020: approximately HK$1.58 cents).

Liquidity and financial resources

For the year ended 31 December 2021, the Group had no fund-raising activities.

As at 31 December 2021, the cash and cash equivalents of the Group amounted to approximately HK$86.2 million (2020: approximately HK$28 million). Except for the Shareholder Loans, the Group had no outstanding loans as at 31 December 2021 (2020: Nil).

Gearing ratio

The gearing ratio of the Group, defined as total liabilities expressed as a percentage of the total equity and liabilities, was approximately 78.8% as at 31 December 2021 (2020: approximately 31.9%). The Group did not have any debt financing except for the Shareholder Loans.

Foreign currency exposure

The Group's results were exposed to exchange fluctuations of Renminbi as the Group had operations in the PRC. Certain materials used in the IC and semi-conductor parts were settled in US dollars, which exposed the Group to exchange fluctuations of US$-RMB. Nevertheless, the Board considered that the Group in general was not exposed to significant foreign exchange risk, and had not employed any financial instrument for hedging. The Board will review the Group's foreign exchange risk and exposure from time to time and will apply hedging where necessary.

Capital structure

For the year ended 31 December 2021, there was no change to the authorised and issued share capital of the Company. As at 1 January 2021 and 31 December 2021, the Company had issued a total of 370,245,142 shares at the par value of HK$0.1 each. All shares were fully paid and rank pari passu with each other in all respects. As at 31 December 2021, the shareholders' fund amounted to approximately HK$62.6 million (2020: approximately HK$107.3 million).

Pledge of assets

As at 31 December 2021, the Group did not have any pledge of assets (2020: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

Disposal of the entire equity interest of China Tibetan Tea Village Co., Limited

On 31 December 2021, the Company disposed of the entire equity interests of China Tibetan Tea Village Co., Company ("**China Tibetan**") at a consideration of US$650,000.

China Tibetan was principally engaged in the production and sale of tea and tea-related products, and promotion and operation of tea-cultural tourism. The Group considered that the subject business' full potential might take a longer time to materialize than the Group's original expectation. The Group would rather deploy its available resources to develop the existing businesses.

MATERIAL COMMITMENT

As at 31 December 2021, the Group did not have any material commitment (2020: the gross value of outstanding consideration payable under the lease agreement was approximately HK$4.5 million).

TRANSACTIONS AFTER THE REPORTING PERIOD

Save as disclosed, there was no other significant event after the reporting period and up to the date of this report.

CONTINGENT LIABILITIES

No material contingent liabilities of the Group were noted as at 31 December 2021 (2020: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had approximately 74 employees (2020: 62 employees). For the year ended 31 December 2021, total employee benefits expenses, including directors' emoluments, amounted to approximately HK$33.6 million (2020: HK$21.1 million). The remuneration packages of employees are reviewed annually with reference to market level and individual staff performance. The Group's remuneration packages include basic salaries, bonus, contributions to provident fund and medical benefits.

FINAL DIVIDEND

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

REPORT INTRODUCTION

The Group's Environmental, Social and Governance ("**ESG**") Report describes how the Group comprehensively practices the concept of sustainable development and fulfills its corporate citizenship responsibilities, which covers the period from 1 January 2021 to 31 December 2021 (the "**Year**"), and details the Group's efforts to support the principles of sustainable development and its performance in social governance during the Year.

REPORT SCOPE

The ESG Report describes overall environmental and social policies and performance of the Group's operations in the following businesses: i) design and sales of integrated circuits and semi-conductor parts; ii) executive jet management services[1]; iii) sales of yachts and other yachting related businesses. The environmental key performance indicators include the performance of the Group's design and sales of integrated circuits and semi-conductor parts from its offices in Shanghai, People's Republic of China (the "**PRC**") and the Group's head office in Hong Kong Special Administrative Region (the "**Hong Kong**"). This range is based on whether the Group has operational control of the entity, whether it has a significant impact on the Group's results or assets, and its significance to the environment[1].

REPORT FRAMEWORK

This ESG Report has been prepared by the Group in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Listing Rules of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") and the "Mandatory Disclosure" and "Comply or explain" provisions therein.

REPORTING PRINCIPLES

The content of the ESG Report is determined based on a stakeholder engagement and materiality assessment process, including the identification of ESG-related issues, the collection and review of management and stakeholder comments and suggestions, the assessment of the relevance and importance of different issues, and the preparation and validation of the reported content. The ESG Report covers the key issues of concern to different stakeholders.

The disclosure of quantified environmental and social KPIs in the ESG report provides stakeholders with a comprehensive understanding of the Group's ESG performance. Where appropriate, information on the criteria, method, references and data sources of these KPIs are set out. In addition, to facilitate comparison of ESG reporting between years, the Group has adopted a consistent reporting format and calculation method as far as reasonably practicable. Any changes to the method have been presented and detailed in the corresponding sections.

[1] Executive jet management services only provide management services without operation of any aircraft facilities, hence its business has no significant impact on the environment. Transactions relating to the sales of yachts and other yachting related businesses were minimal during the Year. There was no large scale construction of yachts in yacht manufacturing businesses in Hainan, the PRC, therefore, its businesses had no significant effect on the environment. As a result, the Group will not disclose any environmental statistics of the yachting related businesses, but its operation and its significance to the environment will be considered in the future to decide whether it shall be included into the scope of environmental key performance indicators.

INFORMATION AND FEEDBACK

The Group values your views on this report and if you have any comments or suggestions, you are welcome to contact the Group by means of:

Fax: 2851 3055
Address: 28/F, Agricultural Bank of China Tower, 50 Connaught Road Central, Hong Kong

ESG GOVERNANCE

Statement of the Board of Directors

The Group believes that sound ESG governance principles and practices are critical to the long-term development of the business and will help enhance the value of corporate investments and generate long-term returns for stakeholders. To ensure that proper and effective ESG risk management measures and internal control systems are in place, the Board has established clear ESG duties and responsibilities to directly oversee the Group's ESG-related matters and work. The Board is responsible for monitoring and reviewing the compliance of ESG-related matters with laws and regulations and reviewing the Group's ESG performance on a regular basis. The Board is also responsible for reviewing the content and quality of ESG reports to ensure that the ESG reports meet the requirements of the Board.

During the Year, the Group engaged a third party professional consultant to assist in identifying ESG issues and provide advice on the Group's ESG performance. The professional consultant assisted in collecting and analyzing the views of the Group's stakeholders on ESG issues and conducted materiality assessment. The Board reviews the results of the assessment and identifies important ESG issues for the Group. The Board is responsible for regularly reviewing the communication channels with stakeholders to ensure that the Company maintains effective communication with them.

In order to effectively lead the Group's ESG process, the Board continuously monitors the ESG efforts and keeps abreast of the latest ESG disclosure requirements of the Hong Kong Stock Exchange to ensure close cooperation among various departments to achieve the goal of operating in compliance and social responsibility. The Board also considers, reviews and refines the relevant work plans and implementation annually in light of the objectives set by the Group, and oversees the coordination and management of ESG issues.

Stakeholder Engagement

The Group believes that stakeholder engagement and continued support is important to our long-term development and helps us to better understand the current level of development in environmental and social aspects. We look forward to communicating with our stakeholders in order to refine our sustainability strategy and achieve our goals. Therefore, we communicate with our stakeholders through various channels to allow different sectors of stakeholders to express their views and make suggestions, and we understand and try to respond to their expectations and requests so as to enhance our performance in our sustainability strategy.

Stakeholders	Expectations and Requirements	Communication and Response
Government and Regulators	• Comply with national policies and laws and regulations • Promote local economic development • Promote local employment • Pay taxes on time • Safe production	• Regular information reporting • Special report • Inspection and supervision
Shareholders	• Returns on revenue • Compliance operation • Enhance the value of the Company • Transparent information and efficient communication	• Shareholders' general meeting • Company announcement • Email, telephone communication and Company website
Partners	• Business integrity • Fair competition • Performance by law • Mutual benefit	• Review and evaluation session • Business communication • Exchange and discussion • Negotiate cooperation
Customers	• Quality products and services • Health and safety • Performance by law • Business integrity	• Customer service center and hotline • Customer opinion survey • Customer communication meeting
Environment	• Emission compliance • Energy saving and emission reduction • Ecological protection	• Communication with local environmental authorities
Employees	• Protection of rights and interests • Occupational health • Compensation and benefits • Career development • Care	• Employees mailbox
Community and public	• Open and transparent information	• Company website • Company announcement

Materiality Assessment

In order to develop a clear and effective ESG management approach, the Group conducted a materiality assessment during the Year to identify ESG issues of importance to the Group's business and its stakeholders. This materiality assessment was based on internal stakeholder input, analysis of input from third party ESG professionals, materiality map provided by external authorities[1] and in consideration of actual business operations. During the Year, the Group identified four ESG-related materiality issues and disclosed them in detail in the report.

Important Issues	Related Chapters
Compensation and benefits	• Compensation and Benefits
Training and development	• Training and Development
Purchasing practices	• Supply Chain Management
Intellectual property protection	• Intellectual Property Management

1 Materiality assessment is based on the ESG Industry Materiality Map provided by Morgan Stanley Capital International (MSCI) and the Materiality Map provided by the Sustainability Accounting Standards Board (SASB).

Environmental Protection

The Group is fully aware of the importance of environmental protection and has adopted various measures to reduce emissions and effectively utilize resources in pursuit of business growth while striving to minimize the impact of our business operations on the surrounding environment. The Group strictly complies with all environment-related laws and regulations, including but not limited to the Environmental Protection Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China, the Air Pollution Prevention and Control Law of the People's Republic of China, the Law of the People's Republic of China on Environmental Prevention and Control of Solid Waste Pollution and the Water Pollution Control Ordinance and the Waste Disposal Ordinance of Hong Kong. During the Year, the Group was not involved in or found to be in breach of any environmental related laws and regulations.

One of the Group's core businesses is the design and distribution of integrated circuits and semi-conductor parts in the PRC, relying mainly on internet technology and related equipment to design integrated circuits related products, and no production process is involved in the course of its business. Therefore, the Group does not generate any industrial exhaust gas and industrial effluent.

Emissions Management

Exhaust Gas Emissions

One of the Group's core businesses is the design and distribution of integrated circuits and semi-conductor parts and its business operations are mainly conducted in office premises. Although the Group's vehicles in daily operation generate a small amount of air pollutants, the Group has regularly maintained and serviced the Company's vehicle fleet to maintain efficient operation of the vehicles and to prevent the vehicles from consuming more fuel and generating extra air pollutants due to reduced performance. The Group also ensures that no idling vehicles run their engines to further reduce vehicle emissions. The Group's objective is to maintain and minimize the emission of air pollutants as far as possible.

During the Year, the Group's emissions of air pollutants from the use of vehicles are as follows:

Air pollutants of vehicle *(Note 1)*	**2021**	**2020**
Nitrogen oxides (kg)	1.85	2.12
Sulfur oxide (kg)	0.04	0.04
Particulate matter (kg)	0.14	0.16

Note:

1. The Group started to disclose air pollutant data of vehicles from the Year and recalculated the air pollutant data of vehicles for 2020. Air pollutants generated from vehicles were calculated in accordance with the Guidelines on Reporting of Environmental Key Performance Indicators published by the Hong Kong Stock Exchange.

Waste Emissions

The Group generates a small amount of non-hazardous waste in the course of its daily operations, mainly office paper and general domestic waste. All non-hazardous waste will be collected and properly disposed of by qualified companies in strict compliance with the laws and regulations relating to waste disposal. We strive to achieve the goal of waste reduction, reuse and recycling in our operations. We have waste separation bins in our offices to collect waste paper, metals and plastics. We also encourage our employees to reuse envelopes, folders, file cards and other stationery, and to reduce the use of disposable or non-recyclable products, such as rechargeable batteries instead of disposable ones. In addition, we also generate a small amount of hazardous waste such as waste batteries and ink cartridges. We will adopt appropriate and legal ways to collect and dispose of hazardous waste, such as placing waste batteries in recycling bins. The Group will continue to improve the existing waste management system and actively encourage our employees to separate waste and reduce unnecessary waste so as to reduce the environmental impact of waste generation.

During the Year, non-hazardous waste and hazardous waste generated by the Group are as follows:

Waste	**2021**	**2020**
Total amount of non-hazardous waste (tons) *(Note 1)*	4.14	0.2
Density of hazardous waste (tons/employee) *(Note 2)*	0.08	N/A
Total amount of hazardous waste (kg) *(Note 3)*	1.82	2.05
Density of hazardous waste (kg/employee) *(Note 2)*	0.04	N/A

Notes:

1. The Group started to disclose data on general office waste from the Year, resulting in an increase in the total amount of non-hazardous waste, which is based on actual weight and the estimated daily amount of general office waste and volume to weight conversion factor provided by the US Environmental Protection Agency. The non-hazardous waste generated by the Group includes waste paper and general office waste.

2. The Group started to disclose the density of non-hazardous waste and density of hazardous waste data from the Year.

3. The calculation of hazardous waste generated by the Group is based on actual weight. The total amount of hazardous waste in 2020 has been recalculated to reflect the actual weight.

Use of Resources

The Group is aware of the fact that precious resources are limited and business operations must make the best possible use of resources to avoid unnecessary wastage. The Group's resource consumption is mainly electricity, water and paper used in its daily office operations and fuel for its vehicles during daily operation. Due to the nature of the Group's business, it does not include product manufacturing processes and therefore does not involve the use of any packaging materials.

Energy Consumption

The Group is mainly an office operation and does not consume much energy, which mainly comes from purchased electricity in the office and gasoline used in the Company's fleet. The Group aims to make efficient use of energy resources and has put in place a series of energy management measures in the office. In terms of lighting, the Group uses daylight lighting in its offices as far as possible and sets up independently controllable lighting switches in different office areas. Employees are required to turn off the lights in areas not in use when they leave the office to reduce unnecessary power consumption. In addition, the Group uses energy-efficient lamps in its offices and keeps the lighting fixtures and lamps clean regularly to maximize their energy efficiency. For air conditioning, the Group uses split type air conditioners that have obtained the Level 1 Energy Efficiency Label and regularly cleans the filters to improve their energy efficiency.

During the Year, the Group's energy consumption is as follows:

Energy consumption	**2021**	**2020**
Total energy consumption (MWh)	89.48	38.21
Direct energy consumption — Vehicle fuel consumption (MWh) *(Note 1)*	26.97	24.40
Indirect energy consumption — Purchased electricity (MWh)	62.51	13.81
Energy consumption intensity (MWh/employee) *(Note 2)*	1.79	N/A

Notes:

1. Petrol consumption for vehicle use is calculated in accordance with Appendix II: Reporting Guidelines on Environmental Key Performance Indicators published by the Hong Kong Stock Exchange. The vehicle fuel consumption for 2020 has been recalculated and is expressed in megawatt hours.

2. The Group started to disclose energy consumption intensity data from the Year.

Water consumption

As the Group's offices are rented, the water consumption is under the full control of the property management services company and therefore no water related consumption can be collected. The Group does not set a target to reduce water consumption in consideration of the unavailability of relevant water consumption data. However, the Group is aware of the preciousness of water resources and has been encouraging its staff to conserve water. The Group has posted reminder stickers in the pantries and toilets to remind staff to turn off the taps and conserve water at all times. If any water leakage is found in the water supply facilities, we will immediately inform the property management company to arrange for maintenance and inspection to avoid wastage of water resources. During the year, the Group did not have any problems related to the access to suitable water sources.

Green Operation

The Group actively promotes environmental protection and strives to incorporate environmental protection concepts into its internal management and daily operations to minimize the impact of its business operations on the environment as far as possible. Therefore, the Group continues to promote green office, adopt energy saving and waste reduction measures at different levels, and raise the environmental awareness of our staff through internal publicity.

The Group's offices use electronic devices with energy efficiency label. Electronic devices are completely switched off during non-office hours and we also set computers to go into automatic standby/sleep mode when they are idle to reduce wasted power. We will conduct monthly electricity statistics to monitor electricity consumption and make appropriate improvement measures if necessary. In addition, the Group allows employees to go without ties and full suits in hot weather and to wear light clothing to work on Fridays to reduce the use of air-conditioning.

In terms of reducing paper usage, the Group has implemented a "paperless system" concept to replace the paper-based office administration system. Employees use e-mail and electronic workflow to transmit information as much as possible to reduce paper usage. We have also set our computers and printers to double-sided printing and ink-saving mode by default, and posted notices at prominent locations next to our copiers to remind our staff to use double-sided photocopying or reusable paper.

In addition, we have put up notices and posters with green messages in our offices, and we have distributed environmental newsletters to our staff to promote and teach energy saving and waste reduction measures, such as encouraging our staff to use less lifts, more stairs and less disposable and non-recyclable products, in order to enhance their awareness of environmental protection.

Responding to Climate Change

Climate change has become a major global environmental concern and all sectors of society need to work together to reduce carbon emissions in order to mitigate the negative impacts of climate change. The Group has not identified any significant physical and transitional risks associated with its business due to climate change during the Year, but as a responsible business, the Group aims to maintain and, as far as possible, reduce its greenhouse gas emissions and is committed to properly managing the carbon emissions arising from its business operations. In addition to various energy conservation and efficiency measures, the Group also reduces carbon emissions from its daily operations through various means. To reduce carbon emissions from vehicles during daily operation, the Group provides low-carbon driving training to drivers, such as avoiding sudden acceleration of vehicles. Wherever possible, the Group arranges telephone or video conference instead of non-essential overseas business trips. We also encourage our employees to commute by public transport to reduce their greenhouse gas emissions during their commute.

During the Year, the Group's greenhouse gas emissions are as follows:

Greenhouse gas	2021	2020
Total greenhouse gas emissions (tCO2e)	52.7	15.6
Scope 1 — Direct emissions (tCO2e) *(Note 1)*	7.2	6.8
Scope 2 — Energy indirect emissions (tCO2e) *(Note 2)*	44.1	7.8
Scope 3 — Other indirect emissions (tCO2e) *(Note 3)*	1.4	1.0
Greenhouse gas emission density (tCO2e/employee) *(Note 4)*	1.05	N/A

Notes:

1. Scope 1 direct emissions are direct emissions from operations owned or controlled by the Group. The Group's direct greenhouse gas emissions are from fuel consumption of vehicles. The data is calculated based on the relevant emission factors provided by the National Development and Reform Commission of the PRC and Appendix II: Reporting Guidelines on Environmental Key Performance Indicators issued by the Hong Kong Stock Exchange.

2. Scope 2 energy indirect emissions are indirect greenhouse gas emissions from energy purchased or obtained by the Group. The Group's indirect greenhouse gas emissions from energy sources are only from purchased electricity. The greenhouse gas emission data of the PRC office is calculated based on the average carbon dioxide emission factors of the regional power grid in the PRC issued by the National Development and Reform Commission of the PRC, as well as the method of accounting for greenhouse gas emissions of the relevant enterprises and the relevant emission factors. The greenhouse gas emission data of the Hong Kong office is based on the emission factors provided by The Hong Kong Electric Company Limited.

3. Scope 3 other indirect emissions covers other indirect greenhouse gas emissions that occur outside the Group. During the Year, the Group had no business activities due to the 2019 coronavirus disease and the disclosed figures are only from waste paper disposed of at landfills. The figures are calculated in accordance with Appendix II: Reporting Guidance on Environmental Key Performance Indicators issued by the Hong Kong Stock Exchange.

4. The Group started to disclose greenhouse gas emission intensity data from the Year.

Valuing Employees

The Group regards its employees as the most valuable asset of the Group and an important factor in its development and success. Therefore, the Group is committed to providing good remuneration and benefits to its employees, creating an equal, inclusive, comfortable and safe working environment, providing diversified training and development opportunities, and protecting their rights and interests.

Employee Rights

The Group promotes fairness and equality in the workplace, does not tolerate any form of discrimination, and is committed to defending the rights and interests of our employees. We strictly comply with the laws and regulations of the PRC and Hong Kong in relation to employment, including but not limited to the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China and the Employment Ordinance. When recruiting talents, the Group selects suitable talents in accordance with the principles of fairness and openness. The Group decides the personnel to be recruited according to the actual needs of each department. We only consider whether the applicant's qualifications such as education, work experience, language ability and attitude are in line with the relevant job requirements, regardless of the applicant's gender, age, disability, race, nationality, religion, social class and other factors.

The Group also complies with relevant laws and regulations such as the Regulations on the Prohibition of Child Labor of the People's Republic of China and the Regulations on Employment of Children. The Group has established a comprehensive recruitment process that requires checking the background of candidates. We will carefully check the supporting documents of candidates such as identity cards and academic certificates to confirm whether their age, identity, education and appearance are consistent with the supporting documents provided by them, so as to eliminate all cases of child labor. If we find that an employee has committed fraud, we will terminate the employee immediately. To ensure that our employees have sufficient time to work and rest, we operate a five-day work week and discourage overtime work to avoid forced labor. If employees are required to work overtime, we will provide them with overtime pay in accordance with relevant laws and regulations. The Group also conducts regular reviews and inspections to prevent any child labor or forced labor in our business operations.

In addition, the Group carefully considers each termination and resignation. When an employee requests to leave, the head of the human resources department will interview him/her to understand the reasons for leaving, in order to identify and manage issues related to the employee turnover rate and further improve internal management policies. During the Year, the Group was not aware of any material violations related to employment laws and regulations.

During the Year, the Group had a total of 74 employees and the breakdown of employees by category is as follows:

Employment *(Note 1)*	**2021**
By gender	
Male	47 (64%)
Female	27 (36%)
By age	
Less than 30	18 (25%)
30 to 50	41 (55%)
Over 50	15 (20%)
By region	
China	44 (59%)
Hong Kong	30 (41%)
By type of employment	
Full-time	66 (89%)
Part-time	8 (11%)

Note:

1. The Group started to disclose employment data from the Year.

During the Year, the Group's staff turnover rate by different category is as follows:

Turnover rate *(Note 1)*	**2021**
By gender	
Male	4%
Female	4%
By age	
Less than 30	11%
30 to 50	2%
Over 50	0%
By region	
China	2%
Hong Kong	7%

Note:

1. The Group started to disclose staff turnover data from the Year.

Compensation and Benefits

The Group offers competitive remuneration and diversified benefits packages to attract talented people and motivate employees to work efficiently. The Group implements competitive remuneration packages based on internal and external reference standards. At the same time, we conduct annual performance appraisals of our employees and adjust their salaries and bonuses based on their performance and results of the Company. In addition, the Group attaches great importance to the well-being of its employees and provides them with pension, medical, unemployment insurance and housing provident fund in accordance with the relevant national regulations, as well as additional protection, including commercial insurance for outpatient and emergency medical treatment, supplemental mutual medical insurance for in-service employees, group mutual medical insurance for special serious diseases and supplemental mutual medical insurance for retirement hospitalization. Moreover, we arrange annual physical examinations for our employees, and female married employees enjoy special gynecological examination programs to fully protect the health of our employees. In addition, we also provide lunch and transportation allowance for our employees to reduce their economic expenses. The Group also promotes work-life balance and employees are entitled to different types of leave, including statutory holidays, annual leave, sick leave, personal leave, wedding leave, bereavement leave and maternity leave, so that employees can have sufficient rest time.

Training and development

The Group believes that the continuous improvement and development of its staff is crucial to the long-term development of the business. The Group encourages employees to participate in personal and professional training to meet the needs of emerging technologies and new equipment, and the related training costs will be borne by the Group. The Group also arranges training for new employees, covering topics including Company introduction, Company policies, security and confidentiality, learning of employee rules and regulations, job duties and procedures, to help new employees understand the background and business objectives of the Company, inspire enthusiasm for the Company and their jobs, and strengthen team spirit. In addition, in order to enhance the working ability of employees and improve their efficiency, the Company offers public training courses, including language training and office automation training. In terms of career development, the Group conducts regular performance appraisals to recognize and reward employees for their contributions, performance and skills, in order to identify outstanding talents and provide promotion opportunities. To ensure that our employees have ample room for development, we will consider internal promotions before conducting external recruitment. The Group currently does not have a training data recording system and is therefore unable to disclose training data for the Year. The Group undertakes to establish a comprehensive training data recording system as soon as possible and disclose the relevant training data in the coming year.

Health and Safety

The Group has always attached importance to occupational safety and strictly complied with the relevant rules and regulations in the PRC, including the Production Safety Law of the People's Republic of China and the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, as well as the statutory requirements in Hong Kong, including the Occupational Safety and Health Ordinance. We have established an occupational health and safety management system to provide a safe working environment to our office employees. We have established safety measures for jobs that are considered to be more hazardous and provide necessary protective equipment for our employees. When an injury or illness occurs, we investigate the cause and respond to all reports of unsafe and unhealthy work environments and implement improvement measures. To enhance employee safety awareness, we train employees on the hazards they may encounter at work and how to protect themselves, and inform them about safety inspections, injury and illness statistics, and other safety-related matters. Smoking is strictly prohibited in the Group's offices and we arrange staff to clean up liquids and debris on the floor in a timely manner to prevent employees from slipping and falling. During the Year, no non-compliance with health and safety laws and regulations was found and there were no lost workdays due to work-related injuries. There were also no work-related fatalities in the last three years.

Health and safety	2021	2020	2019
Number of work-related fatalities (persons)	0	0	0
Work-related fatalities rates (percentage)	0	0	0

Note:

1. The Group started to disclose the number and rate of work-related fatalities in the past three years from the Year.

Operating Practices

The Group is committed to providing excellent product quality and quality service to its customers and has developed a comprehensive Supplier Management Policy to identify and manage environmental and social risks in the supply chain. The Group has adopted various measures to protect the privacy of customers and safeguard intellectual property rights. The Group also upholds the business philosophy of ethics and integrity to eliminate unscrupulous business practices.

Supply Chain Management

The Group has implemented a comprehensive Supplier Management Policy to regulate supplier management and improve operational standards. When selecting new suppliers, the Group compares at least three different companies and uses their product quality, delivery, price and compliance as evaluation criteria. We attach more importance to the legal compliance records and loyalty culture of our suppliers' operations than cost considerations. The Group also attaches great importance to the environmental and social risk management of our suppliers. The Group's procurement department is responsible for organizing the supplier evaluation work in two ways which include the ongoing project evaluation and the annual assessment. Before starting business with suppliers, the Group's procurement department conducts annual reviews and evaluations on various aspects, including occupational health and safety, employee rights protection, environmental protection and corporate social responsibility, to ensure that their operations comply with national standards or relevant regulations, and there are no child labor or forced labor issues. In terms of the environment, the Group prefers to corporate with sustainable suppliers and gives priority to suppliers with ISO50001 energy management system certification, ISO14001 environmental management system certification, and low carbon product certification. The Group requires suppliers to sign environmental protection Undertaking Letter to ensure that the raw materials supplied comply with the requirements of relevant laws and regulations on environmental protection. In terms of social aspects, the Group preference will be given to suppliers who have a sound supply chain management system and follow international standards related to social risk management such as ISO26000. The Group regularly identifies, evaluates, manages and monitors the environmental and relevant social risks associated with the supply chain, and suppliers are required to respond quickly to the evaluation results and take effective measures to improve the services provided within the required time frame. The Group has the right to terminate cooperation with service providers that violation or fail to meet standards.

In addition, the Group also advocates green purchasing strategies. We prioritize purchase or selection products and services that have lowest environmental impact. The products we purchase must have higher recycling efficiency, less packaging, longer expiration dates or higher energy efficiency. The integrated circuit-related parts we purchase must emit fewer radioactive or hazardous substances during installation, use or disposal. We also give preference to local suppliers or suppliers that are geographically closer to reduce our carbon footprint.

During the Year, the Group had 73 suppliers, of which 16 suppliers were located in Eastern China, 46 suppliers in Southern China and 11 suppliers in Northeastern China. All of which were subject to the Group's supplier management system.

Products and Services Quality Management

The Group has established a quality management system for integrated circuit design and sales operation, which has obtained ISO9001 quality management system certification to strictly regulate product quality and customer service requirements. Before any project is conducted, we communicate with our customers and confirm the direction of work, and actively coordinate the progress of project with them in the process of providing services to ensure the quality of products meets their needs and expectations. The Group formulates relevant acceptance criteria during product inspection and testing in accordance with product-related standards and law and regulatory requirements. We monitor the quality of products and services at different stages, such as inspection of incoming goods, first article inspection, in-process inspection and final inspection, and the products are delivered to customers only after passing the final inspection. Products that have passed the final inspection are labeled with product number for traceability and quality tracking. We strictly control the quality of raw materials, intermediate products and finished products, and have formulated management methods for the evaluation and disposal of unqualified products. If we find that the raw materials purchased do not meet the quality requirements, we will arrange to return the products or dispose them. If quality problems occur after delivery, we will assess unqualified products, propose disposal plans and take immediate preventive and corrective measures to ensure that the products meet the quality requirements. During the Year, there was no recall of the Group's distributed products due to safety and health reasons.

The Group also provides favorable customer services. Sales staff will visit customers from time to time after the delivery of products to understand customers' opinions and ideas on product and service quality. We will take timely measures to meet customers' quality requirements in accordance with the corrective or preventive measures control procedures. If we receive complaints from customers, we will handle, follow up and conduct independent investigation as soon as possible, and analyze and review the customer complaints for continuous improvement the quality of products and services of the Group. During the Year, the Group did not receive any complaint cases regarding the Group's products and services.

Customer Information Protection

With respect to customer information and privacy, the Group not only strictly complies with relevant laws and regulations such as the Law of the People's Republic of China on Protection of Consumer Rights and Interests and the Personal Data (Privacy) Ordinance of Hong Kong, but also strives to protect the privacy of customers through various measures. The Group collects and uses customer information in a lawful manner and limits the use of customer information to the purposes specified in the contract. The Group also strengthens the awareness of its employees to protect customer privacy and organizes training on privacy rights for employees to promote privacy rights awareness. The Code of Conduct also requires employees to strictly maintain confidentiality and prohibits disclosing any customer information. In addition, we also take measures to ensure the security of our computer database and the safety of customer information. During the Year, the Group was not involved in or aware of any violations with privacy-related laws and regulations.

Intellectual Property Management

The Group's day-to-day operations involve the use of the intellectual property owned by customers, suppliers or the Group itself. Therefore, the protection of intellectual property rights is an extremely important task for the Group. When the Group engages with its customers or suppliers, it will include the protection of intellectual property in the contractual terms. The Group's legal department will also review all the contracts in operation and ensure that the contractual terms protect both parties' intellectual property rights. The Group also requires technical professionals to sign strict confidentiality agreements and prohibits the disclosure of the Company's internal business policies, production data, technical documents including patented product design drawings, process documents, quality control data and information. Employees may not use our technical secrets for others or for themselves after they leave the company. In addition, the Company uses genuine software and employees are required to submit a request to the Company before installing any software to avoid infringement of others' intellectual property rights.

The Group complies with relevant laws governing the confidentiality of intellectual property, including but not limited to Patent Law of the People's Republic of China, Trademark Law of the People's Republic of China and Copyright Law of the People's Republic of China, the Copyright Ordinance and the Trademark Ordinance of Hong Kong. During the Year, the Group was not involved in or aware of any violation with relevant laws and regulations related to intellectual property rights.

Anti-Corruption

The Group upholds the business philosophy of "abiding by the law, integrity and quality service" and has been complying with anti-corruption related laws and regulations, including but not limited to the Anti-Unfair Competition Law of the PRC and the Prevention of Bribery Ordinance of Hong Kong. The Group has implemented the Prevention of Commercial Bribery Management Policy, strengthening its internal control mechanism, anti-corruption and anti-bribery work. For projects with higher monetary value, the Group makes an open bidding invitation to at least three suppliers. Different level of approval and authorisation is required according to the size of the tender agreement. The Group also strictly forbidden employees to bribe customers or use business opportunities or power to obtain personal interests or benefits. If there is a conflict of interest, it needs to be reported to the management of the Group on a timely basis.

The Group has established a reporting mechanism, including the establishment of an inspection team and the establishment of a channel for evaluation and reporting. The Group also encourages employees and all persons with whom the Group does business, including customers and suppliers, to report the suspected wrongdoing or corruption within the Group voluntarily. If substantiated, serious offenders will be dismissed.

During the Year, no anti-corruption training was arranged for our staff, but we will look for suitable anti-corruption training in the future to enhance the integrity, ethics and probity awareness of our directors and staff. During the Year, the Group was not aware of any non-compliance with relevant laws and regulations related to anti-corruption and there were no corruption cases against the Group or its employees that have been concluded.

Community Involvement

As a responsible company, the Group has maintained close communication and interaction with the community, and actively strives to contribute to the development of the community. The Group encourages employees to contribute their time and skills to Participate in volunteer services to benefit local communities by giving them opportunities to learn more about social and environmental issues and enhance the corporate value of the Group. The Group will also consider from time to time making donations to charities when the Group records after-tax profit and has sufficient funds. During the Year, Shanghai SyncMOS（上海新茂）made donations to charities supporting Hongmei Street to support local community poverty alleviation work and help the poor in need.

REPORT OF THE DIRECTORS

The board of directors (the "**Directors**") (the "**Board**") of PacRay International Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") submits their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investments holding. For the year ended 31 December 2021, the Group was principally engaged in (i) design and sales of integrated circuits and semi-conductor parts; (ii) executive jet management; and (iii) sales of yachts and other yachting related businesses.

COMPLIANCE WITH THE LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risks of non-compliance with the applicable laws and regulations. For the year ended 31 December 2021, the Group complied in material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. There was no material breach or non-compliance with the applicable laws and regulations by the Group for the year ended 31 December 2021.

BUSINESS REVIEW

Discussion and analysis of business review as required by Schedule 5 to the Hong Kong Companies Ordinance, including 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 and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis of this Annual Report and the notes to the Consolidated Financial Statements of this Annual Report.

Discussions on the Group's environmental policies, relationships with its key stakeholders, and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Environmental, Social and Governance Report of this Annual Report.

The above discussions form part of the Report of the Directors.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year ended 31 December 2021 attributable to the Group's major suppliers and customers are as follows:

	Percentage of the total purchases/sales accounted for
Purchases	
— the largest supplier	20%
— five largest suppliers combined	61%
Sales	
— the largest customer	61%
— five largest customers combined	83%

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

EMOLUMENT POLICY OF THE GROUP

The emolument policy of the employees of the Group is reviewed regularly by the Board. Remuneration packages are structured to take into account the merit, qualifications and competence of individual employees as well as the general market conditions.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

There was no advance, which is of non-trading nature, to any of the affiliated companies as at 31 December 2021 as defined under Chapter 13 of the Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**").

FINANCIAL RESULTS

Details of the Group's results for the year ended 31 December 2021 are set out in the Consolidated Statement of Profit or Loss and the Consolidated Statement of Comprehensive Income of this Annual Report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group for the year ended 31 December 2021 are set out in note 15 to the Consolidated Financial Statements of this Annual Report.

TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders by reason of their holding of the Company's listed securities.

RESERVES

Details of the movements in reserves of the Group and the Company for the year ended 31 December 2021 are set out in the Consolidated Statement of Changes in Equity, together with relevant notes to the Consolidated Financial Statements of this Annual Report.

DISTRIBUTABLE RESERVES

As at 31 December 2021, no reserves were available for distribution to shareholders by the Company as calculated in accordance with the Companies Act 1981 of Bermuda.

SHARE CAPITAL

As at 31 December 2021, the Company had an authorised share capital of HK$100,000,000, divided into 1,000,000,000 shares of HK$0.1 each, and an issued share capital of 370,245,142 shares of HK$0.1 each.

As at 31 December 2021, the Company did not have any preference shares, options, convertible bonds or equity-related instruments.

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2021, the Group did not enter into any equity-linked agreement.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2021.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws ("**Bye-laws**") or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out on page 7 of this Annual Report.

DIVIDEND

The Board does not recommend the payment of dividend for the year ended 31 December 2021.

DIRECTORS

The Directors who held office from 1 January 2021 and up to the date of this Annual Report are as follows:

Executive Directors

Mr. Duan Hongtao *(Chairman)* [*Note 1*]
Ms. Li Weina
Mr. Zhang Fumin [*Note 2*]
Ms. Liu Wenjia [*Note 3*]
Mr. Yang Lin [*Note 4*]
Mr. Xu Yinsheng [*Note 5*]
Ms. Lau Mei Ying [*Note 6*]
Mr. Leung Pok Man [*Note 6*]
Mr. Wang Yi [*Note 8*]

Non-Executive Director

Mr. Zhou Danqing [*Note 5*]

Independent Non-Executive Directors

Ms. Ching Ching
Mr. Song Donglin [*Note 7*]
Mr. Zhang Shengdong
Ms. Weng Yuzhen [*Note 6*]

BOARD COMMITTEES

Audit Committee

Ms. Ching Ching *(Chairman)*
Mr. Song Donglin *Note 7*
Mr. Zhang Shengdong
Ms. Weng Yuzhen *Note 6*

Nomination Committee

Mr. Song Donglin *(Chairman) Note 7*
Ms. Ching Ching
Mr. Zhang Shengdong
Ms. Weng Yuzhen *Note 6*

Remuneration Committee

Mr. Song Donglin *(Chairman) Note 7*
Ms. Ching Ching
Mr. Zhang Shengdong
Ms. Weng Yuzhen *Note 6*

Notes:

1. *Appointed on 16 April 2021 and resigned on 14 February 2022*
2. *Appointed on 16 April 2021*
3. *Appointed on 23 July 2021 and resigned on 17 December 2021*
4. *Resigned on 28 May 2021*
5. *Resigned on 30 September 2021*
6. *Resigned on 15 April 2021*
7. *Appointed on 15 April 2021*
8. *Appointed on 8 March 2022*

Mr. Zhang Shengdong, Mr. Wang Yi and Mr. Song Donglin shall retire from office at the forthcoming annual general meeting in accordance with his letter of appointment and the Bye-laws. They will be eligible to offer themselves for re-election.

CHANGE OF DIRECTORS

A summary of change of Directors of the Company from 1 January 2021 to the date of this Annual Report is set out below:

(i) Mr. Leung Pok Man resigned as an executive director on 15 April 2021;

(ii) Ms. Lau Mei Ying resigned as an executive director on 15 April 2021;

(iii) Ms. Weng Yuzhen resigned as an independent non-executive director, a member of the Audit Committee, the Nomination Committee and the Remuneration Committee on 15 April 2021;

(iv) Mr. Song Donglin was appointed as an independent non-executive director, the chairman of the Nomination Committee, the chairman of the Remuneration Committee and a member of the Audit Committee on 15 April 2021;

(v) Mr. Duan Hongtao ("**Mr. Duan**") was appointed as an executive director on 16 April 2021, appointed as chairman of the Board of Directors on 10 May 2021 and resigned as an executive director and chairman on 14 February 2022;

(vi) Mr. Zhang Fumin was appointed as an executive director on 16 April 2021;

(vii) Mr. Yang Lin resigned as chairman of the Board of Directors on 6 May 2021 and resigned as an executive director on 28 May 2021

(viii) Ms. Liu Wenjia was appointed as an executive director on 23 July 2021 and resigned as an executive director on 17 December 2021;

(ix) Mr. Xu Yinsheng resigned as an executive director on 30 September 2021;

(x) Mr. Zhou Danqing resigned as a non-executive director, company secretary and authorised representative on 30 September 2021; and

(xi) Mr. Wang Yi was appointed as an executive director on 8 March 2022.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors of the Company is currently in force and was in force throughout the financial year. The Company has taken out and maintained directors and officers liability insurance which provides appropriate cover for, among others, the Directors of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2021 was the Company or any of its associated corporations a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors or their spouses or children under 18 years of age was granted any right to subscribe for any shares in, or debentures of, the Company or any of its associated corporations.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

None of the Directors or an entity connected with any of them is or was materially interested, either directly or indirectly, in any transactions, arrangements and contract of significance subsisting during or at the year ended 31 December 2021.

COMPETING BUSINESS

For the year ended 31 December 2021, none of the Directors is interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

REASONS RELATED TO THE COMPANY'S AFFAIRS GIVEN BY A DIRECTOR FOR RESIGNATION OR NOT SEEKING RE-APPOINTMENT

For the year ended 31 December 2021, all directors who resigned or did not seek re-appointment confirmed that there was no reason related to the Company's affairs.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

Latest biographical details of the Directors and senior management of the Company are set out in Director and Senior Management Biographies of this Annual Report.

DISCLOSURE OF CHANGE IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES

Save as disclosed in the section headed "Directors and Senior Management Biographies", there was no change in information of the Directors and chief executives of the Company up to the date of this Annual Report which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

MANAGEMENT CONTRACTS

No contracts, other than a contract of service with any Director or any person engaged in the full-time employment of the Company, concerning the management and administration of the whole or any substantial part of any business of the Company were entered into or existed for the year ended 31 December 2021.

DIRECTORS' SERVICE CONTRACTS

For the year ended 31 December 2021, none of the Directors had a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

The emoluments of Directors and senior management are recommended by the remuneration committee and determined by taking into consideration of their duties and responsibilities with the Company, the market rate and their time, effort and expertise to be input into the Group's affairs and the Company's performance.

Details of the emoluments of the Directors and senior management of the Company are set out in note 10 to the Consolidated Financial Statements of this Annual Report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 31 December 2021, the interests or short positions of the Directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules are as follows:

Name of Director	**Capacity/nature**	**Number of Shares/ underlying Shares held/interested in**	**Long/short position**	**Percentage of shareholding *(Note 1)***
Mr. Duan *(Note 2)*	Interest in controlled corporation(s)	277,683,012 *(Note 3)*	Long	75%

Notes:

1. Based on 370,245,142 ordinary shares of the Company in issue as at 31 December 2021.

2. Mr. Duan was appointed as an executive director on 16 April 2021 and resigned on 14 February 2022.

3. As at 31 December 2021, Mr. Duan owned as to 99% of the issued shares of Zhongying Int'l Holding Group Limited ("**Zhongying Int'l**"), which beneficially owned 244,025,012 shares of the Company and the entire issued share capital of Ever Digital Limited which in turn beneficially owned 33,658,000 shares of the Company. Accordingly, Mr. Duan was deemed to be interested in a total of 277,683,012 shares of the Company.

Save as disclosed above, as at 31 December 2021, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Board has adopted the Model Code as set out in Appendix 10 to the Listing Rules to regulate the Directors' securities transactions. The Company had made specific enquiry of all Directors regarding any non-compliance with the Model Code for the period under review, and they all have confirmed their respective full compliance with the required standard set out in the Model Code for the year ended 31 December 2021.

ANNUAL CONFIRMATION OF INDEPENDENCE

The Company has received, from each independent non-executive director, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules.

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

As at 31 December 2021, the interest and short positions in the shares and underlying shares of the Company (within the meaning of Part XV of the SFO) of the substantial shareholders (other than the Directors and chief executives of the Company) as recorded in the register required to be kept under Section 336 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange, are set out below:

Name of shareholders	Capacity/nature	Number of Shares/ underlying Shares held/interested in	Long/short position	Percentage of shareholding *(Note 1)*
Ever Digital Limited *(Note 2)*	Beneficial owner	33,658,000	Long	9.09%
Zhongying Int'l *(Note 2)*	Beneficial owner	277,683,012	Long	75%
Mr. Duan *(Note 3)*	Interest in controlled corporation(s)	277,683,012	Long	75%

Notes:

1. Based on 370,245,142 ordinary shares of the Company in issue as at 31 December 2021.

2. Mr. Duan owned as to 99% of the issued shares of Zhongying Int'l which beneficially owned 244,025,012 shares of the Company and the entire issued share capital of Ever Digital Limited which in turn beneficially owned 33,658,000 shares of the Company. Accordingly, Mr. Duan was deemed to be interested in a total of 277,683,012 shares of the Company.

3. Mr. Duan was the chairman of the Board and an executive director as at 31 December 2021.

As at 31 December 2021 and save as disclosed, there was no interest and short position in the shares and underlying shares of the Company (within the meaning of Part XV of the SFO) of the substantial shareholders (other than the Directors and chief executives of the Company) as recorded in the register required to be kept under Section 336 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange.

SUFFICIENCY OF PUBLIC FLOAT

Upon completion of a general offer of Zhongying Int'l in January and February 2021, 41,438,130 shares of the Company, representing approximately 11.19% of the entire issued share capital of the Company, were held by the public (as defined under the Listing Rules). Accordingly, the Company did not satisfy the minimum public float requirement as set out under Rule 8.08(1)(a) of the Listing Rules.

An application was made by the Company to the Stock Exchange for a temporary waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules. On 3 March 2021, the Stock Exchange granted a temporary waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules to the Company for a period from 2 February 2021 to 26 March 2021, subject to certain conditions.

On 3 March 2021, Zhongying Int'l completed a placing of 51,124,000 shares of the Company. Thereafter, a total of 92,562,130 shares of the Company, representing approximately 25.00% of the issued share capital of the Company, were held by the public. As such, the public float of the Company was restored to not less than 25% of the issued share capital of the Company.

Trading in the shares of the Company on the Stock Exchange was suspended from 9:00 a.m. on 3 February 2021 due to the insufficiency in public float, and was resumed from 9:00 a.m. on 5 March 2021 due to the restoration in public float.

As at the date of this report, based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained sufficient public float as required under the Listing Rules.

CORPORATE GOVERNANCE PRACTICES

The Board confirms that the Company has adopted and complied with all code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules for the year ended 31 December 2021.

CONTRACTS OF SIGNIFICANCE AND RELATED PARTY TRANSACTIONS

No contract of significance had been entered between the Company or any of its subsidiaries, and the controlling shareholders of the Company (as defined in the Listing Rules) or any of its subsidiaries. No contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholders of the Company (as defined in the Listing Rules) or any of its subsidiaries.

Details of the related party transactions undertaken in the usual course of business are set out in note 36 to the Consolidated Financial Statements of this Annual Report. None of these related party transactions constitutes "connected transactions" or "continuing connected transactions" as defined under Chapter 14A of the Listing Rules and therefore there is no disclosure requirements in accordance with Chapter 14A of the Listing Rules.

AUDIT COMMITTEE

The audit committee of the Company comprises solely independent non-executive Directors, namely Ms. Ching Ching (chairman), Ms. Weng Yuzhen (resigned as a member on 15 April 2021), Mr. Song Donglin (appointed as a member on 15 April 2021) and Mr. Zhang Shengdong. The Group's annual results for the year ended 31 December 2021 have been reviewed by the audit committee of the Company.

AUDITOR

Zenith CPA Limited was appointed as the auditors of the Company for the year ended 31 December 2021.

The audited financial statements of the Group for the year ended 31 December 2021 have been audited by Zenith CPA Limited, who retires and a resolution for its reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board
PacRay International Holdings Limited

Li Weina
Executive Director

Hong Kong, 31 March 2022

PacRay International Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") recognise the value and importance to achieving high corporate governance standards to enhance corporate performance and accountability.

The board of directors (the "**Directors**") of the Company (the "**Board**") is committed to maintain sound corporate governance standard and procedures to ensure integrity, transparency and quality of disclosure in order to enhance the shareholders' value.

CORPORATE GOVERNANCE PRACTICES

For the year ended 31 December 2021, the Company complied with the principles as set out in the Corporate Governance Code (version up to 31 December 2021) ("**CG Code**") contained in Appendix 14 to the Listing Rules and the code provisions contained therein except for the following deviation:

(i) Code provision A.2.1 of the CG Code requires that the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. Prior to the appointment of Mr. Lam Fuk Tak as the chief executive officer of the Company on 11 November 2021, the roles and functions of the chief executive officer were performed by all the executive directors collectively.

(ii) Code provision A.4.1 stipulates that non-executive director should be appointed for a specific term and subject to re-election. The non-executive director and the independent non-executive directors were not appointed for specific terms. They are subject to retirement by rotation at least once every three years and re-election at the Company's annual general meeting in accordance with the Bye-laws. At every annual general meeting of the Company, one-third of the Directors for the time being or, if their number is not three or a multiple of three, then the nearest but no less than one-third shall retire from office by rotation. Every director should be subject to retirement by rotation at least once every three years.

(iii) Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders. Two executive directors and three independent non-executive directors were unable to attend the annual general meeting of the Company held on 4 June 2021 after considering the quarantine measures adopted by the governments for the COVID-19 outbreak. Nevertheless, other members of the Board attended this meeting to ensure effective communication with the shareholders of the Company.

(iv) Code provision E.1.2 stipulates that the chairman of the Board should attend the annual general meeting of the Company. After considering the quarantine measures adopted by the governments for the COVID-19 pandemic, Mr. Duan Hongtao ("**Mr. Duan**"), chairman of the Board, did not attend the annual general meeting of the Company held on 4 June 2021. However, other members of the Board (including executive directors and non-executive director) attended the meeting to ensure effective communication with the shareholders of the Company.

The Company regularly reviews its corporate governance practices to ensure they comply with the CG Code and align with the latest development.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting the required standard set out in the model code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules (the "**Model Code**"). The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code for the year ended 31 December 2021, all Directors confirmed their respective full compliance with the required standard as set out in the Model Code for the year ended 31 December 2021.

THE BOARD COMPOSITION

As at the date of this Annual Report, the Board comprises 6 Directors, including 3 executive directors and 3 independent non-executive directors. The number of independent non-executive directors has met the minimum requirement of the Listing Rules and represented more than one-third of the total Board members. Further, one of the independent non-executive directors possesses appropriate professional accounting qualifications and/or financial management expertise.

As of the date of this Annual Report, the members of the Board are as follows:

Executive Directors

Ms. Li Weina
Mr. Zhang Fumin
Mr. Wang Yi

Independent Non-Executive Directors

Ms. Ching Ching
Mr. Song Donglin
Mr. Zhang Shengdong

The biographical details of the Directors are contained in the section headed Directors and Senior Management Biographies of this Annual Report.

There is no fixed term or proposed length of service for each of the Directors (including the non-executive Director and independent non-executive Directors) except that the appointment is subject to the requirements under the Listing Rules, the Bye-laws and any other applicable laws and regulations, and the appointment can be terminated by either party by giving the other party one months' written notice in advance.

When the Board considers any material proposal or transaction in which a Director has a conflict of interest, the Director who has interests declares his/her interest and is required to abstain from voting and is not counted in the quorum.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive directors are independent.

THE BOARD FUNCTIONS

Other than the regulatory and statutory responsibilities of the Board, the key functions of the Board are to formulate strategy and to monitor and control operating and financial performance in pursuit of the Group's strategic objective. The Board, led by the chairman, retains full responsibility for setting objective and business development plans. All Directors (including executive and non-executive) have been consulted on major and material matters of the Company and have made active contribution to the affairs of the Board. The Board is committed to make decisions in the best interest of the Group. The main responsibilities of the management of the Company is to manage, operate and co-ordinate the business of the Company, execute the strategies formulated by the Board and make decisions in respect of daily matters.

There is no relationship (including financial, business, family or other material/relevant relationship(s)) between Board members and in particular, between the chairman and the Chief Executive Officer.

For the year ended 31 December 2021, 4 regular Board meetings and a total of 12 Board meetings were convened by the Company. The attendance of the Directors at the Board meetings and general meetings of the Company for the year ended 31 December 2021 is summarized below.

	Number of Board meetings attended/held	Number of general meetings attended/held
Executive Directors		
Mr. Duan Hongtao *Note 1*	7/8	0/1
Ms. Li Weina	12/12	1/1
Mr. Zhang Fumin *Note 2*	7/8	0/1
Ms. Liu Wenjia *Note 3*	2/3	0/0
Mr. Yang Lin *Note 4*	3/7	0/0
Mr. Xu Yinsheng *Note 5*	7/11	1/1
Ms. Lau Mei Ying *Note 6*	1/3	0/0
Mr. Leung Pok Man *Note 6*	1/3	0/0
Non-Executive Director		
Mr. Zhou Danqing *Note 5*	10/11	1/1
Independent Non-Executive Directors		
Ms. Ching Ching	12/12	0/1
Mr. Song Donglin *Note 7*	9/9	0/1
Mr. Zhang Shengdong	11/12	0/1
Ms. Weng Yuzhen *Note 6*	0/3	0/0

Notes:

1. *Appointed on 16 April 2021 and resigned on 14 February 2022*
2. *Appointed on 16 April 2021*
3. *Appointed on 23 July 2021 and resigned on 17 December 2021*
4. *Resigned on 28 May 2021*
5. *Resigned on 30 September 2021*
6. *Resigned on 15 April 2021*
7. *Appointed on 15 April 2021*

Apart from regular Board meetings, the chairman also held meetings with the independent non-executive directors without presence of executive directors for the year ended 31 December 2021.

Notice of at least 14 days of a regular Board meeting is given all Directors who are given an opportunity to attend. For all other Board meetings, reasonable notice has been given.

Save for urgent matters which require the Board's immediate attention and therefore leaded to a short notice of a meeting, the agenda accompanying Board papers are sent to all Directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the Directors to review the documents. All businesses transacted at the Board meetings were well-documented. Draft and final versions of Board minutes are circulated to all Directors for their comments and records respectively.

Between Board meetings, the management provides to Directors from time to time updates and other information on the Group's business, operations and financial matters.

Directors are entitled to have access to Board papers and related materials and access to the advice and services of company secretary of the Company. Directors have the liberty to seek independent professional advice, if so required, at the Company's expenses as arranged by company secretary of the Company and they are at liberty to propose appropriate matters for inclusion in Board agendas.

For ensuring that Board procedures are followed and activities of the Board are efficient and effective, the company secretary of the Company assists the chairman to prepare agendas for regular board meetings and ensure the Board papers are disseminated to the Directors and Board Committees in a timely and comprehensive manner.

For the Group's compliance with the continuing obligations of the Listing Rules, The Codes on Takeovers and Mergers and Share Buy-backs, the SFO and the Companies Ordinance, including publication and dissemination of reports and financial statements and interim reports within the periods laid down in the Listing Rules, timely dissemination of announcements and information relating to the Group to the market and ensuring that proper notification is made of Director's dealings in securities of the Group, the Board engages the professional parties' input from time to time.

Directors are aware of their obligations for disclosure of interests in securities, connected transactions and inside information and ensure that the standards and disclosures required by the Listing Rules and the SFO are observed.

The Company has maintained liability insurance for Directors and senior management officers with appropriate coverage for certain legal liabilities which may arise in the course of performing their duties.

DIRECTORS' TRAINING

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company would provide each newly appointed director a comprehensive induction package covering the summary of the responsibilities and liabilities of a director of a Hong Kong listed company, the Group's business and the Company's constitutional documents and guides on directors' duties to ensure that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules and other applicable regulatory requirements.

From time to time, relevant reading materials are provided to Directors with regard to regulatory and governance developments as well as organizing in-house training programme to refresh their knowledge and skills on the roles, functions and duties of a director of a listed company. The Company has devised a training record to assist the Directors to record the training they have undertaken.

For the year ended 31 December 2021, the Directors participated in the following trainings to develop and refresh their knowledge and skills:

	Types of training
Executive Directors	
Mr. Duan Hongtao *Note 1*	B
Ms. Li Weina	A, B
Mr. Zhang Fumin *Note 2*	B
Independent Non-Executive Directors	
Ms. Ching Ching	A, B
Mr. Song Donglin *Note 3*	A, B
Mr. Zhang Shengdong	B

A: attending seminars and/or programmes and/or conference
B: reading materials relating to the economy, general business or regulatory updates

Notes:

1. *Appointed on 16 April 2021 and resigned on 14 February 2022*
2. *Appointed on 16 April 2021*
3. *Appointed on 15 April 2021*

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge that they are primarily responsible for the preparation of the financial statements for the year ended 31 December 2021 which give a true and fair view and that appropriate accounting policies are selected and applied consistently.

To the best knowledge of the Directors, there is no uncertainty relating to events or conditions that may cast significant count upon the Company's ability to continue as a going concern.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

For the year ended 31 December 2021, the chairman was Mr. Dong Hongtai, and the Chief Executive Officer was Mr. Lam Fuk Tak (appointed on 11 November 2021). The chairman takes primary responsibility for the work of the Board, by ensuring its effective function, while the Chief Executive Officer bears executive responsibilities for the Company's businesses and the management of the day-to-day operations of the Company. For certain periods in the year ended 31 December 2021 when the position of the Chief Executive Officer was vacant, its roles and functions were performed by all the executive Directors collectively.

BOARD COMMITTEES

The Board has established three Board Committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, to assist the Board in discharging its duties and to oversee particular aspects of the Group's affairs. All the Board Committees have clear written terms of reference and have to report on their decisions and recommendation to the Board. These written terms of reference are available for access at the principal place of business of the Company in Hong Kong and each of the committee members was furnished with a copy of the respective terms of reference.

The written terms of reference of the Board Committees are also available on the websites of the Company (http://pacray.com.hk) and the Stock Exchange.

All business dealt with by the Board Committees were well-documented. Draft and final versions of the Board Committees' minutes are sent to all the respective Board Committees' members for comments and records within reasonable time.

1. Audit Committee

The Audit Committee comprises solely independent non-executive directors. As at 31 December 2021 and as at the date of this report, the Audit Committee consists of three independent non-executive directors, namely, Ms. Ching Ching (chairman), Mr. Song Donglin and Mr. Zhang Shengdong.

The Audit Committee is responsible for the following:

— reviewing and supervising the Company's financial reporting process, risk management and internal control systems;

— reviewing the accounting principles and practices adopted by the Group and other financial reporting matters and ensure the completeness, accuracy and fairness of the financial statements;

— making recommendations as to the effectiveness of internal control and risk management;

— monitoring the compliance with statutory and listing requirements and to oversee the relationship with the external auditor; and

— reviewing arrangements to enable employees of the Company to raise concerns about improprieties in financial reporting, internal control or other matters of the Company. The Audit Committee meets the external auditor and the senior management twice a year to discuss any areas of concern during the audits.

For the year ended 31 December 2021, the Audit Committee has reviewed (i) the annual report of the Group for the year ended 31 December 2020, (ii) the interim report of the Group for the 6 months ended 30 June 2021, (iii) the external auditor's engagement letter with recommendation to the Board for approval, (iv) the determination and reporting of key audit matters, and (v) the effectiveness of the risk management and internal control systems and internal audit function.

For the year ended 31 December 2021, 2 meetings were held with the management and/or the external auditor. Members of the Audit Committee and their respective attendance at committee meetings were held during their term of office are listed below:

	Number of Audit Committee Meeting attended/held
Committee members	
Ms. Ching Ching	2/2
Mr. Song Donglin *Note 1*	1/1
Mr. Zhang Shengdong	2/2
Ms. Weng Yuzhen *Note 2*	0/1

Notes:

1. *Appointed on 15 April 2021*
2. *Resigned on 15 April 2021*

2. Remuneration Committee

The Remuneration Committee comprises solely independent non-executive directors. As at 31 December 2021 and as at the date of this report, the Remuneration Committee consists of three independent non-executive directors, namely, Mr. Song Donglin (chairman), Ms. Ching Ching and Mr. Zhang Shengdong.

Its primary responsibilities include recommending, reviewing and determining the remuneration policy and packages of directors and senior management. Directors do not participate in the determination of their own remuneration.

For the year ended 31 December 2021, the Remuneration Committee has reviewed and recommended to the Board the Directors' remuneration. In making recommendations to the Board on the Directors' remuneration, the Remuneration Committee considered a number of factors including time commitment, responsibilities, qualification and the prevailing market rate. The remuneration of the Directors will be determined by the Board after obtaining authorisation at its general meetings.

For the year ended 31 December 2021, the Remuneration Committee held 3 meetings. Members of the Remuneration Committee and their respective attendance at the committee meeting during their term of office are listed below:

	Number of Remuneration Committee Meeting attended/held
Committee members	
Ms. Ching Ching	3/3
Mr. Song Donglin *Note1*	2/2
Mr. Zhang Shengdong	2/3
Ms. Weng Yuzhen *Note 2*	0/1

Notes:

1. *Appointed on 15 April 2021*
2. *Resigned on 15 April 2021*

3. Nomination Committee

The Nomination Committee comprises solely independent non-executive directors. As at 31 December 2021 and as at the date of this report, the Nomination Committee consists of three independent non-executive Directors, namely, Mr. Song Donglin (chairman), Ms. Ching Ching and Mr. Zhang Shengdong.

Its primary responsibilities are to assist the Board to review the structure of the Board and make recommendations to the Board on the appointment or re-appointment of directors to the Board. It also reviews the Company's adopted board diversity policy, as appropriate, to ensure its continued effectiveness and make recommendations to the Board for consideration and approval.

Board Diversity Policy

Pursuant to the CG Code, the Board adopted a board diversity policy (the "**Board Diversity Policy**") in November 2013. Such policy aims to set out the approach to achieve diversity for the Board.

The Company recognises the benefits of a Board that possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the businesses of the Company.

All Board appointments shall be based on merits and candidates shall be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates for Board members shall be based on a range of diversity perspectives including, but not limited to, gender, age, race, experience, cultural and educational background, skills and other qualities considered relevant and applicable. The ultimate decision shall be based on merit and contribution that the selected candidates shall bring to the Board.

The Nomination Committee monitors the implementation of the Board Diversity Policy and reviews, as appropriate, from time to time. The Nomination Committee also ensure the continued effectiveness of the policy. The Nomination Committee shall discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

As at 31 December 2021,

— Two directors were within the age range of 30–39, one director was within the age range of 40–49, two Directors were within the age range of 50–59, and one Director was within the age range of 60–69;

— Four directors were male and two directors were female.

— Three directors served the Board for less than one year and three directors served the Board for over one years but less than three years.

As at the date of this report,

— One director was within the age range of 30–39, one director was within the age range of 40–49, two directors were within the age range of 50–59, and two directors were within the age range of 60–69;

— Four directors were male and two directors were female;

— Three directors served the Board for less than one year and three directors served the Board for over one years but less than three years.

As at 31 December 2021 and the date of this report,

— one director possessed appropriate professional qualifications in finance and accounting and meets the requirements of the Listing Rules;

— three directors, being over one third of the Board, were independent in accordance with the Listing Rules;

— all directors contributed to the business of the Company with their own knowledge and experience.

Nomination Policy

The Company adopted a nomination policy (the "**Nomination Policy**") in compliance with CG Code. The Nomination Committee and/or the Board shall consider the following criteria in evaluating and selecting candidates for directorships:

— Character and integrity

— Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy

— Willingness to devote adequate time to discharges duties as a Board member and other directorships and significant commitments

— Requirement for the Board to have independent directors in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time) (the "**Listing Rules**") and whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules

— Such other perspectives appropriate to the Company's business

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

For the year ended 31 December 2021, the Nomination Committee has reviewed the structure, size and composition of the Board and the independence of the independent non-executive directors.

For the year ended 31 December 2021, the Nomination Committee held 4 meetings with the management. Members of the Nomination Committee and their respective attendance at the committee meeting during their term of office are listed below:

	Number of Nomination Committee Meeting attended/held
Committee members	
Ms. Ching Ching	4/4
Mr. Song Donglin *Note 1*	3/3
Mr. Zhang Shengdong	3/4
Ms. Weng Yuzhen *Note 2*	0/1

Notes:

1. *Appointed on 15 April 2021*
2. *Resigned on 15 April 2021*

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company. For the year ended 31 December 2021, the Board has discharged the following corporate governance duties:

— To develop and review the Company's policies and practices on corporate governance and make recommendations on changes and updating;

— To review and monitor the training and continuous professional development of directors and senior management;

— To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

— To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;

— To review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and

— To implement such other corporate governance duties and functions set out in the CG Code (as amended from time to time) for which the Board are responsible.

AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibility on the Company's consolidated financial statements for the year ended 31 December 2021 is set out in the section headed Independent Auditor's Report of this Annual Report.

For the year ended 31 December 2021, auditor's remuneration for audit services and non-audit services were approximately HK$1.06 million and nil respectively.

COMPANY SECRETARY

Mr. Zhou Danqing was the company secretary of the Company ("**Company Secretary**") up to 30 September 2021 and Mr. Chow Kin Wing ("**Mr. Chow**") was appointed as the Company Secretary on 30 September 2021. The Company Secretary is responsible for distributing detailed documents to the Directors prior to the Board meetings to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings. All Directors have access to the advice and services of the Company Secretary with a view to ensuring that the Board procedures, and all applicable rules and regulations, are followed.

Mr. Chow has complied with Rule 3.29 of the Listing Rules of taking no less than 15 hours of relevant professional training.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has established risk management manual to formulate the risk management process. The staff in all levels within the Group are also required to take the relevant responsibility on the risk management process. With reference to enterprise risk management — integrated framework issued by the Committee of Sponsoring Organisations of the Treadway Commission and the Company's enterprise risk management processes is summarised as follows:

1. Project initiation
2. Risk identification
3. Risk analysis
4. Risk treatment
5. Risk monitoring
6. Risk reporting

The risk management and internal control systems are reviewed at least annually to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security to ensure appropriateness and effectiveness.

The management, in coordination with division/department heads, assessed the likelihood of risk occurrence, provided treatment plans, and monitored the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2021.

The heads of each core business segment monitor compliance with policies and procedures and the effectiveness of internal control systems in respect of their responsible business segments. The Company also engaged an independent external consulting firm to review and assess the effectiveness of the risk management and internal control systems of the Group during the year ended 31 December 2021. The assessment covers all material controls including financial, operational and compliance controls, as well as risk management functions for the year ended 31 December 2021.

The Audit Committee has reviewed the assessment report with the management, and noted that no significant areas of improvement are brought to its attention. The Company also conducted a review on the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function for the year ended 31 December 2021. Accordingly, the Board was satisfied that the prevailing risk management and internal control systems of the Group are effective and adequate.

The Board, as supported by the Audit Committee as well as the management report, reviewed the effectiveness of risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2021, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and staff qualifications, experiences and relevant resources. Based on the above, the Board formed the view that the Company has established effective and adequate risk management and internal control systems.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited.

COMMUNICATION WITH SHAREHOLDERS

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

The various channels via which the Company communicates with its shareholders include interim and annual reports, information on the websites of the Stock Exchange and the Company, annual general meeting and other general meeting that may be convened.

RIGHTS OF SHAREHOLDERS

(i) The right to attend the annual general meeting and to receive information

The annual general meeting of the Company provides opportunity for shareholders to communicate directly with the Directors. The chairman and the chairman of the Board committees will attend the annual general meeting to answer shareholders' questions. In their absence, he should invite another member of the committee or his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval. The external auditor of the Company will also attend the annual general meeting to answer questions about the conduct of the audit, the preparation and contents of the auditor's report, the accounting policies and auditors' independence.

Copies of the reporting documents, including financial statements, the Directors' report and the auditor's report must be sent to members at least 21 working days before the annual general meeting of the Company.

(ii) The right to convene an extraordinary general meeting

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 company secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition.

If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to the requisitionists by the Company.

(iii) The voting powers at the shareholders' meetings

Every shareholder has the right to vote at the shareholders meetings subject to provisions of the Bye-laws.

(iv) The power to elect and re-elect Directors and auditors

The shareholders could hold individual Directors (or the Board as a whole) to account for their actions by voting against their re-election. The Bye-laws provides at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of 3, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

For the Directors to retire by rotation, and if they wish, they may submit themselves for re-election at the annual general meeting. The retiring Directors are eligible for reappointment to the office. Without the prescribed approval of its shareholders, the Company shall not agree to any provision under which a director's term of employment exceeds or may exceed three years.

The shareholders also have the right to approve (or reject) the appointment of the auditors each year. The Company may by an ordinary resolution passed at a general meeting remove a person from the office of auditor despite any agreement between the person and the Company or anything in the Memorandum of Association.

(v) The right to receive information of the Company

The Company shall keep shareholders informed of certain developments and to obtain shareholder approval for certain transactions in accordance with the Listing Rules. In these cases, the Company must communicate with its shareholders and seek their support.

(vi) The right to communicate with the Company

The chairman or the executive director should ensure that the views of the shareholders are communicated to the Board as a whole and the chairman or the executive Director should discuss strategy and governance with the major shareholders.

Non-executive Directors should be given the opportunity to attend general meetings with major shareholders, and should be expected to attend general meetings if requested by major shareholders.

CONSTRUCTIVE USE OF GENERAL MEETINGS

(i) Effectiveness of general meetings

Shareholders should be given the opportunity to send in written questions before the meeting. There should be a circulation of a brief summary of points raised at the annual general meeting to all shareholders after the event. The Board should dispatch a circular accompanying the annual general meeting notice, which contains comprehensive information on the business to be transacted at the meeting, together with summary procedure governing voting at the annual general meeting and frequently asked questions regarding voting procedures.

The Company should arrange for the notice of the annual general meeting and the related papers to be sent to the shareholders at least 21 working days before the meeting. For other general meetings this should be at least 14 working days in advance.

(ii) Giving shareholders an opportunity to ask questions

The chairman should attend the annual general meeting. He/she should also invite the chairmen of the audit, nomination and remuneration committees and any other committees (as appropriate) to be available to answer questions at the annual general meeting. In addition, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders.

(iii) Voting procedure

At any general meeting, the Company proposes a separate resolution on each substantially separate issue and in particular proposes a resolution at the annual general meeting relating to the report and accounts. For each resolution, proxy appointment forms should provide shareholders with the option to direct their proxy to vote either for or against the resolution or to withhold their vote.

At any general meeting there should also be a separate resolution to each substantially separate issue. The Company should avoid "bundling" resolutions unless they are interdependent and linked forming one significant proposal. Where the resolutions are "bundled", the Company should explain the reasons and material implications in the notice of meeting.

In the context of voting by proxy and poll results, the Company should ensure that all valid proxy appointments received are properly recorded and counted. For each resolution, after a vote has been taken, except where taken on a poll, the Company should ensure that the following information is given at the meeting and made available as soon as reasonably practicable on a website which is maintained by or on behalf of the company.

The Company should announce the poll results as soon as possible and at least 30 minutes before the commencement of the Exchange's morning session or any pre-opening session on the business day following the general meeting. The poll results announcement must include: the number of shares entitling the holder to attend and vote at the general meeting; shares entitling the holder to attend and abstain from voting in favour; shares of holders that are required under the Listing Rules to abstain from voting; shares actually voted for a resolution and shares actually voted against a resolution.

SHAREHOLDERS' ENQUIRIES

Shareholders should direct their questions about their shareholdings to the company's registrar, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Shareholders and the investment community may at any time make a request for the company's publicly available information. The designated contacts and addresses to enable them to make query in respect of the company are:

Contact:	The Board of Directors
Fax:	2851 3055
Address:	28th floor of Agricultural Bank of China Tower, 50 Connaught Road Central, Hong Kong

CORPORATE WEBSITE

The Company's website is https://pacray.etnet.com.hk.

Information submitted by the Company to the Stock Exchange is also posted as soon as practicable on the Company's website. Such information includes financial statements, results announcements, circulars and notices of general meetings and associated explanatory documents. All presentation materials provided in relation to the Company's annual general meeting and results announcement each year should be made available on the Company's website as soon as practicable after their release.

DIVIDEND POLICY

The Company adopted a policy on payment of dividends (the "**Dividend Policy**") in compliance with the CG Code, which establishes an appropriate procedure on declaring and recommending the dividend payment of the Company.

The Company may declare and pay dividends to the shareholders of the Company by way of cash or by other means that the Board of the Company considers appropriate. It is the policy of the Board, in recommending dividends, to allow the Shareholders to participate in the Company's profits, and at the same time, to ensure the Company to retain adequate reserves for future growth.

Factors to consider

The Company's decision to declare or to pay any dividends in the future, and the amount of such dividends will depend upon, among other things, the current and future operations, financial condition, liquidity position and capital requirements of the Group, as well as dividends received from the Company's subsidiaries and associates, which in turn will depend on the ability of those subsidiaries and associates to pay a dividend. In addition, any final dividends for a financial year will be subject to the approval of the Shareholders.

General Principle

The declaration and payment of dividends by the Company is also subject to any restrictions under the laws of Bermuda, the laws of Hong Kong, the Company's articles of association, Bye-laws and any applicable laws, rules and regulations.

Review of the Dividend Policy

Whilst this Dividend Policy reflects the Board's current views on the financial and cash-flow position of the Group, the Board will continue to review this Dividend Policy from time to time and the Board may exercise its sole and absolute discretion to update, amend and/or modify this Dividend Policy at any time as it deems fit and necessary. There is no assurance that dividends will be declared or paid in any particular amount for any given period. The Dividend Policy shall in no way constitute a legally binding commitment by the Company that any dividend will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

CONSTITUTIONAL DOCUMENTS

There was no change in the Company's constitutional documents for the year ended 31 December 2021. An up-to-date version of the Company's Bye-laws are available on the websites of the Company and the Stock Exchange.

ZENITH
ASSURANCE I TRANSACTIONS I ADVISORY

To the shareholders of PacRay International Holdings Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of PacRay International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 68 to 152, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), 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.

KEY AUDIT MATTERS

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

To the shareholders of PacRay International Holdings Limited
(Incorporated in Bermuda with limited liability)

Key Audit Matter	How our audit addressed the Key Audit Matter
Expected credit losses on trade and bills receivables	
The carrying value of the Group's trade and bills receivables as at 31 December 2021 amounted to HK$34,054,000, representing 11.5% of the Group's total assets as at 31 December 2021. The loss allowance charged to the statement of profit or loss for the year was HK$100,000, and the cumulative loss allowance for the trade and bills receivables carried as at 31 December 2021 was HK$412,000. The loss allowance for the impairment of trade and bills receivables was maintained to reduce the Group's trade and bills receivables to their estimated recoverable amounts. Management evaluated the estimated loss allowance based on historical repayment behavior of debtors, ageing profile, specific information on individual customers as well as experience with collection trends, and current economic and business conditions. The management's continued refinement of the impairment of trade and bills receivables based on known customer information could provide a significant change in estimate between periods. We focused the impairment assessment of the trade and bills receivables as a key audit matter because of the material amounts involved, the significant judgement and assumptions involved in the determination of loss allowance under the expected credit losses model. The Group's accounting policies and disclosures on trade and bills receivables and loss allowance for expected credit losses are set out in notes 3, 4 and 23 to the financial statements.	Our procedures in relation to management's judgements used in the recoverability of trade and bills receivables included: • Understanding and evaluating the operating effectiveness of key controls such as credit control, debt collection and estimate of expected credit losses; • Testing on sample basis the ageing of trade and bills receivables as at year end; • In respect of trade and bills receivables past due, addition procedures were performed to evaluate their historical progress payment records, settlement plan, assessing whether the customers are experiencing financial difficulties, default in payments with reference to available information provided; • Assessing the competency, objectivity and independence of the external valuer used by management and discussed with the external valuer their work scope, and assessed the appropriateness of the valuation methodology; and • Assessing whether the consolidated financial statements disclosures appropriately reflect the Group's exposure to credit risk.

To the shareholders of PacRay International Holdings Limited
(Incorporated in Bermuda with limited liability)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of loans receivables	
The gross amount of the Group's loans receivables amounted to HK$8,718,000, had been fully impaired as at 31 December 2021. The impairment loss charged to the statement of profit or loss for the year was HK$6,582,000. Significant management judgement and estimates are required in determining the impairment losses of loans receivables under the expected credit losses model in accordance with HKFRS 9. Management applied the general approach in calculating expected credited losses for the loans receivables and engaged an external valuer to assess the credit risk of each borrower and prepare the expected credit loss calculations. The external valuer applied various elements, which involved specific information on individual debtors, forward-looking information and historical payment records in assessing the expected credit losses. Due to the significance of loans receivables and the corresponding uncertainty inherent in such an estimate, we considered this as a key audit matter. The Group's relevant accounting policies and disclosures are set out in notes 3, 4 and 25 to the financial statements.	Our procedures to assess the impairment assessment of loans receivable included: • Understanding and evaluating the operating effectiveness of key internal controls over the approval, recording, collection and monitoring of loans receivables; • Assessing the appropriateness of evaluating the judgements and assumptions used for the impairment and testing the loans receivables ageing analysis. • Evaluating the information used for management's assessment of the expected credit loss allowance by comparing to supportable evidence about the historical payment records and subsequent cash collection performance based on available information provided by the management; • Assessing the competency, objectivity and independence of the external valuer used by management and discussed with the external valuer their work scope, and assessed the appropriateness of the valuation methodology; and • Assessing whether the consolidated financial statements disclosures appropriately reflect the Group's exposure to credit risk.

To the shareholders of PacRay International Holdings Limited
(Incorporated in Bermuda with limited liability)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of interests in an associate	
As at 31 December 2021, the Group held a 20.2% interests in an associate with a carrying amount of HK$20,315,000 and included within the carrying amount of the associates is goodwill of HK$12,723,000 arising from the acquisition. Management performed an impairment test on the investment in an associate with reference to an external valuer engaged by the Group to estimate its value-in-use, using a discounted cash flow model with a forecast complied by the management. In carrying out the impairment assessment, significant judgement and assumptions are required to estimate the value in use based on the forecasted future cash flows of the business of the associate. Management assessed and considered full impairment in respect of the interests in an associate as at 31 December 2021. We focused the impairment assessment of interests in an associate as a key audit matter because of the material amounts involved, level of judgement and assumptions involved in the calculation of the value-in-use. The Group's relevant accounting policies and disclosures of the investment in an associate are set out in notes 3, 4 and 18 to the financial statements.	Our procedures to assess the impairment assessment of interests in an associate included: • Obtaining the management accounts and performed cash flow forecast to assess the management's impairment decisions; • Testing the arithmetical accuracy of the value-in-use calculation and assessed the appropriateness of management's judgements and assumptions; and • Evaluating the adequacy and appropriateness of the disclosures regarding these matters in the consolidated financial statements.

To the shareholders of PacRay International Holdings Limited
(Incorporated in Bermuda with limited liability)

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

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

To the shareholders of PacRay International Holdings Limited
(Incorporated in Bermuda with limited liability)

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

To the shareholders of PacRay International Holdings Limited
(Incorporated in Bermuda with limited liability)

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

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

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

We communicate with 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, actions taken to eliminate threats or safeguards applied.

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

The engagement partner on the audit resulting in this independent auditor's report is Fan Chi Hang Stephen.

Zenith CPA Limited
Certified Public Accountants
Fan Chi Hang Stephen
Practising Certificate Number: P06144
Hong Kong, 31 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 HK$'000	2020 HK$'000
REVENUE	6	**105,619**	92,647
Cost of sales		**(69,955)**	(68,682)
Gross profit		**35,664**	23,965
Other income and gains, net	7	**10,941**	15,762
Selling and distribution costs		**(10,244)**	(1,070)
General and administrative expenses		**(49,114)**	(39,593)
Impairment of investment in an associate	18	**(20,315)**	–
Finance costs	8	**(3,919)**	(518)
Impairment of financial assets		**(7,757)**	(6,106)
Share of losses and profits of an associate		**(7,806)**	2,740
LOSS BEFORE TAX	9	**(52,550)**	(4,820)
Income tax expense	12	**(290)**	(733)
LOSS FOR THE YEAR		**(52,840)**	(5,553)
Attributable to:			
Owners of the Company		**(52,840)**	(5,495)
Non-controlling interests		**–**	(58)
		(52,840)	(5,553)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	14		
– Basic and diluted		**HK(14.26) cents**	HK(1.58) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 HK$'000	2020 HK$'000
LOSS FOR THE YEAR		**(52,840)**	(5,553)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**2,987**	2,653
Share of other comprehensive income of an associate		**177**	–
Disposal of subsidiaries	34(a)	**(683)**	–
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designed at fair value through other comprehensive income:			
Changes in fair value		**(3,901)**	(10,779)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(1,420)**	(8,126)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(54,260)**	(13,679)
Attributable to:			
Owners of the Company		**(54,260)**	(13,621)
Non-controlling interests		**–**	(58)
		(54,260)	(13,679)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**3,672**	2,751
Investment properties	16	**30,328**	30,328
Right-of-use assets	17(a)	**64**	5,092
Investment in an associate	18	**–**	27,944
Equity investments designated at fair value through other comprehensive income	19	**8,420**	12,321
Deferred tax assets	20	**670**	646
Long-term deposits	24	**–**	211
Total non-current assets		**43,154**	79,293
CURRENT ASSETS			
Finance lease receivable	21	**2,431**	3,428
Inventories	22	**1,346**	4,041
Trade and bills receivables	23	**34,054**	23,359
Prepayments, other receivables and other assets	24	**127,649**	12,609
Loans receivables	25	**–**	6,490
Financial assets at fair value through profit or loss	26	**67**	150
Tax recoverable		**171**	167
Cash and cash equivalents	27	**86,172**	28,031
Total current assets		**251,890**	78,275
CURRENT LIABILITIES			
Trade payables	28	**19,819**	23,227
Other payables and accruals	29	**15,868**	19,414
Lease liabilities	17(b)	**70**	5,620
Loans from a shareholder	30	**194,333**	–
Tax payable		**2,404**	1,954
Total current liabilities		**232,494**	50,215
NET CURRENT ASSETS		**19,396**	28,060
TOTAL ASSETS LESS CURRENT LIABILITIES		**62,550**	107,353

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT LIABILITIES			
Lease liabilities	17(b)	**–**	67
NET ASSETS		**62,550**	107,286
EQUITY			
Equity attributable to owners of the Company			
Share capital	31	**37,025**	37,025
Other reserves	32	**119,701**	111,597
Accumulated losses		**(94,176)**	(41,336)
Total equity		**62,550**	107,286

Wang Yi
Director

Li Weina
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Attributable to owners of the Company					
	Share capital HK$'000 (Note 31)	Other reserves HK$'000 (Note 32)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2020	33,659	98,674	(35,841)	96,492	(581)	95,911
Loss for the year	–	–	(5,495)	(5,495)	(58)	(5,553)
Other comprehensive (loss)/income for the year:						
Changes in fair value of equity investments designed at fair value through other comprehensive income	–	(10,779)	–	(10,779)	–	(10,779)
Exchange differences on translation	–	2,653	–	2,653	–	2,653
Total comprehensive loss for the year	–	(8,126)	(5,495)	(13,621)	(58)	(13,679)
Disposal of subsidiaries (Note 34(c))	–	(156)	–	(156)	639	483
Issue of shares (Note 31)	3,366	21,205	–	24,571	–	24,571
At 31 December 2020 and 1 January 2021	**37,025**	**111,597**	**(41,336)**	**107,286**	**–**	**107,286**
Loss for the year	**–**	**–**	**(52,840)**	**(52,840)**	**–**	**(52,840)**
Other comprehensive (loss)/income for the year:						
Changes in fair value of equity investments designed at fair value through other comprehensive income	**–**	**(3,901)**	**–**	**(3,901)**	**–**	**(3,901)**
Exchange differences on translation	**–**	**2,987**	**–**	**2,987**	**–**	**2,987**
Share of other comprehensive income of an associate	**–**	**177**	**–**	**177**	**–**	**177**
Disposal of subsidiaries (Note 34(a))	**–**	**(683)**	**–**	**(683)**	**–**	**(683)**
Total comprehensive loss for the year	**–**	**(1,420)**	**(52,840)**	**(54,260)**	**–**	**(54,260)**
Deemed capital contribution arising from loans from a shareholder	**–**	**9,524**	**–**	**9,524**	**–**	**9,524**
At 31 December 2021	**37,025**	**119,701**	**(94,176)**	**62,550**	**–**	**62,550**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(52,550)**	(4,820)
Adjustments for:			
Interest income	7	**(183)**	(482)
Interest on loans from a shareholder	8	**3,857**	–
Share of profits and losses of an associate		**7,806**	(2,740)
Depreciation of right-of-use assets	9	**5,019**	10,031
Depreciation of property, plant and equipment	9	**927**	942
Loss on disposal of property, plant and equipment	7	**–**	291
Fair value losses on financial assets at fair value through profit or loss	7	**83**	1,395
Gain on disposal of subsidiaries	7	**(5,595)**	(4,371)
Impairment of trade and bills receivables	9	**100**	139
Impairment of finance lease receivable	9	**1,057**	2,667
Impairment of loans receivables	9	**6,582**	2,013
Impairment of other receivables	9	**18**	1,287
(Reversal of provision)/provision for inventories	9	**(142)**	1,023
Impairment of investment in an associate	18	**20,315**	–
Interest on lease liabilities	8	**62**	518
		(12,644)	7,893
Decrease in inventories		**2,174**	979
Increase in finance lease receivables		**–**	(243)
Decrease in loans receivables		**–**	2,800
(Increase)/decrease in trade and bills receivables		**(10,774)**	9,166
Increase in prepayments, other receivables and other assets		**(109,700)**	(3,946)
(Decrease)/increase in trade payables		**(3,410)**	391
Increase in other payables and accruals		**2,185**	5,835
Cash (used in)/from operations		**(132,169)**	22,875
Income tax refunded, net		**119**	527
Net cash flows (used in)/from operating activities		**(132,050)**	23,402

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(1,800)**	(14)
Net cash inflows from disposal of subsidiaries	34	**4,930**	1,726
Interest received		**183**	58
Net cash flows from investing activities		**3,313**	1,770
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in loans from a shareholder		**200,000**	—
Principal portion of lease payments		**(5,649)**	(10,956)
Interest element on lease liabilities		**(62)**	(518)
(Decrease)/Increase in other loan		**(5,938)**	5,938
Net Cash flows from/(used in) financing activities		**188,351**	(5,536)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**59,614**	19,636
Cash and cash equivalents at beginning of year		**28,031**	8,516
Effect of foreign exchange rate changes, net		**(1,473)**	(121)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**86,172**	28,031

1 CORPORATE AND GROUP INFORMATION

PacRay International Holdings Limited (the "Company") was incorporated in Bermuda as an investment holding company with limited liability under the Companies Act 1981 of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business is 28/F, Agricultural Bank of China Tower, 50 Connaught Road Central, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the year, the Company and its subsidiaries (collectively referred hereinafter as the "Group") were principally engaged in (i) the design and sales of integrated circuits and semi-conductor parts, (ii) executive jet management, and (iii) sales of yachts and other yachting related businesses.

In the opinion of the directors, the holding company and ultimate holding company of the Company is Zhongying Int'l Holding Group Limited ("Zhongying Int'l"), which was incorporated in Hong Kong.

Information about subsidiaries

Particulars of the principal subsidiaries of the Company are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Able Summit Investment Limited	British Virgin Islands	US$1	100%	–	Investment holding
Brilliant Express Global Investment Limited	British Virgin Islands	US$1	–	100%	Investment holding
PacRay Tourism Development (Hong Kong) Limited	Hong Kong	HK$10,000	100%	–	Yachting businesses
Balk Yacht (Hainan) Limited* (巴克遊艇(海南)有限公司)#	The PRC	RMB110,000,000	–	100%	Manufacturing and refitting of yacht
International Business Aviation (Hong Kong) Limited	Hong Kong	HK$2	50%	50%	Executive jet management

1 CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shanghai SyncMOS Semiconductor Company Limited#	The PRC	US$7,000,000	–	100%	Design, distribution and trading of integrated circuit products and provision of related agency services in the PRC
Sunny Fast International Investment Limited	British Virgin Islands	US$1	100%	–	Investment holding
SyncMOS Technologies, Inc.	British Virgin Islands	US$1	100%	–	Investment holding
Total Way Technology Limited	Hong Kong	HK$1	–	100%	Trading
Win Win Property Investments Limited	British Virgin Islands	US$1	100%	–	Investment holding
Wit Sky Limited	British Virgin Islands	US$100	–	100%	Investment holding
Ideal Best Limited ("Ideal Best")	British Virgin Islands	US$1	100%	–	Investment holding
Ideal Best (CNMI), LLC	Northern Mariana Island	US$100	–	100%	Investment property
AST 3G Limited	Hong Kong	HK$10,000	–	100%	Investment holding
Solomon International Leasing (Tianjin) Co., Ltd#	The PRC	US$18,000,000	–	100%	Finance lease services
PacRay Corporate Services Group Limited	Samoa	US$1	100%	–	Investment holding

* For identification purposes only

The entity is registered as wholly-foreign-owned enterprise under laws of the People's Republic of China (the "PRC").

The above table lists the subsidiaries of the Company as at 31 December 2021 which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments which have been measured at fair value. These financial statements presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand ("HK$'000") except which otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are 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. All intra–group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or/accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform — Phase 2*
Amendments to HKFRS 16	*COVID-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

The nature and the impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2021. The amendments did not have any impact on the financial position.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(Continued)

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received COVID-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2, 5]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2, 4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022

2 Effective for annual periods beginning on or after 1 January 2023

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they are incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to HKAS 1 Disclosure of Accounting Policies require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018–2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture, the retained interest is not remeasured. Instead, the investment continues to be accounted for under equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in the consolidated statement of profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference, after reassessment, is recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement

The Group measures its investment properties and equity investments at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

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

(a) the party is a person or a close member of that person's family and that person

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

(b) the party is an entity where any of the following conditions applies: *(Continued)*

(iii) the entity and the Group are joint ventures of the same third party;

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

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

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

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

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

Property, plant and equipment and depreciation

Property, plant and equipment is stated at historical cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold improvements	4–5 years or shorter of the lease term
Furniture, fixtures and equipment	4–5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Investment properties

Investment properties are interest in land and buildings held to earn rental income and/or for capital appreciation, rather than for use the production or supply of goods or services or for administrative purposes' or for sale in the ordinary course of business, such properties are measured initially at cost, including transaction cost. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the disposal of an investment property are recognised in the statement of profit or loss in the year of the disposal.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

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

The Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms of 2 to 3 years.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. 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, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases that is those leases 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 leases of low-value assets to leases that are considered to be of low value. (Alternatively) When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight–line basis over the lease term.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade and bills receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade and bills receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Initial recognition and measurement *(Continued)*

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss, Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement *(Continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

General approach *(Continued)*

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below:

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward–looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component, the Group chooses as its accounting policy to adopt the general approach in calculating ECLs with policies as described above.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include lease liabilities and trade and other payables.

Subsequent measurement

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other indirect costs and related production overheads based on normal operating capacity. Net realisable value is based on estimated selling price in the ordinary course of business less applicable variable selling and distribution costs.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assumption that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense items, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of goods.

(b) Executive jet and mega yacht management service fees are recognised when such services are rendered.

Revenue from other sources

(a) *Finance lease income*

Finance lease income is recognised on an accrual basis using effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the next investment of the finance lease or a shorter period, when appropriate, to the net carrying amount of the next investment of the finance lease.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from other sources *(Continued)*

(b) Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

(c) Dividend income

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Other income

Management fee income is recognised when management services are rendered.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date. Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(b) Bonus plans

Provision for bonus plans is recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

(c) Retirement benefits schemes

The Group contributes to various employee retirement benefit plans organised by municipal and provincial governments in Mainland China for its PRC based employees. Under these plans, the municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees of the Group. Contributions to these plans are expensed as incurred. The Group has no further payment obligations once the contributions have been paid.

The Group's contributions to the Mandatory Provident Fund Scheme established under the Hong Kong Mandatory Provident Fund Schemes Ordinance are expensed as incurred. Both the Group and its employees in Hong Kong are required to contribute 5% of each individual's relevant income with a maximum amount of HK$1,500 per month as a mandatory contribution. Employees may also elect to contribute more than the minimum as a voluntary contribution. The assets of the scheme are held separately from those of the Group and managed by independent professional fund managers. The Group has no further payment obligations once the contributions have been paid.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of the Group's overseas subsidiaries, are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements used are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(Continued)

Inventories

Inventories are carried at the lower of cost and net realisable value. The cost of inventories is written down to net realisable value when there is objective evidence that the cost of inventories may not be recoverable. The cost of inventories may not be recoverable if those inventories are aged and damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may also not be recoverable if the estimated costs to be incurred to make the sales have increased.

The amount written off to the statement of profit or loss is the difference between the carrying value and net realisable value of the inventories. In determining whether the inventories can be recoverable, significant judgement is required. In making this judgement, the Group evaluates, among other factors, the duration and extent by all means to which the amount will be recovered.

Impairment of loans receivables

The Group establishes, through charges against the statement of profit or loss, impairment allowance in respect of estimated incurred loss in loans receivables.

Impairment of loans receivables is assessed on ECL basis under general approach. Assessment are done based on the Group's historical credit loss experience, general conditions, internal credit ratings and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions. The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's loans receivables are disclosed in note 25 to the financial statements.

Provision for ECL on trade receivables

The Group uses a provision matrix to calculate ECL for trade receivables. The provision rates are based on day past due for grouping of various customers' segments that have similar loss patterns.

The provision matrix is mainly based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward–looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of correlation among historical observed rates, forecast economic conditions and ECLs is a significant estimate. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 23 to the financial statements.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(Continued)

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2021 was HK$30,328,000. Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 16 to the financial statements.

Impairment of investments in associates

As at 31 December 2021, the Group's carrying value of its investments in Red Power Group (as defined in note 18), an associate of the Group, amounted to nil. For impairment testing, the Group performed an impairment assessment and calculated the value in use of Red Power Group, using a discounted cash flow model with a forecast compiled by the management of Red Power Group. In carrying out the impairment assessment, significant judgements and assumptions are required to estimate the value in use which was estimated based on management forecast. Further details are set out in note 18 to the financial statements.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(Continued)

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

5 OPERATING SEGMENT INFORMATION

For management purpose, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

(i) design and sales of integrated circuits and semi-conductor parts used in industrial and household measuring tools and display products;

(ii) executive jet management services;

(iii) sales of yachts and other yachting related businesses;

(iv) property investment; and

(v) the "Headquarter and others" segment comprises principally the Group's corporate administrative and investment functions performed by the headquarter and provision of finance lease services.

During the year, the Group deployed additional resources to expand its existing yachting business from mega yacht management to distribution, construction and refitting of mega yachts. After carefully reviewing the Group's strategic position in its finance lease services, the management of the Group had decided to scale-down this segment. Accordingly, the reportable operating segment is revised to separately present the yachting businesses and include the finance lease services in "Headquarter and others" as described above. Considering the scale of yachting businesses and finance lease services were not significant in prior year, the reportable operating segment for prior year is not presented in this regard.

5 OPERATING SEGMENT INFORMATION *(Continued)*

These main operations are the basis on which the management identifies the primary segment information.

The management regularly reviews the basis in order to make decisions about resources to be allocated to the segment and assess its performance.

	Design and sales of integrated circuits HK$'000	Executive jet management HK$'000	Yachting businesses HK$'000	Property investment HK$'000	Headquarter and others HK$'000	Total HK$'000
Year ended 31 December 2021						
Revenue from external customers	39,538	63,805	1,929	–	347	105,619
Operating profit/(loss)	5,344	798	(16,876)	–	(41,999)	(52,733)
Interest income	167	–	16	–	–	183
Profit/(loss) before income tax	5,511	798	(16,860)	–	(41,999)	(52,550)
Other segment information:						
Depreciation of property, plant and equipment	(592)	–	–	–	(335)	(927)
Depreciation of right-of-use assets	(739)	–	–	–	(4,280)	(5,019)
Gain on disposal of subsidiaries	–	–	–	–	5,595	5,595
Share of loss of an associate	–	–	–	–	(7,806)	(7,806)
Impairment of investment in an associate	–	–	–	–	(20,315)	(20,315)
Reversal of provision for inventories	142	–	–	–	–	142
Impairment of financial assets	–	(718)	–	–	(7,039)	(7,757)
Fair value losses on financial assets at fair value through profit or loss	(83)	–	–	–	–	(83)
Finance costs	(22)	–	–	–	(3,897)	(3,919)
Capital expenditure*	308	–	–	–	1,492	1,800
Segment assets	39,201	32,186	125,894	30,328	67,435	295,044
Segment liabilities	9,024	22,374	1,078	–	200,018	232,494

5 OPERATING SEGMENT INFORMATION *(Continued)*

	Design and sales of integrated circuits HK$'000	Finance lease services HK$'000	Executive jet and mega yacht management businesses HK$'000	Property investment HK$'000	Headquarter HK$'000	Total HK$'000
Year ended 31 December 2020						
Revenue from external customers	31,105	828	60,714	–	–	92,647
Operating profit/(loss)	3,896	(5,977)	4,188	–	(7,409)	(5,302)
Interest income	52	2	1	–	427	482
Profit/(loss) before income tax	3,948	(5,975)	4,189	–	(6,982)	(4,820)
Other segment information:						
Depreciation of property, plant and equipment	(728)	(15)	–	–	(199)	(942)
Depreciation of right-of-use assets	(655)	–	–	–	(9,376)	(10,031)
Gain on disposal of subsidiaries	–	–	–	–	4,371	4,371
Share of profits of an associate	–	–	–	–	2,740	2,740
Provision for inventories	(1,023)	–	–	–	–	(1,023)
Reversal of impairment/(impairment) of financial assets	44	(5,615)	(183)	–	(352)	(6,106)
Fair value losses on financial assets at fair value through profit or loss	–	–	–	–	(1,395)	(1,395)
Finance costs	(67)	–	–	–	(451)	(518)
Capital expenditure*	5	–	–	–	9	14
Segment assets	29,049	10,268	25,429	30,328	62,494	157,568
Segment liabilities	5,279	526	24,990	–	19,487	50,282

* Capital expenditure consists of additions to property, plant and equipment, excluding assets from the acquisition of subsidiaries.

5 OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

	2021 HK$'000	2020 HK$'000
Hong Kong	**65,734**	60,714
The PRC	**39,885**	31,933
	105,619	92,647

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2021 HK$'000	2020 HK$'000
Hong Kong	**1,586**	4,735
The PRC	**2,150**	31,263
The Island of Saipan	**30,328**	30,328
	34,064	66,326

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets and equity investments.

Information about major customers

During the year ended 31 December 2021, revenue of HK$63,805,000 (2020: HK$58,393,000) was derived solely from a single customer of the executive jet management business, which individually accounted for over 60% of the Group's total revenue.

6 REVENUE

	2021 HK$'000	2020 HK$'000
Revenue from contracts with customers		
Sales of integrated circuits	**39,538**	31,105
Executive jet management services	**63,805**	58,393
Mega yacht management services	**1,929**	2,321
	105,272	91,819
Revenue from other sources		
Finance lease services	**347**	828
	105,619	92,647

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2021

Segments	**Design and sales of integrated circuits HK$'000**	**Executive jet and mega yacht management businesses services HK$'000**	**Total HK$'000**
Type of goods or services			
Sales of goods	**39,538**	**–**	**39,538**
Management services	**–**	**65,734**	**65,734**
Total revenue from contracts with customers	**39,538**	**65,734**	**105,272**
Geographical markets			
Hong Kong	**–**	**65,734**	**65,734**
The PRC	**39,538**	**–**	**39,538**
Total revenue from contracts with customers	**39,538**	**65,734**	**105,272**
Timing of revenue recognition			
Goods transferred at a point in time	**39,538**	**–**	**39,538**
Services provided at a point in time	**–**	**65,734**	**65,734**
Total revenue from contracts with customers	**39,538**	**65,734**	**105,272**

6 REVENUE *(Continued)*

Revenue from contracts with customers *(Continued)*

(i) Disaggregated revenue information *(Continued)*

For the year ended 31 December 2020

Segments	Design and sales of integrated circuits HK$'000	Executive jet and mega yacht management businesses services HK$'000	Total HK$'000
Type of goods or services			
Sales of goods	31,105	–	31,105
Management services	–	60,714	60,714
Total revenue from contracts with customers	31,105	60,714	91,819
Geographical markets			
Hong Kong	–	60,714	60,714
The PRC	31,105	–	31,105
Total revenue from contracts with customers	31,105	60,714	91,819
Timing of revenue recognition			
Goods transferred at a point in time	31,105	–	31,105
Services provided at a point in time	–	60,714	60,714
Total revenue from contracts with customers	31,105	60,714	91,819

6 REVENUE *(Continued)*

Revenue from contracts with customers *(Continued)*

(i) Disaggregated revenue information *(Continued)*

The following table shows the movement in contract liabilities (note 29):

	Sales of goods	
	2021	2020
	HK$'000	HK$'000
Balance at 1 January	**1,717**	440
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(1,717)**	(440)
Increase in contract liabilities as a result of cash received	**2,849**	1,717
Balance at 31 December	**2,849**	1,717

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sales of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 90 days from delivery.

Management services

Revenue is recognised in the amount that equals to the right to invoice with corresponding services rendered to the customer of the Group's performance to date on a monthly basis.

7 OTHER INCOME AND GAINS, NET

	2021 HK$'000	2020 HK$'000
Interest income	183	482
Management fee income		
From a third party	1,827	11,342
From a shareholder	3,223	–
From a related party	–	93
	5,050	11,435
Government subsidies*	–	1,142
Gain on disposal of subsidiaries (note 34)	5,595	4,371
Fair value losses on financial assets at fair value through profit or loss	(83)	(1,395)
Loss on disposal of property, plant and equipment	–	(291)
Sundry income	196	18
	10,941	15,762

* The government subsidies had no unfulfilled conditions or contingencies.

8 FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on lease liabilities (note 17(b))	62	518
Interest on loans from a shareholder	3,857	–
	3,919	518

9 LOSS BEFORE TAX

The Group's loss before tax was arrived at after charging/(crediting):

	Notes	2021 HK$'000	2020 HK$'000
Cost of inventories sold		**14,635**	14,884
Depreciation of property, plant and equipment	15	**927**	942
Depreciation of right-of-use assets	17(a)	**5,019**	10,031
Auditor's remuneration		**1,060**	1,060
Employee benefits expenses (excluding directors' remuneration (note 10)):			
Salaries, allowances and benefits in kind		**29,530**	17,777
Pension scheme contributions		**2,309**	807
		31,839	18,584
Foreign exchange difference, net		**27**	39
(Reversal of provision)/provision for inventories*		**(142)**	1,023
Impairment of finance lease receivables#	21	**1,057**	2,667
Impairment of trade and bills receivables#	23	**100**	139
Impairment of loans receivables#	25	**6,582**	2,013
Impairment of other receivables#	24	**18**	1,287

* Included in "Cost of sales" in the consolidated statement of profit or loss.

\# Included in "Impairment of financial assets" in the consolidated statement of profit or loss.

10 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, Section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies Regulation (Disclosure of Information about Benefits of Directors), was as follows:

Name of director	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Discretionary bonuses HK$'000	Employer's contribution to retirement benefit contribution HK$'000	Total HK$'000
2021					
Executive directors:					
Mr. Leung Pok Man (note (i))	132	–	–	–	132
Ms. Lau Mei Ying (note (ii))	132	–	–	–	132
Mr. Xu Yinsheng (note (iii))	330	–	–	12	342
Ms. Li Weina	408	–	–	18	426
Mr. Duan Hongtao (note (iv))	90	–	–	–	90
Ms. Liu Wenjia (note (v))	49	–	–	–	49
Mr. Zhang Fumin (note (vi))	90	–	–	–	90
Mr. Yang Lin (note (x))	–	–	–	–	–
	1,231	–	–	30	1,261
Non-executive director:					
Mr. Zhou Danqing (note (vii))	210	–	–	11	221
Independent non-executive directors:					
Mr. Song Donglin (note (viii))	180	–	–	–	180
Mr. Zhang Shengdong	120	–	–	–	120
Ms. Ching Ching	120	–	–	–	120
Ms. Weng Yuzhen (note (ix))	30	–	–	–	30
	450	–	–	–	450
	1,891	–	–	41	1,932

10 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' remuneration *(Continued)*

Name of director	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Discretionary bonuses HK$'000	Employer's contribution to retirement benefit contribution HK$'000	Total HK$'000
2020					
Executive directors:					
Mr. Leung Pok Man	480	–	–	–	480
Ms. Lau Mei Ying	480	–	–	–	480
Mr. Xu Yinsheng	480	–	–	18	498
Mr. Liu Shixia (note (xi))	37	72	–	–	109
Mr. Xu Beinan (note (xii))	207	–	–	7	214
Ms. Li Weina (note (xiii))	154	–	–	8	162
	1,838	72	–	33	1,943
Non-executive director:					
Mr. Zhou Danqing	120	–	–	6	126
Independent non-executive directors:					
Mr. Lee Man To (note (xiv))	53	–	–	–	53
Ms. Choi Yee Man (note (xv))	53	–	–	–	53
Mr. Zhang Shengdong	120	–	–	–	120
Ms. Ching Ching (note (xvi))	62	–	–	–	62
Ms. Weng Yuzhen (note (xvii))	55	–	–	–	55
	343	–	–	–	343
	2,301	72	–	39	2,412

10 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' remuneration *(Continued)*

Notes:

(i) Resigned on 15 April 2021
(ii) Resigned on 15 April 2021
(iii) Resigned on 30 September 2021
(iv) Appointed on 16 April 2021 and resigned on 14 February 2022
(v) Appointed on 23 July 2021 and resigned on 17 December 2021
(vi) Appointed on 16 April 2021
(vii) Resigned on 30 September 2021
(viii) Appointed on 15 April 2021
(ix) Resigned on 15 April 2021
(x) Resigned on 28 May 2021
(xi) Resigned on 14 April 2020
(xii) Appointed on 14 April 2020 and resigned on 14 August 2020
(xiii) Appointed on 14 August 2020
(xiv) Resigned on 8 June 2020
(xv) Resigned on 8 June 2020
(xvi) Appointed on 23 June 2020
(xvii) Appointed on 17 July 2020

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the financial year (2020: Nil).

(c) Consideration provided to third parties for making available directors' services

During the financial year ended 31 December 2021, the Company did not pay consideration to any third parties for making available directors' services (2020: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled body corporates by and connected entities with such directors

As at 31 December 2021, there were no loans, quasi-loans and other dealing arrangements in favour of any directors, controlled body corporates or controlled entities by such directors (2020: Nil).

10 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's businesses to which the Company 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 years ended 31 December 2021 and 2020.

11 FIVE HIGHEST PAID INDIVIDUALS

Two of the five highest paid individuals served as directors of the Company during the year (2020: Nil) whose emoluments are reflected in note 10. Details of the remuneration for the year of the remaining three (2020: five) highest paid employees who neither served as directors nor chief executive of the Company were as follows:

	2021 **HK$'000**	2020 HK$'000
Salaries, allowances and benefits in kind	**2,709**	4,633
Discretionary bonuses	**–**	337
Pension scheme contribution	**39**	120
	2,748	5,090

The number of non-director highest paid employees whose remuneration fell within the following bands was as follows:

	Number of individuals	
	2021	2020
Nil – HK$1,000,000	**3**	3
HK$1,000,001 – HK$1,500,000	**–**	2
	3	5

During the years ended 31 December 2021 and 2020, no emolument was paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12 INCOME TAX EXPENSE

The Company is exempted from taxation in Bermuda. Hong Kong profits tax has been provided at the rate of 8.25% on the first HK$2 million estimated assessable profits arising in Hong Kong and 16.5% on such profits above HK$2 million during the year. Taxes on assessable profits for the PRC subsidiaries are provided at the Enterprise Income Tax rate of 25%.

	2021 **HK$'000**	2020 HK$'000
Current — Hong Kong	**73**	773
— the PRC	**217**	–
Over-provision in prior years — the PRC	**–**	(40)
Total tax charge for the year	**290**	733

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using domestic tax rates applicable to loss in the respective countries as follows:

	2021 **HK$'000**	2020 HK$'000
Loss before tax	**(52,550)**	(4,820)
Tax calculated at domestic tax rates applicable to profit in the respective countries	**(9,386)**	(1,279)
Income not subject to tax	**(2)**	(1,344)
Expenses not deductible for tax	**8,262**	2,507
Over-provision in prior years	**–**	(40)
Profits and losses attributable to an associate	**1,288**	(452)
Tax losses not recognised	**189**	2,425
Tax losses utilised from previous periods	**–**	(948)
Others	**(61)**	(136)
Income tax expense	**290**	733

13 DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2021 nor has any dividend been proposed since the end of the reporting period (2020: Nil).

14 LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic and diluted loss per share are based on:

	2021 **HK$'000**	2020 HK$'000
Loss attributable to ordinary equity holders of the Company used in the basic and diluted loss per share calculation	**52,840**	5,495

	Number of shares	
	2021 **'000**	2020 '000
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	**370,425**	347,806

The Group has not issued any potentially dilutive ordinary shares during the years ended 31 December 2021 and 2020.

15 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor Vehicle HK$'000	Total HK$'000
Cost				
At 1 January 2020	103	10,255	964	11,322
Additions	–	14	–	14
Disposal of subsidiaries (note 34(c))	–	(324)	–	(324)
Disposals	–	(865)	–	(865)
Exchange realignment	–	552	16	568
At 31 December 2020 and 1 January 2021	**103**	**9,632**	**980**	**10,715**
Additions	**–**	**361**	**1,439**	**1,800**
Disposal of subsidiaries (note 34(a))	**–**	**(44)**	**–**	**(44)**
Exchange realignment	**–**	**430**	**10**	**440**
At 31 December 2021	**103**	**10,379**	**2,429**	**12,911**
Accumulated depreciation				
At 1 January 2020	(74)	(6,900)	(310)	(7,284)
Charge for the year (note 9)	(7)	(731)	(204)	(942)
Disposal of subsidiaries (note 34(c))	–	169	–	169
Disposal	–	574	–	574
Exchange realignment	–	(474)	(7)	(481)
At 31 December 2020 and 1 January 2021	**(81)**	**(7,362)**	**(521)**	**(7,964)**
Charge for the year (note 9)	**(7)**	**(567)**	**(353)**	**(927)**
Disposal of subsidiaries (note 34(a))	**–**	**10**	**–**	**10**
Exchange realignment	**–**	**(354)**	**(4)**	**(358)**
At 31 December 2021	**(88)**	**(8,273)**	**(878)**	**(9,239)**
Net carrying amount				
At 31 December 2021	**15**	**2,106**	**1,551**	**3,672**
At 31 December 2020	22	2,270	459	2,751

16 INVESTMENT PROPERTIES

	2021 HK$'000	2020 HK$'000
Carrying amount at 1 January	**30,328**	–
Acquisition of assets and liabilities (note 33)	**–**	30,328
Carrying amount at 31 December	**30,328**	30,328

The Group's investment properties comprise a leasehold land with certain apartment buildings in the Island of Saipan. The directors have determined that the Group's investment properties are solely the leasehold land, based on the nature, characteristics and risk of each property.

The fair value of the Group's investment properties was based on the valuation performed by Graval Consulting Limited (2020: BMI Appraisals Limited), an independent professional qualified valuer, which was valued at approximately HK$30,328,000 (2020: approximately HK$30,328,000). Each year, the management decides the appointment of the external valuer to be responsible for the valuation of the Group's investment properties. The selection criteria include market knowledge, reputation, independence and their professional standards. The management has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for financial reporting purpose.

Particular of the Group's investment properties is as follows:

Location	Use	Tenure	Attributable interest of the Group
Tract Number 21942-6 located in Capitol Hill, the Island of Saipan	Residential	Medium term lease	100%

16 INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2)** HK$'000	**Significant unobservable inputs (Level 3)** HK$'000	**Total** HK$'000
2021				
Recurring fair value measurement for:				
Leasehold land	**–**	**–**	**30,328**	**30,328**
2020				
Recurring fair value measurement for:				
Leasehold land	–	–	30,328	30,328

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	2021 **HK$'000**	2020 HK$'000
Carrying amount at 1 January	**30,328**	–
Acquisition of assets and liabilities (note 33)	**–**	30,328
Carrying amount at 31 December	**30,328**	30,328

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

Investment properties held by the Group	Valuation techniques	Significant unobservable inputs	Range or weighted average	Relationship of input to fair value
Tract Number 21942-6 located in Capitol Hill, the Island of Saipan	Sales comparison method	Estimated market price per square feet (US$)	180–193 (2020: 185)	The higher the market price, the higher the fair value

16 INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy *(Continued)*

Fair value of the Group's investment properties are generally derived using comparison approach based on market comparables of similar properties.

The sales comparison method is adopted by making reference to comparable market transactions in the assessment of the fair value of the investment properties. The approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors, including the transaction date, level of floor, environmental atmosphere, size of apartment and the like.

17 LEASES

The Group as lessee

The Group leases office premises for its daily operations. The lease term is two years, with an option to renew the lease, at which time all terms are renegotiated. Lease payments are usually increased annually to reflect current market rentals.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Office premises HK$'000
As at 1 January 2020	16,557
Disposal of subsidiaries (note 34(c))	(807)
Depreciation charge (note 9)	(10,031)
COVID-19-related rent concessions from lessors	(664)
Exchange realignment	37
As at 31 December 2020 and 1 January 2021	**5,092**
Depreciation charge (note 9)	**(5,019)**
Exchange realignment	**(9)**
As at 31 December 2021	**64**

17 LEASES *(Continued)*

The Group as lessee *(Continued)*

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2021 HK$'000	2020 HK$'000
Carrying amount at 1 January	**5,687**	18,103
Disposal of subsidiaries (note 34(c))	**–**	(833)
Payments	**(5,711)**	(11,474)
Accretion of interest recognised during the year (note 8)	**62**	518
COVID-19-related rent concessions from lessors	**–**	(664)
Exchange realignment	**32**	37
Carrying amount at 31 December	**70**	5,687
Analysed into:		
Current portion	**70**	5,620
Non-current portion	**–**	67
	70	5,687

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2021 HK$'000	2020 HK$'000
Interest on lease liabilities	**62**	518
Depreciation charge of right-of-use assets	**5,019**	10,031
Total amount recognised in profit or loss	**5,081**	10,549

(d) Total cash outflows for leases amounted to HK$5,711,000 (2020: HK$11,474,000).

18 INVESTMENT IN AN ASSOCIATE

	2021 HK$'000	2020 HK$'000
Share of net assets	7,592	15,221
Goodwill on acquisition	12,723	12,723
Impairment of investment in an associate	(20,315)	–
	–	27,944

Particulars of the associate are as follows:

Company name	Particulars of issued shares held	Place of incorporation and business	Percentage of ownership interest attributable to the Group	Principal activities
Red Power Developments Limited ("Red Power")	Ordinary shares	BVI/the PRC	20.2	Development, sales, lease and maintenance of equipment involving aviation technology and provision of air transportation services

The Group's shareholdings in the associate comprises equity shares held by the Company.

On 1 September 2020, the Company acquired 20.2% of the equity interest in Red Power and its subsidiaries (the "Red Power Group") by issuing 33,658,000 ordinary shares of the Company. The directors considered that the Group could only exercise significant influence over the Red Power Group based on its board composition and current shareholding, and accordingly, it was classified as an associate of the Group. Red Power Group is accounted for using equity method in the consolidated financial statement.

Red Power is an investment holding company and its subsidiaries, Liaoning Meridian Aviation Co., Ltd. (遼寧子午線航空有限公司) and Meridian Aviation Technology (Tianjin) Co., Ltd. (子午線航空技術(天津)有限公司), are engaged in the provision of air transportation services, development, sales, lease and maintenance of equipment involving the application of aviation technology in the PRC.

The COVID-19 pandemic and the resultant travel restrictions and quarantine requirements had dreadfully impacted the worldwide aviation industry. The Red Power Group were also victimized by these epidemic control measures, which in turn, severely affected the businesses and cash flow forecast of Red Power. Accordingly, the Group carried out an impairment assessment of Red Power and full impairment of the investment in an associate was recognised for the year ended 31 December 2021.

18 INVESTMENT IN AN ASSOCIATE *(Continued)*

The following table illustrates the summarised financial information in respect of the Red Power Group, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2021 **HK$'000**	2020 HK$'000
Current assets	**297,320**	288,394
Non–current assets, excluding goodwill	**25,309**	32,180
Goodwill on acquisition of an associate	**12,723**	12,723
Current liabilities	**(287,265)**	(246,249)
Non–current liabilities	**–**	(781)
Amount attributable to non–controlling interest	**2,220**	1,804
Net assets	**50,307**	88,071
Net assets, excluding goodwill	**37,584**	75,348
Reconciliation to the Group's interest in an associate:		
Proportion of the Group's ownership	**20.2%**	20.2%
The Group's share of net assets of the associate, excluding goodwill	**7,592**	15,221
Goodwill on acquisition	**12,723**	12,723
Impairment of investment in an associate	**(20,315)**	–
Carrying amount of the investment	**–**	27,944

	2021 **HK$'000**	2020 HK$'000
Revenue	**21,149**	59,682
(Loss)/profit for the year/period	**(38,641)**	13,564
Other comprehensive income	**878**	3,135
Total comprehensive (loss)/income for the year/period	**(37,763)**	16,699
Dividends received	**–**	–

19 EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 HK$'000	2020 HK$'000
Equity investments designated at fair value through other comprehensive income		
Unlisted investment, at fair value		
Cornerstone Securities Limited	**8,420**	12,321

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considered these investments to be strategic in nature. Details of fair value measurement is set out in note 37.

20 DEFERRED TAX ASSETS

	Provision for inventories HK$'000
At 1 January 2020	607
Exchange realignment	39
At 31 December 2020 and at 1 January 2021	**646**
Exchange realignment	**24**
At 31 December 2021	**670**

The Group had tax losses arising in Hong Kong of HK$87,482,000 (2020: HK$87,130,000) available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also had tax losses arising in the PRC of HK$2,573,000 (2020: HK$2,736,000) that will expire within 10 years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as the management did not consider probable that taxable profits will be available against which the tax losses can be utilised.

21 FINANCE LEASE RECEIVABLE

	Minimum lease payments		Present value of minimum lease payments	
	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000
Finance lease receivables comprises:				
Within one year	6,214	6,384	6,155	6,095
After one year but within two years	–	–	–	–
Gross investment in lease	6,214	6,384	6,155	6,095
Less: Unearned finance income	(59)	(289)	–	–
Present value of minimum lease payments	6,155	6,095	6,155	6,095
Less: Impairment	(3,724)	(2,667)	(3,724)	(2,667)
	2,431	3,428	2,431	3,428

The movements in the loss allowance for impairment of finance lease receivables are as follows:

	2021 HK$'000	2020 HK$'000
At beginning of year	2,667	–
Impairment (note 9)	1,057	2,667
At end of year	3,724	2,667

The Group applies the HKFRS 9 general approach to measure expected credit losses which uses a 12-month basis ECL for finance lease receivables. However, when there has been a significant increase in credit risk since origination, the allowances will be based on the lifetime ECL. The Group determines the provision for ECL by exercising significant judgements to evaluate the collectability from individual finance lease receivable after taking into account their creditworthiness, whether they have financial difficulties, experience of default or delinquency in interest payment, ageing analysis and forecast of future events and economic conditions which may impact the recoverability of finance lease receivables.

22 INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials	6	156
Work in progress	119	1,795
Finished goods	1,221	2,090
Inventories, net	1,346	4,041

23 TRADE AND BILLS RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables	32,356	20,102
Loss allowance	(412)	(312)
	31,944	19,790
Bills receivables	2,110	3,569
Trade and bills receivables	34,054	23,359

23 TRADE AND BILLS RECEIVABLES *(Continued)*

Trade receivables

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivables balances. Trade receivables are non-interest-bearing.

The ageing analysis of trade receivables as at the end of the reporting period, based on invoice or delivery dates and net of loss allowance, is as follows:

	2021 **HK$'000**	2020 HK$'000
Within 1 month	**5,544**	6,875
More than 1 month but less than 3 months	**13,664**	10,105
More than 3 months	**12,736**	2,810
	31,944	19,790

The movements in the loss allowance for impairment of trade receivables are as follows:

	2021 **HK$'000**	2020 HK$'000
At beginning of year	**312**	173
Impairment (note 9)	**100**	139
At end of year	**412**	312

23 TRADE AND BILLS RECEIVABLES *(Continued)*

Trade receivables *(Continued)*

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

			Past due					
	Current		1 to 3 months		Over 3 months		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
Expected credit loss rate	**–**	1.87%	**0.03%**	1.72%	**3.10%**	0.14%	**1.27%**	1.55%
Gross carrying amount (HK$'000)	**5,544**	7,006	**13,668**	10,282	**13,144**	2,814	**32,356**	20,102
Expected credit losses (HK$'000)	**–**	131	**4**	177	**408**	4	**412**	312

Bills receivables

The maturity dates of the Group's bills receivables as at the end of the reporting period are as follows:

	2021 **HK$'000**	2020 HK$'000
Within 1 month	**1,019**	724
More than 1 month but less than 3 months	**308**	980
More than 3 months but less than 6 months	**783**	1,390
More than 6 months but within 1 year	**–**	475
	2,110	3,569

In determining the expected credit losses for bills receivables, the bills received by the Group with maturity periods of less than one year were assessed by the 12-month ECL with reference to the external credit rating and the directors of the Company concluded that the credit risk inherent in the Group's outstanding bills receivables was insignificant as at 31 December 2021 and 2020.

24 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021 HK$'000	2020 HK$'000
Deposits and other receivables	**2,993**	6,222
Prepayments	**126,033**	7,957
Loss allowance	**(1,377)**	(1,359)
	127,649	12,820
Less: non-current portion	**–**	(211)
Current portion	**127,649**	12,609

Deposits and other receivables mainly represent rental deposits, interest receivables of loans to independent third parties. Where applicable, an impairment analysis is performed in deposits and other receivables at each reporting date by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit rating can be identified, expected credit losses are estimated by a loss rate of 62% (2020: 44%) with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forward-looking information, as appropriate. As at 31 December 2021 and 2020, the Group concluded that the probability of default and loss rate were low and the financial impact of expected credit losses for deposits and other receivables under HKFRS 9 was insignificant for the years ended 31 December 2021 and 2020.

Prepayments mainly represent the subcontracting costs for two yachts of RMB96,650,000 (approximately of HK$118,880,000) made to an external yacht builder. The yachts are still under construction as at the date of this report.

The movements in the loss allowance for the impairment of other receivables and other assets are as follows:

	2021 HK$'000	2020 HK$'000
At beginning of year	**1,359**	–
Impairment (note 9)	**18**	1,287
Exchange realignment	**–**	72
	1,377	1,359

25 LOANS RECEIVABLES

	2021 HK$'000	2020 HK$'000
Loans receivables, unsecured	**8,718**	8,626
Loss allowance	**(8,718)**	(2,136)
	–	6,490

The Group's loans receivables were stated at amortised cost and bore fixed interest rates at 5% and 10%. The credit terms of these loans receivables ranged from one to two years.

The movements in the loss allowance for the impairment of loans receivables are as follows:

	2021 HK$'000	2020 HK$'000
At beginning of year	**2,136**	38
Impairment (note 9)	**6,582**	2,013
Exchange realignment	**–**	85
At end of year	**8,718**	2,136

The Group applies general approach to measure expected credit losses which uses a 12-month basis ECL for loans receivables. The Group determines the provision for ECL by exercising significant judgements to evaluate the collectability from individual loans receivable after taking into account their creditworthiness, whether they have financial difficulties, experience of default or delinquency in interest or principal payments, ageing analysis and forecast of future events and economic conditions which may impact the recoverability of loans receivables.

The loans receivables were fully impaired as the receivables were long past due and no settlements were made during the year.

26 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 HK$'000	2020 HK$'000
Listed equity investments, at fair value	**67**	150

The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

27 CASH AND CASH EQUIVALENTS

	2021 HK$'000	2020 HK$'000
Cash and cash equivalents	**86,172**	28,031

As at 31 December 2021, the cash and bank balances of the Group's subsidiary in the PRC denominated in Renminbi ("RMB") amounted to HK$34,391,000 (2020: HK$17,187,000). The RMB is not freely convertible into other currencies, however, under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB to other currencies through banks authorised to conduct foreign exchange business.

Cash at banks and time deposits earn interest at floating rate based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

28 TRADE PAYABLES

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

	2021 HK$'000	2020 HK$'000
Within 1 month	**4,478**	1,707
More than 1 month but less than 3 months	**3,939**	2,284
More than 3 months	**11,402**	19,236
	19,819	23,227

The trade payables are non–interest bearing and are normally settled within 30 to 90 days.

Included in the Group's trade payable are amounts due to the Group's associate of HK$9,045,000 (2020: HK$13,144,000), which are repayable within one year.

29 OTHER PAYABLES AND ACCRUALS

	2021 **HK$'000**	2020 HK$'000
Accruals	**9,285**	5,055
Contract liabilities (note (a))	**2,849**	1,717
Due to holding company, net (note (b))	**–**	5,028
Receipts in advance (note (c))	**617**	–
Other payables (note (d))	**3,117**	7,614
	15,868	19,414

Notes:

(a) Details of contract liabilities are as follows:

	2021 **HK$'000**	2020 HK$'000
Short–term advances received from customers		
Sales of goods	**2,849**	1,717

Contract liabilities include short-term advances received from design and sales of integrated circuits. The increase in contract liabilities in 2021 was mainly due to the increase in short-term advances received from customers in relation to the design and sales of integrated circuits at the end of the year.

(b) Included in amount due to the holding company is a loan of HK$5,938,000 which is unsecured, interest free and was fully repaid in 2021.

(c) Receipts in advance represent the yacht management service fee received but services are yet to be rendered.

(d) The other payables are unsecured, interest-free and have an average term of one month.

30 LOANS FROM A SHAREHOLDER

Zhongying Int'l, the controlling shareholder of the Company, granted two loans of HK$100,000,000 each to the Company respectively on 12 May 2021 and 28 October 2021, aggregating HK$200,000,000. These loans are unsecured, interest-free and repayable in 1 year. The effective interest rate of these loans is 5% per annum.

31 SHARE CAPITAL

	Number of shares '000	Ordinary shares HK$'000	Share premium HK$'000	Total HK$'000
At 1 January 2020	336,587	33,659	101,263	134,922
Issue of shares (Note)	33,658	3,366	21,205	24,571
At 31 December 2020, 1 January 2021 and 31 December 2021	**370,245**	**37,025**	**122,468**	**159,493**

The total authorised number of ordinary shares is 1,000,000,000 shares (2020: 1,000,000,000 shares) with a par value of HK$0.1 per share (2020: HK$0.1 per share). All issued shares are fully paid.

Note:

On 1 September 2020, a total of 33,658,000 ordinary shares, which represent approximately 9.1% of the issued share capital of the Company, were issued by the Company to Ever Digital Limited as consideration shares for the acquisition of 20.2% equity interest in an associate.

The 33,658,000 consideration shares were issued at a price of HK$0.73 per share with total consideration of approximately HK$24,571,000, of which HK$3,366,000 was credited to share capital and HK$21,205,000 was credited to the share premium account. Further details of which are set out in the Company's announcement dated 14 February 2020 and 1 September 2020.

32 OTHER RESERVES

	Share premium HK$'000	Exchange reserve HK$'000	Fair value reserve HK$'000	Capital reserve HK$'000	Total HK$'000
At 1 January 2020	101,263	(2,845)	100	156	98,674
Other comprehensive (loss)/income for the year:					
Changes in fair value of equity investments designed at fair value through other comprehensive income	–	–	(10,779)	–	(10,779)
Exchange differences on translation	–	2,653	–	–	2,653
Total comprehensive (loss)/income for the year	–	2,653	(10,779)	–	(8,126)
Disposal of subsidiaries (note 34(c))	–	–	–	(156)	(156)
Issue of shares (note 31)	21,205	–	–	–	21,205
At 31 December 2020	122,468	(192)	(10,679)	–	111,597

32 OTHER RESERVES *(Continued)*

	Share premium HK$'000	Exchange reserve HK$'000	Fair value reserve HK$'000	Capital reserve HK$'000	Total HK$'000
At 31 December 2020 and 1 January 2021	**122,468**	**(192)**	**(10,679)**	**–**	**111,597**
Other comprehensive (loss)/income for the year:					
Changes in fair value of equity investments designed at fair value through other comprehensive income	**–**	**–**	**(3,901)**	**–**	**(3,901)**
Exchange differences on translation	**–**	**2,987**	**–**	**–**	**2,987**
Share of other comprehensive income of an associate	**–**	**177**	**–**	**–**	**177**
Disposal of subsidiaries (note 34(a))	**–**	**(683)**	**–**	**–**	**(683)**
Total comprehensive (loss)/income for the year	**–**	**2,481**	**(3,901)**	**–**	**(1,420)**
Deemed capital contribution arising from loans from a shareholder	**–**	**–**	**–**	**9,524**	**9,524**
At 31 December 2021	**122,468**	**2,289**	**(14,580)**	**9,524**	**119,701**

33 ACQUISITION OF ASSETS AND LIABILITIES

On 21 September 2017 and 1 November 2017, the Group entered into a loan agreement with Imperial Pacific International Holdings Limited ("Imperial Pacific") with principal amount of approximately HK$7.7 million and a sales agreement with billing amount of approximately HK$23.4 million. Since the loan and trade receivables were overdue, the Group had sent numerous demand letters and engaged legal adviser to issue legal letters to Imperial Pacific demanding for repayment of outstanding loan and trade receivables. At the same time, the Group continued to communicate with Imperial Pacific to negotiate the repayment arrangement.

On 27 March 2020, Imperial Pacific was in debt to the Group of approximately HK$31.8 million, being the aggregate sum of the billing amount of approximately HK$23.4 million, the outstanding principal amount of the loan of approximately HK$7.7 million and the interest receivable of approximately HK$0.7 million.

In order to settle all amounts owed by Imperial Pacific to the Group, it was agreed that:

(a) the Company waived the interest of the loan of approximately HK$7.7 million since 27 March 2020, conditionally on the completion of the whole settlement package;

(b) Imperial Pacific agreed to repay approximately HK$1.5 million for the billing amount in cash. After the repayment of approximately HK$1.5 million, Imperial Pacific owed approximately HK$30.3 million ("Debt") to the Group immediately before completion of the whole settlement package.

33 ACQUISITION OF ASSETS AND LIABILITIES *(Continued)*

(c) The Company agreed to purchase 100% equity interests in Ideal Best, a wholly-owned subsidiary of Imperial Pacific, and its subsidiaries (the "Ideal Best Group") for settling off the debt due from Imperial Pacific at a consideration of HK$30,328,000 (the "Acquisition"). Ideal Best Group was engaged in holding a leasehold land in the Island of Saipan. The consideration for the Acquisition was determined by the Group having taken into account, among other things, the valuation of the leasehold land held by Ideal Best Group as appraised by an independent valuer engaged by the Group under market comparison approach.

At the time of Acquisition, Ideal Best did not actively engage in any business and accordingly, in the opinion of the directors, the Acquisition did not constitute a business combination but an acquisition of assets and liabilities. The Acquisition was completed in December 2020. As a result, Ideal Best became a direct wholly-owned subsidiary of the Company and its financial results were consolidated into the Group's consolidated financial statements.

For accounting purpose, the cost of the Acquisition of HK$30,328,000 has been allocated to the following identifiable assets and liabilities of Ideal Best as at the date of the Acquisition as follows:

	HK$'000
Net assets acquired:	
Investment properties (note 16)	30,328
Total identifiable net assets acquired	30,328
Satisfied by:	
Set-off of trade, loan and interest receivables	30,328

As the consideration was satisfied by way of the set-off and Ideal Best did not have cash and cash equivalents at the Acquisition date, no cash flow occurred in respect of the Acquisition.

34 DISPOSAL OF SUBSIDIARIES

(a) China Tibetan Tea Village Co., Limited

On 31 December 2021, the Group disposed of China Tibetan Tea Village Co., Limited and its subsidiaries to Hong Kong Brains Investment Limited, an independent third party, at a consideration of US$650,000 (approximately of HK$5,064,000).

34 DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) China Tibetan Tea Village Co., Limited *(Continued)*

The net assets of the subsidiaries disposed of at the date of disposal were as follows:

	Notes	2021 HK$'000
Net assets disposed of:		
Property, plant and equipment	15	**34**
Inventories		**662**
Cash and bank balances		**66**
Trade receivables, prepayments and other receivables		**957**
Trade payables, accruals and other payables		**(1,124)**
		595
Exchange reserve	32	**(683)**
		(88)
Gain on disposal of subsidiaries		**5,152**
		5,064
Satisfied by:		
Cash		**5,064**

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2021 HK$'000
Cash consideration	**5,064**
Cash and bank balances disposed of	**(66)**
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**4,998**

(b) Insignificant subsidiaries

During the year ended 31 December 2021, the Group disposed of certain insignificant subsidiaries, Liaoning Tairui Aviation Material Equipment Leasing Management Co., Ltd and Liaoning Tai Rui Tourism Development Co., Ltd. with nil consideration. The net cash outflow arising on disposal was approximately HK$68,000. The net gain on disposal of these insignificant subsidiaries was HK$443,000.

34 DISPOSAL OF SUBSIDIARIES *(Continued)*

(c) Bright Team International Group Limited and R Capital Investment Holding Limited

On 26 June 2020, the Group disposed of Bright Team International Group Limited and its subsidiaries, R Capital Investment Holding Limited and its subsidiaries to an independent third party to the Group at a consideration of HK$2,510,000.

The net assets of the subsidiaries disposed of at the date of disposal were as follows:

	Notes	2020 HK$'000
Net assets disposed of:		
Property, plant and equipment	15	155
Intangible assets		2,123
Right-of-use assets	17(a)	807
Inventories		6,674
Cash and bank balances		784
Trade receivables, prepayments and other receivables		7,564
Trade payables, accruals and other payables		(19,618)
Lease liabilities	17(b)	(833)
Non-controlling interests		639
		(1,705)
Capital reserve	32	(156)
		(1,861)
Gain on disposal of subsidiaries		4,371
		2,510
Satisfied by:		
Cash		2,510

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2020 HK$'000
Cash consideration	2,510
Cash and bank balances disposed of	(784)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	1,726

35 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

2021

	Loans from a shareholder HK$'000	Other loan HK$'000	Lease liabilities HK$'000
At 1 January 2021	–	5,938	5,687
Changes from financing cash flows	200,000	(5,938)	(5,711)
Foreign exchange movement	–	–	32
Deemed capital contribution arising from loans from a shareholder	(9,524)	–	–
Interest expense	3,857	–	62
At 31 December 2021	194,333	–	70

2020

	Other loan HK$'000	Lease liabilities HK$'000
At 1 January 2020	–	18,103
Changes from financing cash flows	–	(11,474)
New other borrowing	5,938	–
Foreign exchange movement	–	37
Interest expense	–	518
COVID-19-related rent concessions from lessors	–	(664)
Disposal of subsidiaries	–	(833)
At 31 December 2020	5,938	5,687

36 RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group entered into the following material transactions with related parties during the year.

(a) The Group had the following transactions with related parties during the year:

	2021 **HK$'000**	2020 HK$'000
Management fee income charged to		
a shareholder	**3,223**	–
a related party	**–**	93
Cost of services charged by an associate	**945**	7,508

Note:

The cost of services charged by an associate was made according to the agreement.

(b) Outstanding balances with related parties

Balances with related parties are included in notes 28, 29 and 30 to the consolidated financial statements.

(c) Key management compensation

Key management includes directors (executive and non-executive) and a senior management. The compensation paid or payable to key management for employee services is shown below:

	2021 **HK$'000**	2020 HK$'000
Salaries and allowances and benefits in kind	**2,665**	4,039
Discretionary bonuses	**–**	328
	2,665	4,367

37 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Other than the equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss, all financial assets and liabilities of the Group as at 31 December 2021 and 2020 were financial assets at amortised cost and financial liabilities at amortised cost, respectively.

Management has assessed that the fair values of cash and cash equivalents, finance lease receivable, loans receivables, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, lease liabilities, trade and other payables, loans from a shareholder approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the board of directors and the Audit Committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the board of directors. The valuation process and results are discussed with the Audit Committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity investments are based on quoted market prices.

The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the management to determine comparable public companies (peers) based on industry and size and to calculate an appropriate market multiple, i.e. price-to-earning ratio of 10.38 (2020: market capitalisation-to-book value ratio of 0.56) for each comparable company identified. The multiple is calculated by dividing the market capitalisation of the comparable company by earnings (2020: book value). The change in selected market multiple is due to change in the financial performance of the investee and for which the management's specialist considered appropriate to best reflect the fair value of the investment. The market multiple is then discounted for considerations such as illiquidity of 11.4% (2020: 10%) and size differences of 0% (2020: 0%) between the comparable companies based on company-specific facts and circumstances. The directors of the Company believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period. The management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model, the higher the market multiple and lower discounted multiples will result in higher fair value of the investments.

37 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Equity investments designated at fair value through other comprehensive income	**–**	**–**	**8,420**	**8,420**
Financial assets at fair value through profit or loss	**67**	**–**	**–**	**67**

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Equity investments designated at fair value through other comprehensive income	–	–	12,321	12,321
Financial assets at fair value through profit or loss	150	–	–	150

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2020: Nil).

37 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

The movements in fair value measurements within Level 3 during the year are as follows:

	2021 **HK$'000**	2020 HK$'000
Equity investments at fair value through other comprehensive income		
At 1 January	**12,321**	23,100
Total losses recognised in other comprehensive income	**(3,901)**	(10,779)
At 31 December	**8,420**	12,321

The Group did not have any financial liabilities measured at fair value as at 31 December 2021 and 2020.

38 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

2021

	Financial assets at amortised cost HK$'000	**Financial assets at fair value through profit or loss HK$'000**	**Financial assets at fair value through other comprehensive income HK$'000**	**Total HK$'000**
Equity investments designated at fair value through other comprehensive income	**–**	**–**	**8,420**	**8,420**
Finance lease receivable	**2,431**	**–**	**–**	**2,431**
Trade and bills receivables	**34,054**	**–**	**–**	**34,054**
Financial assets included in other receivables and other assets	**1,798**	**–**	**–**	**1,798**
Equity investments at fair value through profit or loss	**–**	**67**	**–**	**67**
Cash and cash equivalents	**86,172**	**–**	**–**	**86,172**
	124,455	**67**	**8,420**	**132,942**

38 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Financial instruments by category *(Continued)*

Financial assets *(Continued)*

2020

	Financial assets at amortised cost HK$'000	Financial assets at fair value through profit or loss HK$'000	Financial assets at fair value through other comprehensive income HK$'000	Total HK$'000
Equity investments designated at fair value through other comprehensive income	–	–	12,321	12,321
Finance lease receivables	3,428	–	–	3,428
Trade and bills receivables	23,359	–	–	23,359
Financial assets included in other receivables and other assets	4,863	–	–	4,863
Loans receivables	6,490	–	–	6,490
Equity investments at fair value through profit or loss	–	150	–	150
Cash and cash equivalents	28,031	–	–	28,031
	66,171	150	12,321	78,642

Financial liabilities

	Financial liabilities at amortised cost 2021 HK$'000	Financial liabilities at amortised cost 2020 HK$'000
Lease liabilities	**70**	5,687
Trade payables	**19,819**	23,227
Other payables and accruals	**12,402**	12,669
Loans from a shareholder	**194,333**	–
	226,624	41,583

38 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Financial risk factors

The Group's principal financial instruments are used to raise financing for the Group's operations and investments. The Group has various other financial assets and liabilities such as loans and trade and bills receivables, other receivables and other assets, finance lease receivables, financial assets at fair value through profit or loss, cash and cash equivalents, and financial liabilities included in trade payables, other payables and accruals and lease liabilities which arise directly from its operations. The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, equity price risk, credit risk and liquidity risk. The board of directors review and agree policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group operates in both the PRC and Hong Kong. Most of the transactions for the PRC reporting entity is denominated in RMB, whereas that for Hong Kong reporting entities are denominated in HK$ and United States dollar ("US$"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The management is responsible for managing the net position in each foreign currency. The Group currently does not have a foreign currency hedging policy. As the assets and liabilities of the PRC reporting entity is mainly denominated in RMB, its functional currency, the directors are of the opinion that the volatility of their profits against changes in exchange rates of foreign currencies would not be significant. Accordingly, no sensitivity analysis is performed.

Moreover, as the assets and liabilities of the HK reporting entities are mainly denominated in HK$, its functional currency, and US$ are reasonably stable against the HK$ under the Linked Exchange Rate System, the directors are of the opinion that the Group does not have significant foreign exchange risk. Accordingly, no sensitivity analysis is performed.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing financial assets and interest-bearing financial liabilities. Interest-bearing financial assets are the interests on loans receivables and deposits with banks. Interests on deposits with banks based on deposit rates offered by bank while interests on loans receivables are based on fixed rates. Interest bearing financial liabilities are the interest are based on fixed rates. As at 31 December 2021, the Group had no significant interest rate risk as the Group had no significant interest-bearing assets or liabilities.

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group was exposed to equity price risk arising from financial assets at fair value through profit or loss as at 31 December 2021. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

38 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Financial risk factors *(Continued)*

Equity price risk *(Continued)*

The following table demonstrates the sensitivity to every 10% (2020: 10%) change in the fair values of the listed equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Carrying amount of equity investment HK$'000	Decrease/ (increase) in loss before tax HK$'000
2021		
Investment listed in:		
Hong Kong – financial assets at fair value through profit or loss	**67**	**7**
2020		
Investment listed in:		
Hong Kong – financial assets at fair value through profit or loss	150	15

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to the finance lease and loans and trade receivables. In order to minimise the credit risk, the Group has established policies and systems for monitoring and control of credit risk. The management has delegated different divisions responsible for determination of credit limits, credit approvals and other monitoring processes to ensure that follow up action is taken to recover overdue debts. In addition, the management reviews the recoverable amounts of loans and trade receivables individually or collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts.

38 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Financial risk factors *(Continued)*

Credit risk *(Continued)*

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of those instruments.

The credit risk for cash and cash equivalents is considered minimal as such amounts are placed with banks with high credit ratings.

At the end of the reporting period, the Group had concentrations of credit risk as 99% (2020: 99%) of the Group's trade receivables were due from the Group's top five largest customers. The Group mitigates its concentration risk from its major customers by doing businesses with a number of customers for the same or similar products and the Group actively monitors the credit quality of its customers and adjusts the credit limits granted to the customers should their credit quality deteriorate or when there are signs of slow payment of outstanding receivables. Further quantitative data in respect of the Group's exposure to credit risk arising from these receivables are disclosed in notes 21, 23, 24 and 25 to the consolidated financial statements.

Maximum exposure and year-end staging

The tables below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Finance lease receivable	–	–	6,155	–	6,155
Trade and bills receivables*	2,110	–	–	32,356	34,466
Financial assets included in other receivables and other assets					
– Normal**	1,798	–	–	–	1,798
– Doubtful**	–	18	1,359	–	1,377
Cash and cash equivalents	86,172	–	–	–	86,172
Loans receivables	–	–	8,718	–	8,718
	90,080	18	16,232	32,356	138,686

38 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Financial risk factors *(Continued)*

Credit risk *(Continued)*

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Finance lease receivable	–	6,095	–	–	6,095
Trade and bills receivables*	3,569	–	–	20,102	23,671
Financial assets included in other receivables and other assets					
– Normal**	4,863	–	–	–	4,863
– Doubtful**	–	172	1,187	–	1,359
Cash and cash equivalents	28,031	–	–	–	28,031
Loans receivables	–	8,626	–	–	8,626
	36,463	14,893	1,187	20,102	72,645

* For trade and bills receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 23 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets have a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 23 to the financial statements.

38 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Financial risk factors *(Continued)*

Liquidity risk

Internally generated cash flows and the loans from a shareholder are the general sources of funds to finance the operations of the Group. The Group regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations. The Group aims to maintain sufficient bank deposits to meet its short-term cash requirements. The Group's liquidity risk management includes diversifying the funding sources.

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2021		
	On demand or within one year HK$'000	**1 to 5 years HK$'000**	**Total HK$'000**
Trade payables	**19,819**	**–**	**19,819**
Other payables and accruals	**12,402**	**–**	**12,402**
Lease liabilities	**70**	**–**	**70**
Loans from a shareholder	**200,000**	**–**	**200,000**
	232,291	**–**	**232,291**

	2020		
	On demand or within one year HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade payables	23,227	–	23,227
Other payables and accruals	12,669	–	12,669
Lease liabilities	5,683	67	5,750
	41,579	67	41,646

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total liabilities expressed as a percentage of the total equity and liabilities. As at 31 December 2021, the gearing ratio was approximately 79% (2020: 32%). Management considers a ratio of not more than 30% as optimal.

39 STATEMENT OF FINANCIAL POSITION

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021 HK$'000	2020 HK$'000
NON–CURRENT ASSETS		
Property, plant and equipment	**1,410**	136
Investments in subsidiaries	**220,833**	75,418
Investments in an associate	**–**	24,570
Right-of-use assets	**–**	4,280
Total non-current assets	**222,243**	104,404
CURRENT ASSETS		
Loans receivables	**–**	1,138
Prepayments, other receivables and other assets	**418**	3,319
Cash and cash equivalents	**50,530**	913
Total current assets	**50,948**	5,370
CURRENT LIABILITIES		
Other payables and accruals	**5,219**	7,420
Loans from a shareholder	**194,333**	–
Lease liabilities	**–**	4,827
Total current liabilities	**199,552**	12,247
NET CURRENT LIABILITIES	**(148,604)**	(6,877)
NET ASSETS	**73,639**	97,527
CAPITAL AND RESERVES		
Share capital	**37,025**	37,025
Other reserves (note)	**290,358**	280,834
Accumulated losses (note)	**(253,744)**	(220,332)
Total equity	**73,639**	97,527

Wang Yi
Director

Li Weina
Director

39 STATEMENT OF FINANCIAL POSITION *(Continued)*

Note: Reserve movement of the Company

	Accumulated losses HK$'000	Other reserves: Share premium* HK$'000	Other reserves: Contributed surplus* HK$'000	Other reserves: Capital reserve* HK$'000	Total HK$'000
At 1 January 2020	(199,216)	101,263	137,800	20,566	259,629
Loss for the year	(21,116)	–	–	–	–
Issue of share (note 31)	–	21,205	–	–	21,205
At 31 December 2020	(220,332)	122,468	137,800	20,566	280,834
Loss for the year	**(33,412)**	**–**	**–**	**–**	**–**
Deemed capital contribution arising from loans from a shareholder	**–**	**–**	**–**	**9,524**	**9,524**
At 31 December 2021	**(253,744)**	**122,468**	**137,800**	**30,090**	**290,358**

* These reserve accounts comprise the other reserves of HK$290,358,000 (2020: HK$280,834,000) in the statement of financial position.

40 EVENTS AFTER THE REPORTING PERIOD

On 31 December 2021, the Group entered into a sales agreement with an independent third party to sell a 46-meter yacht at a consideration of RMB110,000,000. The yacht was passed to the buyer on 12 February 2022 in good condition, upon which the control of the yacht was also transferred to the buyer.

On 1 March 2022, the Group reached an agreement with an independent third party which was authorised to act as the agent of the Group and granted the exclusive yacht agency in Hong Kong for a term of 3 years, effective from 1 March 2022 to 28 February 2025.

On 23 March 2022, the Group signed a sales agreement with an independent third party to sell four 46-meter yachts at a consideration of US$60 million. As at the date of this report, these four ordered yachts are still under construction, and are expected to be completed in the third quarter of 2022.

41 APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 31 March 2022.