YUNHONG GUIXIN GROUP HOLDINGS LIMITED
運 鴻 硅 鑫 集 團 控 股 有 限 公 司

(formerly known as MEIGU Technology Holding Group Limited 美固科技控股集團有限公司)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8349)

2021 ANNUAL REPORT

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This report, for which the board (the "Board") of directors (the "Directors") of Yunhong Guixin Group Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; there are no other matters the omission of which would make any statement herein or this report misleading.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Li Yubao *(Chairman)*
(appointed on 30 June 2021)
Ms. Zhang Yaping *(Chief Executive Officer)*
(appointed on 30 June 2021)
Ms. Shi Dongying
Mr. Cheng Dong *(resigned on 30 June 2021)*
Mr. Jiang Guitang *(resigned on 30 June 2021)*

Independent Non-executive Directors
Mr. Ng Sai Leung
Mr. Tam Tak Kei Raymond
Mr. Lee Man Tai *(appointed on 30 June 2021)*
Mr. Huang Xin *(resigned on 30 June 2021)*

AUDIT COMMITTEE

Mr. Ng Sai Leung *(Chairman)*
Mr. Tam Tak Kei Raymond
Mr. Lee Man Tai *(appointed on 30 June 2021)*
Mr. Huang Xin *(resigned on 30 June 2021)*

REMUNERATION COMMITTEE

Mr. Tam Tak Kei Raymond *(Chairman)*
Ms. Zhang Yaping *(appointed on 30 June 2021)*
Mr. Lee Man Tai *(appointed on 30 June 2021)*
Mr. Huang Xin *(resigned on 30 June 2021)*
Mr. Jiang Guitang *(resigned on 30 June 2021)*

NOMINATION COMMITTEE

Mr. Lee Man Tai *(Chairman)*
(appointed on 30 June 2021)
Ms. Zhang Yaping *(appointed on 30 June 2021)*
Mr. Ng Sai Leung
Mr. Huang Xin *(resigned on 30 June 2021)*
Mr. Cheng Dong *(resigned on 30 June 2021)*

RISK MANAGEMENT COMMITTEE

Ms. Shi Dongying *(Chairman)*
Mr. Li Yubao *(appointed on 30 June 2021)*
Mr. Tam Tak Kei Raymond
Mr. Cheng Dong *(resigned on 30 June 2021)*

AUTHORISED REPRESENTATIVES

Ms. Zhang Yaping *(appointed on 16 August 2021)*
Mr. Ng Chi Ho Dennis
Ms. Shi Dongying *(ceased on 16 August 2021)*

COMPLIANCE OFFICER

Ms. Shi Dongying

COMPANY SECRETARY

Mr. Ng Chi Ho Dennis

COMPANY WEBSITE

www.nantonggrate.com

STOCK CODE

8349

PRINCIPAL BANKER

Wing Lung Bank Limited
G/F, Wing Lung Bank Building
45 Des Voeux Road
Central Hong Kong

Corporate Information

AUDITOR

Crowe (HK) CPA Limited
Certified Public Accountant
9/F Leighton Centre
77 Leighton Road
Causeway Bay Hong Kong

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

66 South Oujiang Road
Haimen City Jiangsu, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1603, 16/F China Building
29 Queen's Road Central
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

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

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

Chairman's Statement

In June 2021, I am pleased to be appointed as the chairman of the board of Directors (the "Board") of the Company following the changes in the composition of the Board with effect from 30 June 2021, and on behalf of the Board, I hereby present the results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2021 to the shareholders (the "Shareholders") of the Company.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at the extraordinary general meeting held on 23 August 2021, the Company changed its English name from "MEIGU Technology Holding Group Limited" to "Yunhong Guixin Group Holdings Limited" and the dual foreign name in Chinese of the Company from "美固科技控股集團有限公司" to "運鴻硅鑫集團控股有限公司" ("Change of Company Name") effective from 30 August 2021 following the procurement of Certificate of Incorporation on Change of Name from the Registrar of Companies in the Cayman Islands.

The Board believes that the new name of the Company not only provides the Company with fresh corporate identity, but also better reflects the relationship between the Company and its new controlling Shareholder, being LF INTERNATIONAL PTE. LTD. The Board considers that the Change of Company Name is in the best interests of the Company and the Shareholders as a whole.

Details about the Change of Company Name are set out in the Company announcement dated 22 July 2021 and the Company's circular dated 3 August 2021.

REVIEW

Throughout the year 2021, both domestic and international economies were mired in complex and grim conditions amidst unstable global economy resulting from the spread of the Delta and Omicron variants of the COVID-19 pandemic. In the People's Republic of China (the "PRC"), new waves of infection sent shock waves from economically underdeveloped regions including Inner Mongolia and Gansu to the country's economic centres like Beijing, Shanghai and Zhejiang. While the PRC adheres to a zero-COVID-19 policy of eliminating the virus and opposing against the 'living with the virus' model followed by western countries, this is believed to exert an adverse impact on the economic growth.

Since the onset of the COVID-19 pandemic in December 2019, the Group took reasonable steps to manage the crisis with the aim of protecting the health of the Group and the workforce. The Group also took swift actions to accommodate customers' changing needs while complying with the prevention regulations imposed by the government. However, attributed to the sluggish worldwide economic environment and the increase in costs of raw materials amidst the rupture of the worldwide supply chain caused by the widespread of the COVID-19 pandemic, the Group could only manage to obtain sales revenue of approximately RMB78.6 million for the year ended 31 December 2021, which represented a reduction of approximately 19.4% as compared to that of the corresponding period in 2020 and suffered from a substantial reduction in net profit of approximately RMB5.5 million for the year ended 31 December 2020 to a net loss of approximately RMB2.0 million for the year ended 31 December 2021.

Chairman's Statement

Although the United States of America (the "U.S.") and the PRC governments entered into an agreement for easing the tension of the trade war in January 2020, there was no sign of removing the import tariff of the Group's products sold to the U.S. subsequent to the change of the U.S. government in January 2021. Since most of the import tariff for the U.S. exports of the Group was borne by the U.S. importer, it is expected that the tariff levied on the Group's U.S. export would not cause significant impact to the Group financially. However, it is believed that higher import tariff and the adverse impact of the COVID-19 pandemic on the U.S. economy and market condition might have a negative impact on the demand for the Group's products as evidenced by a decrease in sales revenue of approximately 16.3% over that of 2020 in that region.

PROSPECTS

Sino-U.S. relations will face a bigger test in 2022. The U.S. will hold mid-term elections and China policy may become the target of fierce partisan politics as U.S. conservatives and progressives accuse each other of being soft on China. The U.S. government tightened export restrictions on Chinese high-tech enterprises and forbade U.S. investment in China's so-called military-civilian fusion firms for safeguarding U.S. advantages in big data, artificial intelligence and quantum computing.

The Communist Party and the PRC government at all levels will be in the process of handing over power in 2022. The change of party leadership will come at first, followed by the 20th Party Congress when a new Politburo and the new top leaders will be elected. It is expected that President Xi Jinping will lead the country for a third five-year term to ensure that the policies of the last ten years will continue with stable and strong leadership, but yet the transition of power may take some time to work smoothly and therefore, this domestic power transition may result in shrinking space for compromise with the U.S.. Domestic political struggles could lead to a further deterioration of relations, derailing critically needed cooperation on climate change between the two countries.

Although the policy of "Living with the Virus" has been adopted by many countries, the resulting economic benefits are yet to be seen. The current new waves of Omicron variant affecting various countries may have again destabilized the world economy which is believed to be on the right track of recovery.

As the political and economic environment remain uncertain, the Group will need to take part more rigorously in tender bidding for all potential projects both in the PRC and the overseas markets. Moreover, the Group will continue to enhance product recognition by improving production technology so as to maintain effective cost control and strengthen the competitiveness. Further, the Group will recruit more experienced talents to fulfil the Group's mission in product research, development and market expansion.

Chairman's Statement

Whilst the PRC government struggled to contain the COVID-19 pandemic, it is believed that the PRC is one of the few countries in the world to have experienced an economic growth with its gross domestic product increased by 8.1% in 2021. Given the resilience and potential of the PRC's economy in the long run, it is considered that stable growth would remain unchanged. Looking ahead, the Group remains prudent and optimistic about the prospects of its business in the long run. The Group will follow a cautious approach to ensure continuous, steady and effective business and operation development in 2022. While the Group is closely monitoring the latest development of the epidemic disease resulting from the spread of COVID-19 and its impact on the industry at large, it would adjust its strategies from time to time when required including exploring new revenue streams to lower the business risk.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to express sincere gratitude to our employees and the management team for their hard work and contribution in the year. I would also like to thank all Shareholders for their long-term support.

Li Yubao
Chairman
21 March 2022

Management Discussion and Analysis

GENERAL OVERVIEW

The Group is an established and leading manufacturer in the PRC engaged in the research and development, production and sale of a variety of fiberglass reinforced plastic ("FRP") products. The Group's major products consist of: (i) FRP grating products; (ii) phenolic grating products; and (iii) epoxy wedge strip products.

The applications for FRP are quite wide including building and construction field, electrical and telecommunications engineering. As the product is characterized by its light weight, high strength, toughness, anti-slippery, anti-erosion, flame retardant, insulation and easy to colour and artistic properties as well as its good and comprehensive economic benefits, it is widely applied in industries including petrochemical, electrical, marine engineering, plating, vessel, metallurgy, steel, papermaking, brewing and municipal industry and mainly used in operating platform, equipment platform, stair treads, trench covers, filter plates, etc., which indicates that it is an ideal components for corrosive environment.

Given that FRP delivers outstanding performance as a comparatively new type of materials and as a substitute of traditional materials such as wood, concrete and metal, and the potential application of products made of FRP composites in a wide range of fields such as aerospace, energy and transportation industries, the management expects that the overall FRP market in China will grow at a steady pace in the coming years in the light of gradual maturity and better understanding of the FRP market.

The Group continues to enhance product recognition by improving production technology in order to maintain effective cost control and strengthen the competitiveness. Meanwhile, the Group will recruit more talents to fulfill its development and expansion. The Board believes that research and development capabilities are essential to the future growth of the Group. In the year ended 31 December 2021, the Group spent approximately RMB4.8 million (2020: approximately RMB6.0 million) in research and development expenditure for the development of new products and development of new technology solutions to improve the existing FRP products. The Group's research and development is conducted by the in-house technical department, which is led by Mr. Jiang Guitang, a former executive Director of the Company. Mr. Jiang has accumulated over 30 years of industrial experience in the composite material industry. Under the leadership of Mr. Jiang, the Group will further enhance the research and development capability by procuring new testing equipment and recruiting additional full-time technical personnel. The Group continues to seek for suitable specialists with appropriate calibre in 2021.

Leveraging on market trend information gathered by the sales and marketing team and participation in drafting the PRC industry standards, the Group constantly keeps track of developments and trends in the FRP industry worldwide. Over the past years, the Group closely followed up with the PRC government's macroeconomic stimulus when carrying out the research and development works. Moreover, the Group adheres to the policy in promoting its products in countries along the "Belt and Road Initiatives". With all these efforts, the Groups is hopeful that performance of the Group's FRP products would be further enhanced in the coming years.

It is generally believed that effective market is important in capturing the market share and attracting potential customers and as such, in the year ended 31 December 2021, the Group undertook the following marketing activities:

i. placing advertisements on the internet such as an online trading platform Made-in-China.com (www.made-in-china.com), and entering into promotion agreements with online search engine service provider to attract new customers;

ii. identification of suitable tender invitation mainly by online advertisements and industry periodicals; and

iii. Contacting existing customers regularly to enhance their knowledge on the Group's products and competitive advantages, to promote new products, to understand their specific needs, to obtain feedbacks on the products and to get a better understanding on the market trends.

With regard to the environmental aspect, the Group is committed to minimizing any negative impact on the environment which may be resulted from the production process. During the year ended 31 December 2021, the Group had no material non-compliance or violation on any relevant laws and regulations of the PRC on environmental protection.

The Group adopted an occupational health and safety system to comply with the relevant occupational health and safety laws and regulations imposed by the government authorities in the PRC. During the year ended 31 December 2021, there were no material work-related injuries or fatalities at the production facilities, and no prosecution has been made against the Group by the relevant government authorities in the PRC in respect of the breach of applicable health and safety laws and regulations. Detailed measures on minimizing any negative impact on the environment and occupational health and safety are set out in the environment, social and governance report on page 36 to 46 of this annual report.

With the extensive experience and market recognition of products which the Group has accumulated since more than a decade ago, as well as the expending customer base, the Board is of the view that the Group is more well-positioned than other domestic enterprises in the industry to further develop and expand its markets and products so as to capture the moderate growth of the FRP grating products market going forward.

SALES PERFORMANCE

The Group posted a consolidated revenue of approximately RMB78.6 million for the year ended 31 December 2021, representing a decrease of approximately RMB19.0 million or 19.4% as compared to the year ended 31 December 2020. The decrease in revenue was primarily driven by the decrease in sales of both FRP grating products and epoxy wedge strip products. Moreover, sales for the domestic market decreased by approximately 19.8% to approximately RMB51.7 million for the year ended 31 December 2021 from approximately RMB64.4 million for the year ended 31 December 2020. The domestic market contributed approximately 65.7% of total sales for the year ended 31 December 2021, which has decreased by 0.3 percentage point in comparison with that of approximately 66.0% for the year ended 31 December 2020.

Details of the Group's revenue and gross profit margin by product categories are as follows:

	For the year ended 31 December			
	2021		2020	
	Sales revenue RMB'000	**Gross profit margin %**	Sales revenue RMB'000	Gross profit margin %
FRP grating products	**41,188**	**26.0**	45,562	33.8
Phenolic grating products	**160**	**36.4**	250	41.7
Epoxy wedge strip products	**37,276**	**27.5**	51,796	32.8
	78,624	**26.7**	97,608	33.3

During the year ended 31 December 2021, sales of FRP grating products remained the largest contributor to the Group's revenue and it accounted for approximately 52.4% of the total revenue. The percentage of contribution has increased by 5.7 percentage points in comparison with the corresponding year in 2020. FRP grating products were mainly sold to corporate customers in the PRC who generally are end-users of such products, as well as distributors in the U.S. and the United Kingdom ("U.K.") who buy the products on per purchase order basis with no distribution arrangement. The revenue derived from sales of FRP grating products decreased by approximately RMB4.4 million or 9.6% from approximately RMB45.6 million for the year ended 31 December 2020 to approximately RMB41.2 million for the year ended 31 December 2021. This was mainly due to the decrease in sales revenue in the overseas markets. The gross profit margin decreased by 7.8 percentage points from 33.8% for the year ended 31 December 2020 to 26.0% for the year ended 31 December 2021, which was mainly attributable to the increase in costs of raw materials amidst the rupture of the worldwide supply chain caused by the widespread of the COVID-19 pandemic.

Phenolic grating products were generally sold to shipbuilders and offshore oilfields construction companies in the PRC. Revenue generated from sales of phenolic grating products decreased by approximately 36% from approximately RMB250,000 for the year ended 31 December 2020 to approximately RMB160,000 for the year ended 31 December 2021. The reduction was due to the downturn in the shipbuilding industry in China and nearby surrounding countries, which caused the customers to be more conservative on placing new orders. The gross profit margin decreased by approximately 5.3 percentage points from 41.7% for the year ended 31 December 2020 to 36.4% for the year ended 31 December 2021. This was mainly due to the increase in costs of raw materials as mentioned above.

Epoxy wedge strip products were developed and targeted for manufacturers of wind turbine blades in the PRC. The revenue derived from sales of epoxy wedge strip products decreased by approximately RMB14.5 million or 28.0% from approximately RMB51.8 million for the year ended 31 December 2020 to approximately RMB37.3 million for the year ended 31 December 2021. This was mainly due to the sharp increase in costs of raw materials for certain downstream customers who were very conservative in placing orders. The gross profit margin decreased by approximately 5.3 percentage points from approximately 32.8% for the year ended 31 December 2020 to approximately 27.5% for the year ended 31 December 2021. This decrease in gross profit margin was attributable to the increase in costs of raw materials as mentioned above and the relative increase in the fixed costs of production per unit resulting from the reduction in production volume.

Details of the average selling price and the sales volume by major product categories are as follows:

	For the year ended 31 December			
	2021		2020	
	Average selling price per unit RMB	**Volume**	Average selling price per unit RMB	Volume
FRP grating products	**257.9**	**159,737 m^2**	288.4	158,003 m^2
Phenolic grating products	**519.5**	**308 m^2**	588.2	425 m^2
Epoxy wedge strip products	**57.4**	**649,826 m**	69.3	747,659 m

The average selling price of the FRP grating products per m^2 dropped by approximately RMB30.5 per m^2 or approximately 10.6% from RMB288.4 per m^2 for the year ended 31 December 2020 to RMB257.9 per m^2 for the year ended 31 December 2021, with a slight increase in sales volume of approximately 1.1% in comparison between the two years. The decrease in average selling price was mainly due to the variations in the composition of lower priced FRP grating products sold.

The average selling price of the phenolic grating products per m^2 decreased by approximately 11.7% from RMB588.2 per m^2 for the year ended 31 December 2020 to RMB519.5 per m^2 for the year ended 31 December 2021, with a decrease in sales volume of approximately 27.5% in comparison between the two years. The decrease in average selling price was mainly due to the differences in product specifications in relation to different shapes, weight and dimension for the products sold in these two years.

The average selling price of the epoxy wedge strip products per m decreased by approximately RMB11.9 per m from RMB69.3 per m for the year ended 31 December 2020 to RMB57.4 per m for the year ended 31 December 2021, with a reduction in sales volume of approximately 13.1% in comparison between the two years. As the whole industry is suffering from the reduction in orders, our manufacturing plant has no other alternative but to follow our peer to cut down the selling prices of the epoxy wedge strip products.

Details of the Group's sale revenue by geographical area are as follows:

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
PRC	**51,675**	64,434
U. S.	**12,522**	14,968
U. K.	**8,174**	11,661
Others	**6,253**	6,545
Total	**78,624**	97,608

Sales to the PRC market decreased by approximately 19.8% from approximately RMB64.4 million for the year ended 31 December 2020 to approximately RMB51.7 million for the year ended 31 December 2021, which was mainly attributable to the reduction in sales of epoxy wedge strip products to the PRC customers during the year ended 31 December 2021.

Sales to the U.S. market decreased by approximately 16.3% from approximately RMB15.0 million for the year ended 31 December 2020 to approximately RMB12.5 million for the year ended 31 December 2021, mainly because of the higher import tariffs and the adverse impact of the COVID-19 pandemic on the U.S. economy and market condition which suppressed the demands for the Group's products in the U.S. market.

Sales to the U.K. market decreased by approximately 29.9% from approximately RMB11.7 million for the year ended 31 December 2020 to approximately RMB8.2 million for the year ended 31 December 2021, mainly because of the decrease in sales orders from the major customers in the U.K. market resulting from the adverse impact of the COVID-19 pandemic.

Sales to the other locations decreased by approximately 4.5% from approximately RMB6.5 million for the year ended 31 December 2020 to approximately RMB6.3 million for the year ended 31 December 2021, mainly because of the decrease in sales order from the customers in Belgium, France and South Africa resulting from the adverse impact of the COVID-19 pandemic.

OPERATING COSTS AND EXPENSES

Distribution costs increased by approximately RMB170,000 or 4.1% to approximately RMB4.3 million in the year ended 31 December 2021 from approximately RMB4.2 million in the year ended 31 December 2020. The increase was mainly attributable to the increase in staff costs.

Administrative expenses decreased by approximately RMB975,000, a 6.2% decrease to approximately RMB14.9 million in the year ended 31 December 2021 from approximately RMB15.8 million in the year ended 31 December 2020. The decrease was mainly attributable to the decrease in research and development expense.

Finance costs decreased by approximately RMB12,000 to approximately RMB294,000 for the year ended 31 December 2021 from approximately RMB306,000 for the year ended 31 December 2020. The decrease was mainly due to the repayment of bank loan during the year ended 31 December 2021.

OPERATING RESULTS

The Group suffered from a substantial reduction in net profit of approximately RMB5.5 million for the year ended 31 December 2020 to a net loss of approximately RMB2.0 million for the year ended 31 December 2021. This downward swing in operating results was primarily attributable to: (i) the reduction in the sales of the Group's products by approximately 19.4% from approximately RMB97.6 million for the year ended 31 December 2020 to approximately RMB78.6 million for the year ended 31 December 2021 due to the adverse impact of the COVID-19 pandemic which suppressed the demands of the Group's products; and (ii) the decrease in gross profit margin of approximately 6.6 percentage points for the products sold by the Group during the year ended 31 December 2021, which was resulted from the drastic increase in the costs of raw materials amidst the rupture of the worldwide supply chain caused by the COVID-19 pandemic.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group held total assets of approximately RMB110.6 million (2020: approximately RMB97.6 million), including cash and cash equivalents of approximately RMB8.2 million (2020: approximately RMB16.5 million).

As at 31 December 2021, the Group had total liabilities of approximately RMB42.3 million (2020: RMB38.6 million) which mainly comprised of trade and other payables of approximately RMB29.9 million (2020: RMB25.9 million) and deferred tax liabilities of approximately RMB10.3 million (2020: RMB4.8 million).

Following the repayment of bank loan of RMB5,000,000 during the year ended 31 December 2021, the gearing ratio as at 31 December 2021, which was expressed as a percentage of total loans and borrowings over total equity, was nil (2020: 8.5%).

CONTINGENT LIABILITIES

As at 31 December 2021, the Group had no contingent liabilities (31 December 2020: Nil).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group is exposed to foreign exchange risk primarily through sales which give rise to receivables and cash balances that are denominated in U.S. dollars, which is attributable to sales transactions entered into by the Group with overseas customers. The Group has adopted the following measures to mitigate the exposure to foreign exchange risk:

(i) the accounting and finance department would closely monitor the movement of relevant exchange rates to ensure that the net exposure is kept to an acceptable level;

(ii) quotations provided to our overseas customers are generally valid for one to three months only;

(iii) in the event that the relevant exchange rates fluctuate more than 5.0%, the Director and senior management would be notified such that appropriate actions could be carried out in a timely manner to address any foreign exchange risks;

(iv) if the fluctuation in the relevant exchange rates exceeds 8.0% for more than two months, the pricing policy would be adjusted accordingly to reflect such change; and

(v) the Directors would regularly review the analysis prepared by the accounting and finance department and assess whether there is any material and adverse impact on the Group's financial performance and whether any hedging or derivative financial instruments should be entered into for managing the foreign exchange risk exposures.

In addition to the above, the Group is generally able to pass on the cost arising from the exchange rate fluctuations to the customers by adjusting the pricing. Hence, it is considered that the Group's exposure to foreign exchange risk is limited and it is not necessary to adopt any hedging strategy.

CHARGES ON GROUP ASSETS

As at 31 December 2021, the Group had the following charges on its assets:

(i) Following the repayment of bank loan of RMB5,000,000 during the year ended 31 December 2021, the legal charges on the Group's right-of-use asset and buildings were released. As at 31 December 2020, the outstanding bank loan of RMB5,000,000 was secured by the right-of-use asset with a carrying value of RMB1,360,000 and the buildings with a carrying value of RMB8,454,000 as at 31 December 2020.

(ii) An aggregate amount of RMB3,000,000 (2020: RMB4,000,000) was placed in a bank account and pledged in favour of banks for bill issuance.

CAPITAL STRUCTURE

As at 31 December 2021, the share capital and total equity attributable to equity holders of the Company amounted to approximately RMB3,600,000 (2020: RMB3,600,000) and RMB68,246,000 (2020: RMB59,090,000) respectively.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had 107 employees (2020: 133). The total staff costs including Directors' remuneration for the year were approximately HK$14.1 million (2020: approximately RMB13.4 million). Remuneration is determined based on each employee's qualifications, position and seniority. In addition to a basic salary, year-end discretionary bonuses were offered with reference to our Group's performance as well as individual's performance to attract and retain appropriate and suitable personnel to serve the Group. Furthermore, the Group offers other staff benefits like provision of retirement benefits, various types of trainings and sponsorship of training courses. The Group also adopts an annual review system to assess the performance of staff, which forms the basis of decisions with respect to salary rises and promotions.

DIVIDEND

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

Management Discussion and Analysis

SIGNIFICANT INVESTMENT, ACQUISITION AND DISPOSAL

There were no significant investments held, acquisitions or disposals of subsidiaries and affiliated companies by the Group during the year ended 31 December 2021.

The Group did not have other plans for significant investments, acquisitions and disposal of subsidiaries and affiliated companies as at 31 December 2021.

CASH FLOWS

Net cash generated from operating activities was approximately RMB3.7 million for the year ended 31 December 2021 compared to that of approximately RMB2.4 million used in operating activities for the year ended 31 December 2020. The swing from cash outflows to cash inflows in respect of operating activities was largely due to reduction in trade and other receivables during the year ended 31 December 2021.

Net cash used in investing activities was approximately RMB6.7 million (2020: RMB0.2 million) for the year ended 31 December 2021. The increase in net cash used in respect of investing activities was mainly due to the increase in the payments for the purchase of property, plant and equipment during the year ended 31 December 2021.

Net cash used in financing activities was approximately RMB5.3 million (2020: RMB0.3 million) for the year ended 31 December 2021. The increase in net cash used in respect of financing activities was mainly due to the repayment of bank loans during the year ended 31 December 2021.

CHANGE IN SHAREHOLDING STRUCTURE

On 3 January 2020, Singa Dragon International Ventures Limited ("Singa") and Yunhong Group Co., Limited ("Yunhong") entered into a share transfer agreement, pursuant to which Singa agreed to sell, and Yunhong agreed to purchase, 40,000,000 shares of the Company (representing 10.0% of the entire issued share capital of the Company at the date of this report) for a total consideration of HK$6,400,000 at HK$0.16 per share. Completion of the aforesaid share transfer agreement took place on 23 December 2020. Detailed information in relation to the said share transfer agreement was set out in the Company's announcements dated 3 January and 28 December 2020.

On 31 March 2021, LF INTERNATIONAL PTE. LTD. ("LFB") and Singa entered into a sale and purchase agreement (the "Sale and Purchase Agreement") pursuant to which, Singa agreed to sell, and LFB agreed to purchase 123,600,000 shares of the Company (representing 30.9% of the entire issued share capital of the Company at the date of this report) for a total consideration of HK$24,720,000 at HK$0.20 per share. Completion of the Sale and Purchase Agreement took place on 15 April 2021. Detailed information in relation to the Sale and Purchase Agreement was set out in the announcement dated 15 April 2021 jointly issued by LFB and the Company.

Given that Mr. Li Yubao ("Mr. Li"), is the ultimate controlling shareholder of both Yunhong and LFB, Mr. Li, Yunhong and LFB are presumed to be parties acting in concert under Class (8) of the definition of "Acting in concert" under The Codes on Takeovers and Mergers and Share Buy-backs (the "Takeovers Code"). Accordingly, immediately after completion of the Sale and Purchase Agreement, LFB and parties acting in concert with it are collectively interested in 163,600,000 shares of the Company (representing 40.9% of the entire issued share capital of the Company at the date of this report).

Pursuant to Rule 26.1 of the Takeovers Code, LFB was required to make a mandatory conditional cash offer (the "Offer") for all the issued shares of the Company (other than those already owned by LFB and Yunhong), being 236,400,000 shares of the Company (representing 59.1% of the entire issued share capital of the Company at the date of this report). Detailed information in relation to the Offer was set out in the announcement dated 15 April 2021 and the composite document dated 21 May 2021 jointly issued by LFB and the Company.

The Offer, which was conditional only upon LFB having received valid acceptances together with the shares of the Company already owned by LFB and the parties acting in concert with it, would result in LFB and the parties in concern with it in aggregate holding more than 50% of the voting rights of the Company. At the close of the Offer, there were, however, valid acceptances in respect of 190,000 shares of the Company, representing 0.05% of the entire issued share capital of the Company at the date of this report. LFB and the Company, therefore, jointly announced that the Offer lapsed on 11 June 2021. Detailed information in relation the level of acceptance and the lapse of the Offer was set out in the announcement dated 11 June 2021 jointly issued by LFB and the Company.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Li Yubao (李玉保), aged 40, is the chairman of the Board and was appointed as an executive Director on 30 June 2021 and is responsible for overall management and administration of the Group's business operations. He is also a member of the Risk Management Committee.

Mr. Li received his Executive Master of Business Administration (EMBA) in Investment, Financing and Capital Strategy from the Peking University in 2016. He has been serving as a director of Yunhong CTI Ltd. (formerly known as CTI Industries Corporation), a company principally engaged in (i) designing, manufacturing and distributing metalized and latex balloon products throughout the world; and (ii) operating systems for the production, lamination, coating and printing of films used for food packaging and other commercial uses and for conversion of films to flexible packaging containers and other products and is listed on the NASDAQ Capital Market (NASDAQ code: CTIB), since 13 January 2020 and was elected as chairman of the board on 1 June 2020. Mr. Li has also been serving as the chairman of Yunhong International (formerly known as China Yunhong Holdings), a blank cheque company listed on the NASDAQ Capital Market (NASDAQ code: ZGYHU) since its inception on 10 January 2019 and served as the chief executive officer from January 2019 to September 2019.

Save as disclosed above, Mr. Li has not held any directorship in any public listed company in the past three years.

Ms. Zhang Yaping (張亞平), Ms. Zhang, aged 32, is an executive Director, chief executive officer and a member of each of the Remuneration Committee and the Nomination Committee. She was appointed as an executive Director on 30 June 2021. She is responsible for the overall management, strategic development and major decision-making of the Group.

Ms. Zhang received an associate degree in Human Resources management from Zhoukou Normal University (周口師範學院) in 2013. She completed the training class for the secretary of the board of directors at Shanghai Jiao Tong University in 2018. She is currently serving as the assistant to the chairman and secretary to the board of the Potential Buyer and has been working as an assistant of the chairman and secretary of the board of Yunhong Group Co., Limited* (運鴻集團股份有限公司) since 2015.

Mr. Zhang has not held any directorship in any public listed company in the past three years.

Ms. Shi Dongying (施冬英), aged 47, is an executive Director and the compliance officer of the Group. She was appointed as an executive Director on 6 May 2016. She is responsible for overall management and administration of the Group's business operations, as well as overseeing compliance matters of the Group. She is also the chairman of the Risk Management Committee.

Ms. Shi completed an undergraduate course in accounting at The Open University of China (中央廣播電視大學) in January 2014. Ms. Shi has over 20 years of accounting experience and she is a non-practising member of the Chinese Institute of Certified Public Accountants. From August 1994 to May 2005, Ms. Shi worked as an accountant in Haimen Linen and Cotton Processing Factory (海門市棉麻加工廠). From March 2006 to October 2015, she worked as a head of accounting department in Nantong Sancon Electronic Technology Corporation (南通三鑫電子科技股份有限公司). She joined the Group in October 2015 as deputy executive officer.

Ms. Shi was an independent non-executive director of JiaChen Holding Group Limited (stock code: 1937) from December 2019 to September 2021.

Save as disclosed above, Ms. Shi has not held any directorship in any public listed company in the past three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ng Sai Leung (吳世良), aged 49, was appointed as an independent non-executive Director on 16 December 2016. He is responsible for supervising and providing independent advice on the operation and management of the Group. He is also the chairman of the Audit Committee and a member of the Nomination Committee.

Mr. Ng obtained a bachelor degree in business administration from The University of Hong Kong in November 1995 and a master degree in business administration from The Chinese University of Hong Kong in December 2002. Mr. Ng is a fellow of American Institute of Certified Public Accountant and a Chartered Financial Analyst.

Mr. Ng has over 20 years of experience in corporate finance and accounting, including managing various initial public offerings, advising listed companies on mergers and acquisitions, reverse takeovers, privatisations, fund raising exercises and other corporate advisory transactions. Mr. Ng previously worked as an auditor in Ernst & Young Global Limited from August 1995 to March 1997, a junior internal officer in the private banking division of UBS Securities Asia Limited (previously known as Swiss Bank Corporation Hong Kong Branch) from March 1997 to February 1998, and an officer in the Compliance Department in Hong Kong Futures Exchange Limited from March 1998 to September 1999. He worked in the corporate finance department of Tai Fook Capital Limited, now known as Haitong International Capital Limited, as an assistant manager, a manager and a senior manager respectively from September 1999 to April 2004. From April 2004 to May 2006, he consecutively worked as a senior manager and an associate director in Masterlink Securities (Hong Kong) Corporation Limited. Mr. Ng worked in CIMB Securities (Hong Kong) Limited as a vice president and a senior vice president of corporate finance division from June 2006 to August 2010 respectively. From August 2010 to January 2015, he worked as a director in the investment banking department of CMB International Capital Corporation Limited. Mr. Ng was a managing director of VBG Capital Limited from January 2015 to August 2019. He has been appointed as the Managing Director and Head of Corporate Finance for Shanxi Securities International Capital Limited in August 2019.

Mr. Ng is an independent non-executive director of Dongguang Chemical Limited (stock code: 1170) since June 2017.

Save as disclosed above, Mr. Ng has not held any directorship in any public listed companies in the past three years.

Mr. Tam Tak Kei Raymond (譚德機), aged 58, was appointed as an independent non-executive Director on 16 December 2016. He is responsible for supervising and providing independent advice on the operation and management of the Group. He is also the chairman of the Remuneration Committee and a member of each of the Audit Committee and Risk Management Committee.

Mr. Tam obtained a bachelor degree of arts in accounting with computing from the University of Kent at Canterbury, United Kingdom in July 1985. He is an associate member of the Institute of Chartered Accountants in England and Wales and an associate member of the Hong Kong Institute of Certified Public Accountants.

Mr. Tam has been appointed as an independent non-executive director of Vision Fame International Holding Limited (stock code: 1315), CNQC International Holdings Limited (stock code: 1240) and Li Bao Ge Group Limited (stock code: 8102) since December 2011, September 2012 and June 2016 respectively. He is also the company secretary of Branding China Group Limited (stock code: 863) since April 2013. He was an independent non-executive director of Digital Domain Holdings Limited (stock code: 547) from September 2009 to August 2013; Zebra Strategic Holdings Limited, now known as Yin He Holdings Limited (stock code: 8260) from June 2012 to September 2014; Tianjin Jinran Public Utilities Company Limited (stock code: 1265) from February 2011 to June 2015; Ngai Shun Holdings Limited (stock code: 1246) from September 2013 to July 2015; and Beijing Enterprises Clean Energy Group Limited, previously known as Jin Cai Holdings Company Limited (stock code: 1250), from June 2013 to July 2016. He was also the chief financial officer of King Force Security Holdings Limited (stock code: 8315) during the period from April 2014 to November 2014.

Save as disclosed above, Mr. Tam has not held any directorship in any public listed company in the past three years.

Mr. Lee Man Tai (李文泰) Mr. Lee, aged 46, was appointed as an independent non-executive Director on 30 June 2021. He is responsible for supervising and providing independent advice on the operation and management of the Group. He is the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee.

Mr. Lee graduated from Lingnan University, Hong Kong in 2000 with a Bachelor's degree in Business Administration and The Hong Kong Polytechnic University in 2010 with a Master's degree in Business Administration. He was admitted as a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants in 2012. He obtained the qualification as a licensed representative and a responsible officer for advising Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO in 2017 and 2020 respectively. Mr. Lee has approximately 20 years of working experience in the financial industry. From October 2006 to October 2012, he acted as the chief financial officer and company secretary of China Yuanbang Property Holdings Limited, a company listed on the Mainboard of the Singapore Exchange Limited (stock code: BCD/CYBP.SI). From October 2012 to May 2014, he acted as the chief financial officer and company secretary of China 33 Media Group Limited, a company listed on the GEM of the Stock Exchange (stock code: 8087). He acted as the chief financial officer and company secretary of Flying Financial Service Holdings Limited, a company listed on the GEM of the Stock Exchange (stock code: 8030), from July 2014 to April 2015 and from August 2014 to April 2015, respectively. He also acted as the financial controller and company secretary of China International Development Corporation Limited (formerly known as Chanco International Group Limited and Ascent International Holdings Limited), a company listed on the Main Board of the Stock Exchange (stock code: 264), from April 2015 to January 2016 and from April 2015 to September 2015, respectively. Since January 2016, Mr. Lee has been an independent non-executive director of China Energy Development Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 228). Since November 2016, he has been an independent non-executive director of Progressive Path Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1581). Since December 2019, he has been an independent non-executive director of Rizhao Port Jurong Co., Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 6117).

Save as disclosed above, Mr. Lee has not held any directorship in any public listed companies in the past three years.

SENIOR MANAGEMENT

Mr. Ng Chi Ho Dennis (吳志豪), aged 63, was appointed as the company secretary of the Group on 16 December 2016. He is responsible for the Group's overall company secretarial matters.

Mr. Ng obtained a degree of bachelor of commerce in accounting, finance and systems from The University of New South Wales, Australia in October 1982. He is a chartered accountant of The Chartered Accountants Australia and New Zealand, an associate of the Hong Kong Chartered Governance Institute and a fellow member of the Hong Kong Institute of Certified Public Accountants.

Mr. Ng has extensive experience in auditing, accounting, financial management and corporate affairs. He worked as the chief financial officer and the company secretary of Matsunichi Communication Holdings Limited (stock code: 283) from August 2004 to July 2005. Mr. Ng was the company secretary of Powerleader Science & Technology Group Limited (stock code: 8236) from July 2007 to April 2010 and the company secretary of Tech Pro Technology Development Limited (stock code: 3823) from December 2009 to July 2013. Mr. Ng also acted as the company secretary of Celebrate International Holdings Limited (stock code: 8212) from July 2014 to February 2018. He was respectively an independent non-executive director and a non-executive director of Sunrise (China) Technology Group Limited (stock code: 8226) from June 2014 to May 2015 and My Heart Bodibra Group Limited (stock code: 8297) from December 2018 to April 2019. He was also an independent non-executive director of Kirin Group Holdings Limited (stock code: 8109) from April 2015 to December 2021. Mr. Ng is currently an independent non-executive director of Media Asia Group Holdings Limited (stock code: 8075), Legendary Group Limited (stock code: 8195) and China City Infrastructure Group Limited (stock code: 2349).

Save as disclosed above, Mr. Ng has not been a director of any listed companies over the past three years.

Mr. Liu Dansheng (劉旦生), aged 54, is the deputy general manager of the Group and is responsible for internal coordination between different departments of the Group and management of production plant. Mr. Liu graduated from Changzhou Material School (常州物資學校), now known as Changzhou Technical Institute of Tourism and Commerce (常州旅遊商貿高等職業技術學校), the PRC in July 1987, majoring in operation management. From March 1987 to March 2010, Mr. Liu worked as a business officer and sales representative in Haimen Chemical and Light Industry Company (海門化工輕工公司).

Mr. Liu joined the Group in June 2010 as deputy general manager and manager of production plant.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to establishing good corporate governance and adopting sound corporate governance practices. The Directors strongly believe that reasonable and sound corporate governance practices are essential for the growth of the Group and for safeguarding and enhancing shareholders' interests.

Throughout the financial year ended 31 December 2021, the Company has complied with the provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 15 of the GEM Listing Rules.

BOARD OF DIRECTORS

The key responsibilities of the Board include formulation of the Group's overall strategies, the setting of management targets and supervision of management performance. The management is delegated with the authority and responsibility by the Board for the management and administration of the Group. In addition, the Board has also delegated various responsibilities to the board committees of the Company. Further details of the board committees of the Company are set out below in this report.

The Board is entrusted with the overall responsibility for promoting the success of the Company by the direction and supervision of the Company's business and affairs and the ultimate responsibility for day to day management of the Company which is delegated to the management. To this end, monthly financial and operational information are provided to the Board for assessing the performance of the Company and its subsidiaries. For significant matters that are specifically delegated by the Board, the management must report back to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

The Board is responsible for, among others, performing the corporate governance duties as set out in the code provision D.3.1 of the CG Code, which include:

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

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

(c) review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

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

(e) to review the Group's compliance with the CG Code and disclosure in the corporate governance report.

The Board currently comprises six Directors, of whom three are executive Directors and three are independent non-executive Directors. Two independent non-executive Directors have the appropriate professional accounting qualifications or related financial management experience and expertise. Each of the executive Directors and independent non-executive Directors has entered into a service agreement with the Company for a term of three and two years respectively until terminated by either the Company or the executive/independent non-executive Director giving each other a two months' notice in writing in accordance with the terms of the agreement.

In accordance with article 108(a) of the articles of association of the Company, at each annual general meeting, at least one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Accordingly, Mr. Ng Sai Leung and Mr. Tam Tak Kei Raymond will retire from office as independent non-executive Directors at the forthcoming annual general meeting of the Company, and being eligible, offer themselves for re-election.

The participation of independent non-executive Directors in the Board brings a diverse range of expertise, skills and independent judgment on issues relating to the Group's strategies, performance, conflicts of interests and management process to ensure that the interests of all Shareholders have been duly considered. The Board considers that all the independent non-executive Directors are independent and each of the independent non-executive Directors has confirmed in writing his independence to the Company pursuant to Rule 5.09 of the GEM Listing Rules.

There is a balance of skills and experience for the Board, which is appropriate for the requirements of the business of the Company. The Directors' biographical information is set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

BOARD DIVERSITY POLICY

Pursuant to the code provision A.5.6 of the CG Code, listed issuers are required to adopt a board diversity policy. The Board has adopted the board diversity policy with a view to achieve a sustainable and balanced development of the Group. In designing the Board's composition, board diversity has been considered from various aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All appointments to the Board will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. This diversity policy is reviewed annually by the nomination committee of the Company, and where appropriate, revisions will be made with the approval from the Board.

NOMINATION POLICY

The Board has adopted a director nomination policy (the "Nomination Policy") on 31 December 2018 in relation to the nomination, appointment, re-appointment of new Directors and the nomination procedure of the Company, which provides that in evaluating and selecting any candidate for directorship, the nomination committee of the Company shall consider the candidates' character and integrity, professional qualifications, skills, knowledge and experience, independence, diversity on the Board, willingness to devote adequate time to discharge duties as a Board member and such other criteria that are appropriate to the business of the Company.

DIVIDEND POLICY

The Board has adopted a dividend policy (the "Dividend Policy") on 31 December 2018. A summary of the Dividend Policy is disclosed as below.

Subject to the approval of the Shareholders and requirement of the relevant law, the Company shall pay annual dividends to the Shareholders if the Group is profitable, operations environment is stable and there is no significant investment or commitment made by the Group, after taking into account the factors as detailed below and determined by the Board from time to time. The remaining net profits will be used for Group's development and operations. The Dividend Policy allows the Company to declare special dividends from time to time in addition to the annual dividends.

In proposing any dividend payout, the Board shall also take into account, inter alia, (i) the Company's actual and expected financial performance; (ii) retained earnings and distributable reserves of the Group; (iii) the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants; and (iv) the general economic conditions, business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Company.

Any final dividends declared by the Company must be approved by an ordinary resolution of Shareholders at an annual general meeting and must not exceed the amount recommended by the Board. The Dividend Policy shall be reviewed periodically and submitted to the Board for approval if amendments are required.

CONTINUOUS PROFESSIONAL DEVELOPMENT

The Group acknowledges the importance of continuing professional development for the Directors for the enhancement of corporate governance and internal control systems. The Directors are kept informed from time to time on the latest development of any changes to the regulatory requirements and the progress of compliance of applicable rules and regulations by the Company. The Directors will also be updated from time to time on the business development and operation plans of the Company. All Directors are encouraged to participate in continuing professional development seminars and/or courses to update their skills and knowledge on the latest development or changes in the relevant statutes, GEM Listing Rules and corporate governance practices.

Throughout the year ended 31 December 2021, the continuous professional development in the form of materials reading and participation in webcast taken by respective Directors are as follows:

	Corporate governance, rules and regulations (including directors' duties)	Financial, management and other business skills and knowledge
Executive Directors		
Mr. Li Yubao (appointed on 30 June 2021)	✓	✓
Ms. Zhang Yaping (appointed on 30 June 2021)	✓	✓
Mr. Cheng Dong (resigned on 30 June 2021)	✓	✓
Mr. Jiang Guitang (resigned on 30 June 2021)	✓	✓
Ms. Shi Dongying	✓	✓
Independent Non-executive Directors		
Mr. Lee Man Tai (appointed on 30 June 2021)	✓	✓
Mr. Huang Xin (resigned on 30 June 2021)	✓	✓
Mr. Tam Tak Kei Raymond	✓	✓
Mr. Ng Sai Leung	✓	✓

BOARD MEETINGS

Pursuant to code provision A.1.1 of the CG Code, the Board should meet regularly and Board meetings should be held at least four times a year. Additional meetings would be arranged if and when required. Board members are provided with all agenda and adequate information for their review within reasonable time before the meetings. After the meetings, draft minutes are circulated to all Directors for comments before confirmation. Minutes of board meetings and meetings of board committees are kept by the company secretary and are available for inspection by the Directors at all times. Each Director is entitled to seek independent professional advice in appropriate circumstances at the expense of the Company.

Directors may participate either in person or through electronic means of communications. Directors are free to contribute and share their views at meetings and major decisions will only be taken after deliberation at Board meetings. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions. The Board held at least a board meeting for each quarter. Details of the attendance of the Directors during the year ended 31 December 2021 are as follows:

	Attendance
Executive Directors	
Mr. Li Yubao (appointed on 30 June 2021)	2/5
Ms. Zhang Yaping (appointed on 30 June 2021)	2/5
Mr. Cheng Dong (resigned on 30 June 2021)	3/5
Mr. Jiang Guitang (resigned on 30 June 2021)	3/5
Ms. Shi Dongying	5/5
Independent Non-executive Directors	
Mr. Lee Man Tai (appointed on 30 June 2021)	2/5
Mr. Huang Xin (resigned on 30 June 2021)	3/5
Mr. Tam Tak Kei Raymond	5/5
Mr. Ng Sai Leung	5/5

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established to ensure a balance of power and authority.

Mr. Li Yubao serves as the chairman of the Board and is responsible for overall business development strategy and overall management and major business decisions of the Group. Ms. Zhang Yaping serves as the chief executive officer of the Company and is responsible for general management and day-to-day operation of the Group.

AUDIT COMMITTEE

The Company established an audit committee on 16 December 2016 with written terms of reference by reference to the code provisions of the CG Code. The audit committee comprises of three members, namely Mr. Ng Sai Leung, Tam Tak Kei Raymond, and Mr. Lee Man Tai, all being independent non-executive Directors. Mr. Ng Sai Leung currently serves as the chairman of the audit committee.

The audit committee is principally responsible for the monitoring of the integrity of periodical financial statements of the Company, the review of significant financial reporting judgements contained in them before submission to the Board for approval, the review of the Company's financial controls, risk management and internal control systems, and the review and monitoring of the auditors' independence and objectivity as well as the effectiveness of the audit process. The audit committee is also responsible for performing corporate governance functions which include (a) to develop and review the Company's policies and practices on corporate governance; (b) to review and monitor the training and continuous professional development of the Directors and senior management; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to review and monitor the code of conduct and compliance applicable to employees and the Directors; and (e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report. The terms of reference setting out the audit committee's authorities, duties and responsibilities are available on the websites of the Company and the Stock Exchange.

The Group's audited annual results in respect of the year ended 31 December 2021 have been reviewed by the audit committee. There was no disagreement between the Board and the audit committee regarding selection and appointment of the external auditor in respect of the year ended 31 December 2021.

The audit committee held four meetings during the year ended 31 December 2021, at which the audited annual results of the Group for the year ended 31 December 2020, the unaudited quarterly and interim results of the Group for the year ended 31 December 2021 and other matters related to the financial and accounting policies and practice were discussed and reviewed. The audit committee also reviewed the internal control review report prepared by the independent professional advisor and put forward relevant recommendations to the Board. In addition, the audit committee fulfilled its responsibilities in corporate governance and in monitoring the effectiveness of the auditing process and the independence of the auditor at the meetings held during the year ended 31 December 2021. Individual attendance of each committee member at the meetings during the year ended 31 December 2021 is as follows:

	Attendance
Mr. Ng Sai Leung *(chairman)*	4/4
Mr. Tam Tak Kei Raymond	4/4
Mr. Lee Man Tai (appointed on 30 June 2021)	2/4
Mr. Huang Xin (resigned on 30 June 2021)	2/4

REMUNERATION COMMITTEE

The Company established a remuneration committee on 16 December 2016 with written terms of reference by reference to the code provisions of the CG Code. The remuneration committee comprises of three members, namely Ms. Zhang Yaping, an executive Director, Mr. Lee Man Tai and Mr. Tam Tak Kei Raymond, both being independent non-executive Directors. Mr. Tam Tak Kei Raymond currently serves as the chairman of the remuneration committee.

The primary duties of the remuneration committee are to make recommendations on the remuneration of the Directors and senior management to the Board and to review the overall remuneration policy and structure relating to the Directors and senior management. The terms of reference setting out the remuneration committee's authorities, duties and responsibilities are available on the websites of the Company and the Stock Exchange.

The members of the remuneration committee should meet at least once a year. During the year ended 31 December 2021, the remuneration committee held two meeting, at which the Group's overall remuneration practices and scale and other remuneration-related matters in respect of the Directors and senior management were discussed and reviewed. Individual attendance of each committee member at the meeting is as follows:

	Attendance
Mr. Tam Tak Kei Raymond *(chairman)*	2/2
Ms. Zhang Yaping (appointed on 30 June 2021)	0/2
Mr. Lee Man Tai (appointed on 30 June 2021)	0/2
Mr. Jiang Guitang (resigned on 30 June 2021)	2/2
Mr. Huang Xin (resigned on 30 June 2021)	2/2

NOMINATION COMMITTEE

The Company established a nomination committee on 16 December 2016 with written terms of reference by reference to the code provisions of the CG Code. The nomination committee comprises of three members, namely Ms. Zhang Yaping, an executive Director, Mr. Lee Man Tai and Mr. Ng Sai Leung, both being independent non-executive Directors. Mr. Lee Man Tai currently serves as the chairman of the nomination committee.

The primary duties of the nomination committee are to review the structure, size and composition of the Board; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; review the time commitment required of the Directors and evaluate whether the Directors have committed adequate time to discharge their responsibilities; review and implement the Nomination Policy; and make recommendations to the Board on relevant matters regarding the appointment or re-appointment of Directors. The terms of reference setting out the nomination committee's authorities, duties and responsibilities are available on the websites of the Company and the Stock Exchange.

The members of the nomination committee should meet at least once a year. During the year ended 31 December 2021, the nomination committee held two meeting, at which the structure, size and composition (including the skills, knowledge and experience) of the Board members were reviewed. It also assessed the independence of the independent non-executive Directors and recommended the re-election of the retired Directors at the annual general meeting of the Company. Individual attendance of each committee member at the meeting is as follows:

	Attendance
Mr. Lee Man Tai *(chairman)* (appointed on 30 June 2021)	0/2
Ms. Zhang Yaping (appointed on 30 June 2021)	0/2
Mr. Ng Sai Leung	2/2
Mr. Huang Xin (resigned on 30 June 2021)	2/2
Mr. Cheng Dong (resigned on 30 June 2021)	2/2

RISK MANAGEMENT COMMITTEE

The Company established a risk management committee on 16 December 2016 with written terms of reference. The risk management committee comprises of three members, namely Ms. Shi Dongying and Mr. Li Yubao, both being executive Directors, and Mr. Tam Tak Kei Raymond, being independent non-executive Director. Ms. Shi Dongying currently serves as the chairman of the risk management committee.

The primary duties of the risk management committee include, among others, monitoring the Group's exposure to sanction risks and export controls and the implementation of the related internal control procedures, and evaluate sanctions risks prior to determining whether any business opportunities should be embarked in any sanctioned countries and/or with any sanction persons. The terms of reference setting out the risk management committee's authorities, duties and responsibilities are available on the website of the Company.

The members of the risk management committee should meet at least once a year. During the year ended 31 December 2021, the risk management committee held one meeting. Individual attendance of each committee member at the meeting is as follows:

	Attendance
Ms. Shi Dongying *(chairman)*	1/1
Mr. Tam Tak Kei Raymond	1/1
Mr. Li Yubao (appointed on 30 June 2021)	0/1
Mr. Cheng Dong (resigned on 30 June 2021)	1/1

COMPANY SECRETARY

The company secretary of the Company (the "Company Secretary") supports the Board by ensuring good information flow within the Board and that the Board policy and procedures are followed. The Company Secretary is responsible for advising the Board on the corporate governance matters and facilitating induction and professional development of the Directors. All Directors have access to the advice and services of the Company Secretary to ensure that the Board procedures and all applicable laws, rules and regulations, are followed.

Mr. Ng Chi Ho Dennis was appointed as the Company Secretary on 16 December 2016. He has complied with all the required qualifications, experiences and training requirements under the GEM Listing Rules.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group that give a true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required of the GEM Listing Rules. As at 31 December 2021, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

The responsibility of the external auditor is to form an independent opinion, based on their audit, on the consolidated financial statements and to report their opinion to the shareholders of the Company. The independent auditor's report about their reporting responsibility on the consolidated financial statements of the Group is set out in the independent auditor's report on pages 55 to 60 of this report.

AUDITORS' REMUNERATION

During the year, remuneration paid/payable to the independent auditor for audit services provided to the Company is approximately RMB807,000 (2020: RMB758,000).

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code for dealing in securities of the Company by the Directors. Having made specific enquiry of all Directors, all Directors have confirmed that they had complied with the code of conduct regarding the dealings in securities of the Company during the year ended 31 December 2021. Moreover, the Company was not aware of any non-compliance with the required standard as set out in the code of conduct regarding securities transactions by the Directors up to the date of this report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibilities for establishing and maintaining appropriate and effective risk management and internal control systems of the Group. The Group's systems of risk management internal control include a defined management structure with limits of authority, which are designed to help achieve business objectives, safeguard assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulations. The systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

An organisational structure with operating policies and procedures, lines of responsibility and delegated authority has been established. The division/department head of the Group is accountable for the conduct and performance of such segment within the agreed strategies, which are set by themselves and the Board together, and reports directly to the Board.

In the course of conducting the business of the Group, it is exposed to various types of risks, including business risks, financial risks, operation and other risks. The Board is ultimately responsible for the risk management of the Group and it has delegated to executive management to carry out the risk identification and monitoring procedures. The objectives of the risk management are to enhance the governance and corporate management processes as well as to safeguard the Group against unacceptable levels of risks and losses.

The risk management process of the Group involves, among others, (i) an annual risk identification and analysis exercise which involves assessment of the consequence and likelihood of risks and the development of risk management plans for mitigating such risks; and (ii) an annual review of the implementation of the risk management plans and fine tuning of the implementation plan when necessary.

Although the Group does not maintain an internal audit function, the Board has overall responsibility for the system of internal control and for reviewing its effectiveness. Throughout the year ended 31 December 2021, the Group complied with the code provisions on internal control and risk management. In particular, the Group appointed an independent internal control consultant to carry out a review of the implemented systems and procedures, including areas covering financial, operational and legal compliance controls and risk management functions for the year ended 31 December 2021. The Directors were satisfied that the internal control systems as appropriate to the Group for the year ended 31 December 2021 were implemented properly and that no significant areas of weaknesses came into attention.

The Group complies with the requirements of Securities and Futures Ordinance (the "SFO") and the GEM Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensuring that the information contained in announcements are not false or misleading through presentation of information in a clear and fair manner.

INVESTOR RELATIONS

The Board puts great emphasis on investor relationship in particular fair disclosure and comprehensive report of the Company's performance and activities.

Shareholders are encouraged to attend the general meetings of the Company and the Directors always make efforts to fully address any questions raised by the Shareholders at the annual general meetings (the "AGM") and the extraordinary general meetings (the "EGM") of the Company. In addition, the Shareholders have the right to nominate a person to stand for election as a director at any general meeting by lodging a written notice to the Company.

In accordance with Provision E.1.2 of the CG Code, attendance of members of the Board to the AGM and EGM held on 29 June 2021 and 23 August 2021 respectively is as follows:

	AGM Attendance	EGM Attendance
Executive Directors		
Mr. Li Yubao (appointed on 30 June 2021)	N/A	✓
Ms. Zhang Yaping (appointed on 30 June 2021)	N/A	✓
Mr. Cheng Dong (resigned on 30 June 2021)	✓	N/A
Mr. Jiang Guitang (resigned on 30 June 2021)	✓	N/A
Ms. Shi Dongying	✓	✓
Independent Non-executive Directors		
Mr. Tam Tak Kei Raymond	✓	✓
Mr. Ng Sai Leung	✓	✓
Mr. Lee Man Tai (appointed on 30 June 2021)	N/A	✓
Mr. Huang Xin (resigned on 30 June 2021)	✓	N/A

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING AND TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

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

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

The Shareholders may at any time send their enquiries and concerns to the Board in writing. Contact details are as follows:

Address:	Room 1603, 16/F China Building 29 Queen's Road Central, Hong Kong
Tel:	2543 0633
Fax:	2543 9996
E-mail:	info@nantongrate.com.cn

Shareholders' enquiries and concerns will be forwarded to the Board and/or relevant Board committees of the Company, where appropriate, to answer the Shareholders' questions.

COMMUNICATION WITH SHAREHOLDERS

On 13 January 2017, the Board adopted a shareholders' communication policy reflecting mostly the current practices of the Company for communication with the Shareholders. Such policy aims to set out the provisions with the objective of ensuring that the Shareholders, both individual and institutional, and, in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable the Shareholders to exercise their rights in an informed manner, and to allow the Shareholders and the investment community to engage actively with the Company. The Company has established a number of channels for maintaining on-going dialogue with the Shareholders as follows:

(a) corporate communications such as annual reports, quarterly reports, interim reports and circulars are issued in printed form and are available on the respective websites of the Stock Exchange and the Company;

(b) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(c) corporate information is made available on the Company's website;

(d) AGM and EGM provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management; and

(e) the Company's share registrar serves the Shareholders in respect of share registration, dividend payment, change of shareholders' particulars and related matters.

CONSTITUTIONAL DOCUMENTS

The amended and restated memorandum and articles of association of the Company were adopted on 16 December 2016 to comply with the relevant provisions of the GEM Listing Rules.

A copy of the memorandum and articles of association of the Company is posted on the respective websites of the Stock Exchange and the Company.

There had been no changes in the memorandum and articles of association of the Company in the financial year ended 31 December 2021.

Environmental, Social and Governance Report

ABOUT THIS REPORT

The objective of this Environmental, Social and Governance ("ESG") Report is to highlight the Group's ESG performance for the purpose of assisting all stakeholders in understanding the Group's ESG concepts and practices in achieving sustainable development for the future.

REPORTING STANDARD

The ESG Report complies with the disclosure requirements set out in the ESG Reporting Guide as described in Appendix 20 of the GEM Listing Rules. An assessment on the applicability and materiality of the relevant key performance indicators ("KPIs") under the ESG Reporting Guide had been conducted.

REPORTING PRINCIPLES

The following principles are adopted in the ESG Report:

- Materiality: Important and relevant information to stakeholders on different ESG aspects is covered in the ESG Report. A materiality assessment was conducted to determine material ESG issues with results approved by the Board.

- Quantitative: The relevant standards, methodologies and assumptions used to prepare the quantitative information are disclosed, as appropriate. Quantitative information is provided with narrative and comparative figures, where possible.

- Consistency: Consistent methodologies are used to prepare and present ESG data in the ESG Report, unless otherwise specified, to allow for meaningful comparisons.

- Balance: The information is presented without the inappropriate use of selections, omissions or other forms of manipulation that would influence a decision or judgment by the reader.

GOVERNANCE ON ESG ASPECTS

The Board has overall responsibility for the Group's ESG strategy and reporting. The Board is responsible for evaluating and determining the Group's ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. The management of the Group (the "Management") are delegated with the responsibility of coordinating the implementation of the Group's environment, employment and service quality assurance policies.

ESG MANAGEMENT APPROACH

The Board leads and provides direction to the Management by instituting ESG policies and initiatives, supervising their implementation and monitoring ESG performance. The Board continues to explore ways to further strengthen the ESG governance of the Group. The Board reviews ESG affairs regularly, including environmental protection, employment and labour practices, operating practices, and community investment, and implements appropriate measures to enhance the ESG performance of the Group.

STAKEHOLDER ENGAGEMENT

The Group actively engages with stakeholders to identify ESG issues that need to be addressed. Stakeholder engagement is the process by which an organization involves parties who may be affected by the decision it makes or can influence the implementation of its decisions. The Management had performed the following:

- generated a full and complete list of stakeholders by consulting various departments within the Group;
- relied on the on-going communication channels and day-to-day interactions and dedicated meeting (wherever deemed necessary) to engage these stakeholders; and
- reduced the list of stakeholders into a workable size, and complete the stakeholder influence – dependency matrix to work out a list of key stakeholders.

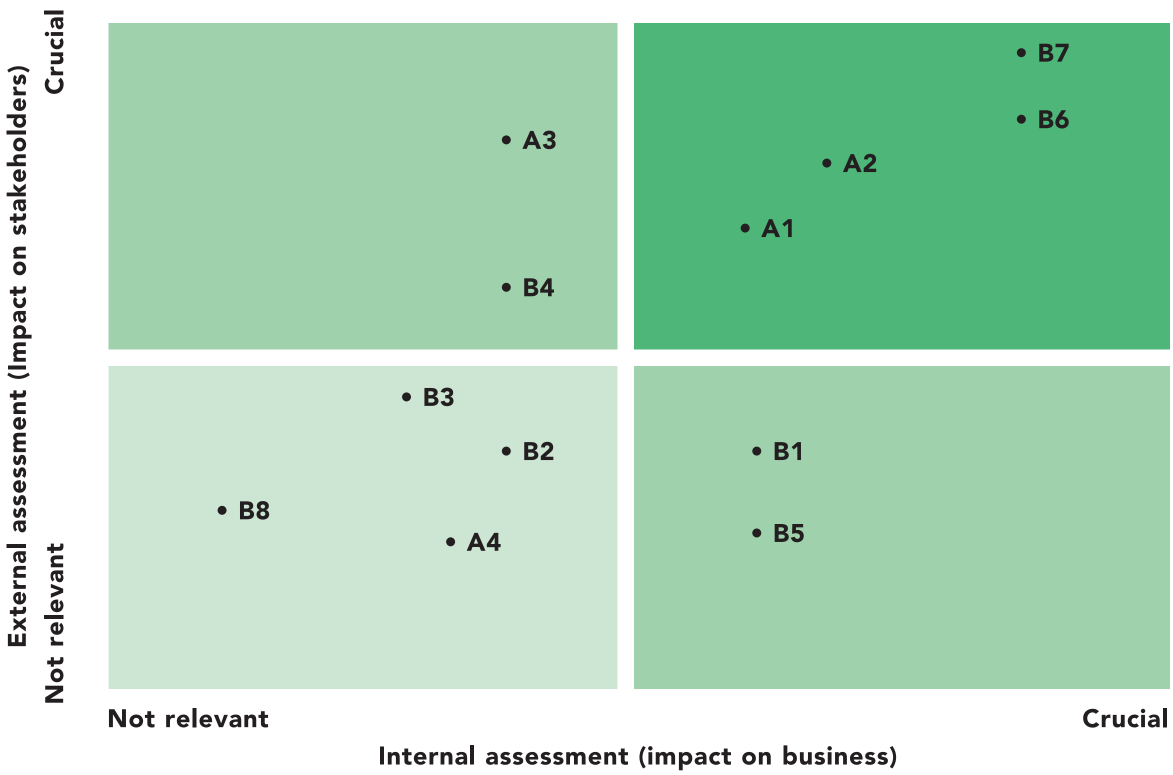
Stakeholders	Communication channels
Government/regulatory organizations	• Announcement and other regulatory reports
Shareholders and investors	• Information disclosed on the HKEX website and corporate website
	• Annual general meetings and other shareholders' meetings
Employees	• Employee performance evaluation
	• On-the-job training
	• Internal e-mail
Customer	• Corporate website
	• Customer service hotline
Community	• Industry events
	• Corporate social responsibility activities

MATERIALITY ASSESSMENT

The Group has been maintaining an open and transparent dialogue with stakeholders, which is started by gathering a better understanding of their expectations and views on what ESG issues they think matter the most and how the Group should be expected to handle such important ESG issues. Given its role as an integrated manufacturing services supplier and one-stop customer solution provider, the Group interacts with a variety of stakeholders, including employees, customers, regulators, suppliers, shareholders, and local communities, through staff meetings, customer service channels, annual general meetings, community services etc. on a regular basis. This helps gauge the expectations of the Group's key stakeholders and collect feedback from them to guide the Group in formulating and strategising its ESG management.

During the reporting period, the Group has evaluated a number of environmental, social and operating items, and assessed their importance to stakeholders and the Group through various channels. This assessment helps to ensure that the Group's business objectives and development direction satisfy with the stakeholders' expectations and requirements. The Group's and stakeholders' matters of concern are listed out in the following materiality matrix:

Sustainability Materiality Matrix



Internal assessment (Impact on business)

A1: Environmental
A2: Use of resources
A3: The environment and natural resources
A4: Climate change

B1: Employment
B2: Health and safety
B3: Development and training
B4: Labour standards
B5: Supply chain management
B6: Product responsibility
B7: Anti-corruption
B8: Community investment

ENVIRONMENTAL

The Group is aware of the effect of environmental performance to the business, especially for daily operational challenges regarding greenhouse gas emission reduction, energy conservation and waste management. During the manufacturing process, the Group would consume electricity for lighting the manufacturing operation and powering the equipment and machinery. Carbon dioxide or greenhouse gas would be indirectly produced when the Group consumes electricity.

The business operations of the Group did not undergo any significant changes during the year ended 31 December 2021 and complied with the Environmental Protection Law of the People's Republic of China.

Emissions

Air and greenhouse gas emissions

The Group understands that air emissions and greenhouse gas emissions are closely related to climate change and global warming, hence, the Group is committed to minimizing impacts on the environment through responsible environmental management. To reduce the pollutants emitted to the environment, various air emission reduction facilities and measures are implemented:

- The manufacturing base has been designed to have more windows for more natural light and use less electronic light;
- Replacement of environmental friendly machines and equipment;
- The manufacturing base has single-storey building with higher roof to increase the space and to reduce the use of fan or air-conditioner;
- The office light and office equipment would be turned off during the luncheon rest time; and
- The warehouse which stores dangerous goods would always be locked and lights are switched off when the warehouse is closed.

	Unit	2021	2020
Air emissions			
Nitrogen oxides	g	**7,202**	8,945
Sulphur oxides	g	**146**	181
Respiratory suspended particles	g	**530**	659
Greenhouse gas emissions			
Scope 1 – fuel consumption	tCO_2e	**47.0**	33.3
Scope 2 – electricity consumption	tCO_2e	**2,181.4**	1,570.4
Total emissions	tCO_2e	**2,228.4**	1,603.7
Emission intensity	tCO_2e/million revenue	**28.3**	16.4

During the year ended 31 December 2021, the total GHG emission was increased by approximately 39% which was mainly contributed to the change of heating mode in the process of manufacturing from steam to electricity.

The Group set a target to reduce GHG emission intensity (tCO_2 e/million revenue) gradually throughout FY2022, using FY2021 as the baseline year. To attain this target, we embrace green driving practices in our day-to-day operations and have adopted the effective measures in our operations such as utilising teleconference or video meetings to prevent non-essential business travel and actively adopt environmental protection, energy conservation, and water conservation measures.

Emission of Volatile Organic Compounds ("VOCs")

FRP is a material which is produced by a mix of several raw materials including glass fibre, resins and other chemical materials. During the manufacturing process, the Group would also release VOCs which emits from i) styrene - a volatile component of polyester resin and gelcoat; and (ii) acetone - a solvent used for cleaning tools and other surfaces contaminated with resin. Since the emission of VOCs is harmful to the environment, the Group has implemented the following measures to mitigate the harmful effect:

- Maintain an active carbon absorption system in specific manufacturing processes to absorb the emission of VOCs;
- The manufacturing base has single-storey building with higher roof to increase the space for diluting the emission of VOCs into the air;
- Install a number of industrial fans in certain manufacturing processes to improve the air quality of the manufacturing base; and
- The major VOCs emission source of the Group comes from colouring process. Staff is not allowed to enter into the coating room during the natural drying procedure of colour coating to avoid excess inhalation of volatile gases.

Use of resources

Waste management

The Group produced approximately 603 tonne waste materials such as waste raw materials, packaging materials, waste products and other wastes during the manufacture process. The above environmental wastes, which would pollute the land, would be disposed by the Group to an independent qualified waste collection and disposal services provider.

The Group has established policy to improve the manufacturing efficiency and reduce error productions to reduce the land contamination. The Group will continue looking for ways to reduce carbon dioxide, VOCs emissions and land contamination through measures such as:

- Reduction of VOCs emissions through using low-styrene emissions resins;
- Efficient usage of raw materials monitoring;
- Repairing defective products rather than scrapping products. The Group has less than 0.3% scrapped products only; and
- Other basic household garbage was fully entrusted to the government to handle

The following consumption data was recorded in the year ended 31 December 2021:

		Consumption		**Consumption intensity (per million dollars of revenue)**	
Resources	**Unit**	**2021**	2020	**2021**	2020
Electricity	kWh	**2,711,511**	1,951,884	**34,485**	19,999
Water	Tonne	**8,797**	27,079	**112**	277
Packaging materials	Tonne	**61**	53	**0.8**	0.5
Unleaded petrol	Litre	**9,907**	12,298	**126**	126
Diesel	Litre	**7,728**	N/A	**98**	N/A

During the year ended 31 December 2021, the heating mode from water and steam to electricity in the process of manufacturing has been changed. Therefore, the consumption of electricity has significantly increased by approximately 39% and alternatively the consumption of water has decreased by approximately 68%.

Packaging materials

Our products are custom made, and the products are also packed based on customer needs. In order to minimise the use of packaging materials, packaging materials from the purchase of raw materials are reused as packaging materials for products where possible.

Environmental and natural resources

The production of FRP has less impact to environment compared to steel, timber or aluminium productions. However, for a further reduction on the environmental impact and use of natural resources, the Group would continue to make an assessment for better alternatives for the use of raw materials that provide similar or better qualities. Meanwhile, the Group's policy objective is to maintain the balance between operation efficiency and resource consumption. It would allow the Group to have better production without overuse of resources.

Climate change

We take a holistic view on the impact, risk and associated potentials associated with climate change and sustainability. In our industry, we regard ourselves as a participant in these issues with due regard to our scale of operation and the degree of participation in the product design, usage and maintenance. Our raw materials were mainly glass fibre and resins, which are the bi-products of petroleum, Petroleum has conventionally been regarded as one of the key stakeholders in sustainability. Therefore, due diligence in terms of adhering to the ideals and principles of sustainability had been embedded in our sourcing process. Through constant communications, regular negotiations and reviews, our teams strive to meet the objectives set forth by our Board. Our products are required to meet the often stringent and demanding standards and specifications. These requirements were subject to both national and internal dimensions, such as the local safety regulations and international standards such as ISO. Abide these limitations; we believe our effort has a positive influence on the overall management of climate risks.

EMPLOYMENT AND LABOUR PRACTICE

Employment

To ensure an equal and fair working environment, the Group adopts practices and policies of Labour Law of the People's Republic of China 《中華人民共和國勞動法》, Labour Contract Law of People's Republic of China 《中華人民共和國勞動合同法》and other relevant laws and regulations.

Employment contract specifies the terms including compensation and dismissal, working hours, rest periods and other benefits and welfare for staff. Staff handbook also highlights important information of policies on compensation, employee benefits, rights on termination, business conduct and leave benefits.

Social activities such as annual dinner, team building and other social events are organized for employees to participate to promote better work-life balance and enhance relationship with employees. Accommodation and meals are also provided for the employees.

A good workplace practice attributes from being free from discrimination and equal opportunities for all despite of age, gender, race, colour, gender orientation, disability or marital status to increase employee satisfaction. The Group would diversify its staff by means of gender and age to balance the culture and communications between staff. The Group encourages labour diversity and welcomes all workforce, thus putting the principle of fairness into practice. The Group had no reported incidents of non-compliance with regulations concerning employment during the year ended 31 December 2021.

The table below show the distribution and turnover rate of staff:

	No. of staff	Staff turnover rate (%)
Gender		
Male	72	67%
Female	35	44%
Age Group		
18 to 25	1	100%
26 to 35	15	47%
36 to 45	30	25%
46 to 55	42	58%
56 or above	19	100%

For the year ended 31 December 2021, the Group employed about 107 (2020: 133) employees. The difference in the composition can be explained by the difference in job nature. In addition, the Group welcome any age range of people to join the Group as long as they are keen to learn and participate.

The Group strives to maintain the employee turnover rate at an acceptable level so as to facilitate the accumulation of professional skills and experience. The turnover of staff is mainly due to the changes in the number of part-time workers in workshop, which were hired for ad-hoc production projects. During the year ended 31 December 2021, the overall staff turnover rate is approximately 59% (2020: 16%), which is mainly due to streamline of man-power.

Health and Safety

Protecting employee's occupational health and safety is critical for the Group. The Group complies with the Labour Law of the People's Republic of China 《中華人民共和國勞動法》with respect to occupational safety and health and other applicable regulations for a healthy and comfortable working environment. As there is a high concentration of chemicals in the workplace, fire prevention protection for manufacturing facilities, including fire-fighting equipment such as fire extinguishers and fire detection equipment, are equipped and checked regularly to prevent any fire outbreak. Staff also participate in the regular fire drill and smoking is prohibited in all areas.

Occupational health and safety statistics	2021	2020
Number of lost days due to work injury	**20**	34
Number of work-related fatal accidents	**–**	–
Number of work injuries accidents	**2**	1

Development and Training

Keeping employees trained is part of a fundamental role in business growth and all employees are well trained regarding to their positions this year. The Group encourages employees for continuous development and improves their skill set through training. The Group provides various internal and external training for developing the workforce, including orientation and on-board training for new staff so as for them to adapt to the operation of the Group efficiently and strengthen the skill and knowledge required at work. On job training is provided for workers while specific management training is provided to managers and officers. There are also regular annual appraisals to assess staff performance with their supervisors.

Trainings by the Group can be categorized as follows:

Staff category	Major training contents
Factory worker	Craftsmanship and occupational safety and health
General staff and managers	Specific training provided based on their roles
Directors and senior executives	Corporate governance practices and legal and regulatory updates

During the year ended 31 December 2021, the Group provided at least 4 hours of safety training to every employee in the production department and 4 hours of occupational hazards and compliance on safety production.

Labour Standards

Under the Labour Contract Law of the People's Republic of China《中華人民共和國勞動合同法》, child labour and forced labour is strictly forbidden at all times. Any individuals hired under legal working age and without any identification documents are disqualified from employment. It is the Group's policy to disqualify the person from employment if he or she is found to be hired against the requirements of the Labour Contract Law. For the year ended 31 December 2021, there was no labour dispute in the Group.

OPERATING PRACTICES

Supply Chain Management

The Group places quality and safety as priorities and is committed to reaching the standard of safety and quality of its products. A quality supply chain has been set up to ensure high-quality products for customers. In order to minimize the transportation required, all 98 suppliers are located in Mainland China, especially the city and province nearby, such as Jiangsu province, Zhejiang province and Shanghai.

Our selection and continued support of suppliers is heavily influenced by the outcome of our supplier vetting process, the quality of our suppliers' products and their performance affecting occupational health, safety, quality and the environment.

The Group's policy on the supply chain management is as follows:

- great emphasis is placed on the communication and relationship with the suppliers towards sustainable development;
- assessment on the environmental and social risks of the supply chain is carried out regularly; and
- suppliers are urged to take measures to reduce their environmental and social risks.

Product Responsibility

Quality assurance and customer satisfaction

As a responsible producer, we are committed to delivering high quality products and services to our customers while fulfilling our responsibility on safeguarding customers' privacy, intellectual property rights and our business conducts.

Guidelines on quality control and assurance are formulated to ensure the safety and quality of products. Various inspections are conducted during different production stages, from raw materials to our final products, to ensure meeting our quality standards, customer requirements, and relevant conformity certificates. There is also a one-year warranty provided for the customers. For the year ended 31 December 2021, no products were returned due to safety or health problems nor any complaint received from customers.

Furthermore, the Group was not aware of any non-compliance with Product Quality Law of the People's Republic of China and the Law of the People's Republic of China on the Protection of Consumer Rights and Interests.

Data privacy

Customer information is collected only when it is necessary. We will continuously conduct regular reviews on our data management and provide trainings to our employees.

Intellectual property rights

As the Group's operational process does not involve advertising and labelling practices, the information relating to advertising and labelling is considered as immaterial to the Group.

Anti-Corruption

A system with good moral integrity and anti-corruption mechanism is the cornerstone for a sustainable and healthy development of the Group. The staff manual provides guidance on employees' behaviours, for example the acceptance of gifts and conflict of interests, to further enhance the awareness of employees. The Group encourages staff to report suspected corruption cases.

Furthermore, the Group is committed to strengthening compliance training. All directors have learnt about topics related to corruption, fraud, conflicts of interest, cross-border bribery, backdoor listings, and insider trading.

During the year ended 31 December 2021, the Group was not aware of any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud, and money laundering, including, but not limited to, the Company Law of the People's Republic of China; the Anti-Unfair Competition Law of the People's Republic of China; that would have a significant impact on the Group.

COMMUNITY INVESTMENT

For the continuous effort in giving back to the society, the Group would seek for opportunities to get involved in various community programs. The Group's approach towards community involvement is as follows:

- The Group would fulfil corporate social responsibility through the sustainable development strategy to expand its efforts in the areas of charity work;
- Assessment will be taken on how to give business activities to the interests of the community; and
- The Group is committed to providing career opportunities to the locals and promoting the development of the community's economy.

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2021.

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands as exempted company with limited liability on 13 January 2016. Pursuant to the corporate reorganisation in preparation for the listing of the shares of the Company (the "Shares") on the GEM of the Stock Exchange, the Company held all the issued capital of the subsidiaries comprising the Group since 16 March 2016.

The Shares were listed on GEM of the Stock Exchange (the "Listing") on 13 January 2017 by way of placing.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at the extraordinary general meeting held on 23 August 2021, the Company changed its English name from "MEIGU Technology Holding Group Limited" to "Yunhong Guixin Group Holdings Limited" and the dual foreign name in Chinese of the Company from "美固科技控股集團有限公司" to "運鴻硅鑫集團控股有限公司" effective from 30 August 2021 following the procurement of Certificate of Incorporation on Change of Name from the Registrar of Companies in the Cayman Islands.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the research and development, production and sales of fiberglass reinforced plastic products in the PRC. The Company acts as an investment holding company. The principal business of the Group is carried out through Nantong Meigu Composite materials Company Limited, which is an indirect wholly-owned subsidiary of the Company incorporated in the PRC.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 61 of this annual report.

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

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 26 to the consolidated financial statements of this annual report.

DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 64 of this annual report.

The Company's reserves available for distribution to the shareholders as at 31 December 2021 amounted to RMB56,359,000 (2020: RMB47,150,000).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for each of the last five financial years is set out on page 141 of this annual report.

DIRECTORS

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

Executive Directors:
Mr. Li Yubao *(Chairman)* (appointed on 30 June 2021)
Ms. Zhang Yaping *(Chief Executive Officer)* (appointed on 30 June 2021)
Ms. Shi Dongying
Mr. Cheng Dong (resigned on 30 June 2021)
Mr. Jiang Guitang (resigned on 30 June 2021)

Independent Non-executive Directors:
Mr. Tam Tak Kei Raymond
Mr. Ng Sai Leung
Mr. Lee Man Tai (appointed on 30 June 2021)
Mr. Huang Xin (resigned on 30 June 2021)

In accordance with article 108 (a) and (b) of the articles of association of the Company, Mr. Tam Tak Kei Raymond and Mr. Ng Sai Leung will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Each of the independent non-executive directors has confirmed in writing his independence to the Company pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all the independent non-executive Directors are independent to the Company.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for election at the forthcoming annual general meeting has or is proposed to have a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment compensation, other than the statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Saved as disclosed in this report, there was no transaction, arrangement or contract of significance to which the Company or any related companies (holding companies, subsidiaries, or fellow subsidiaries) was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

As at 31 December 2021, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO) pursuant to section 352 of the SFO to be entered in the register referred to therein pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the directors and to be notified to the Company and the Stock Exchange are as follows:

(i) Long position in the Shares

Name	Capacity/Nature of interest	Number of shares held/ interested in	Percentage of interest in the Company
Mr. Li *(Note)*	Interest in controlled corporations	163,600,000	40.9%

Note:

Mr. Li is the ultimate controlling shareholder of LFB and Yunhong, both of which in turn hold a total of 163,600,000 Shares. Therefore, Mr. Li is deemed, or taken to be, interested in all the Shares held by LFB and Yunhong for the purposes of the SFO.

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

Name	Name of associated corporation	Capacity/Nature of interest	Number of shares held	Approximate percentage of interests
Mr. Li	LF INTERNATIONAL PTE. LTD. ("LFS") *(Note 1)*	Beneficial Owner	100	100%
	LFB *(Note 2)*	Interest in controlled corporation	1	100%

Notes:

1. LFS is a limited liability company incorporated in Singapore.

2. LFB is wholly owned by LFS, which is in turn wholly owned by Mr. Li.

Save as disclosed above, as at 31 December 2021, none of the Directors and chief executive had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, as recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

DIRECTOR'S RIGHTS TO PURCHASE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any body corporate, and none of the Directors and chief executives or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2021, so far as is known to the Directors, the interests and short positions of the persons or corporations (other than a Director or chief executive of the Company) in the Shares or underlying Shares which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under section 336 of the SFO or, were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company are as follows:

Name	Capacity/Nature of interest	Number of ordinary shares held/ interested in	Percentage of interest in the Company
LFS *(Note 1)*	Interest in a controlled corporation	123,600,000	30.9%
LFB *(Note 1)*	Beneficial owner	123,600,000	30.9%
Yunhong *(Note 2)*	Beneficial owner	40,000,000	10.0%
Mr. Wu Dong ("Mr. Wu") *(Note 2)*	Interest in controlled corporation	40,000,000	10.0%
Mr. Huang Xuechao	Beneficial owner	58,880,000	14.7%
Mr. Yan Qixu	Beneficial owner	31,880,000	8.0%

Notes:

1. LFB is wholly owned by LFS, which is in turn wholly owned by Mr. Li. Therefore, each of LFS and Mr. Li is deemed or taken to be interested in the Shares held by LFB for the purposes of the SFO.

2. Mr. Wu holds approximately 93.67% equity interest in Yunhong, which in turn beneficially owns 40,000,000 Shares (representing 10% of the total number of issued Shares). Therefore, Mr. Wu is deemed or taken to be interested in the Shares held by Yunhong for the purposes of the SFO. Among this 93.67% equity interest in Yunhong, 92% is held by Mr. Wu on behalf of Mr. Li pursuant to the nominee shareholding arrangements between Mr. Wu and Mr. Li. Hence, Mr. Li is regarded as the ultimate controlling shareholder of Yunhong and therefore Mr. Li is deemed or taken to be interested in the Shares held by Yunhong for the purpose of the SFO.

Save as disclosed above, as at 31 December 2021, no other persons (other than the Directors and chief executive of the Company) had any interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of part XV of the SFO.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2021, the Group did not enter into any transactions which need to be disclosed as connected transactions or continuing connected transactions pursuant to Chapter 20 of the GEM Listing Rules.

Details of the material related party transactions are set out in note 28 to the consolidated financial statements of this annual report. These related party transactions did not constitute connected transactions or continuing connected transactions pursuant to Chapter 20 of the GEM Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, sales to the Group's five customers accounted for 52.1% (2020: 59.4%) of the total revenue of the Group, while the percentage of the total revenue of the Group attributable to the Group's largest customer was approximately 25.3% (2020: 31.1%).

For the year ended 31 December 2021, purchases from the Group's five suppliers accounted for 53.7% (2020: 53.1%) of the total cost of sales of the Group, while the percentage of the total cost of sales of the Group attributable to the Group's largest supplier was approximately 24.1% (2020: 13.4%).

None of the Directors of the Company, or any of their associates or any other shareholders, which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest customers and suppliers during the year ended 31 December 2021.

PRE-EMPTIVE RIGHTS

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

PERMITTED INDEMNITY PROVISION

During the year ended 31 December 2021 and up to the date of this report, the Directors were indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they might incur in connection with the execution of their duties. The Company has arranged directors' and officers' liability insurance policy of the Company for the year ended 31 December 2021.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2021, the Directors were not aware of any business or interest of each of the Directors, controlling shareholders and their respective close associates (as defined under the GEM Listing Rules) that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

DEED OF NON-COMPETITION

The former controlling shareholders of the Company, being Mr. Shen Weixing, Mr. Jiang Guitang, Munsing Developments Limited and Singa Dragon International Ventures Limited (the "Former Controlling Shareholders") entered into a deed of non-competition (the "Deed of Non-competition") on 16 December 2016 in favour of the Company and its subsidiaries. Pursuant to the Deed of Non-competition, each of the Former Controlling Shareholders has irrevocably and unconditionally undertaken to the Company (for itself and for the benefit of our subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its close associates (other than any member of our Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested, or otherwise be involved, directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group within the PRC, Hong Kong and such other parts of the world where any member of the Group may operate from time to time, or any business activity to be conducted by any member of the Group from time to time within the PRC, Hong Kong and such other parts of the world save for the holding of not more than 5% shareholding interests (individually or with his/its close associates) in any company listed on a recognised stock exchange and at any time the relevant listed company shall have at least one shareholder (individually or with his/its close associates, if applicable) whose shareholding interests in the relevant listed company is higher than that of the relevant Former Controlling Shareholders (individually or with his/its close associates).

Further to the completion of the disposal of 123,600,000 Shares to LFB from a Former Controlling Shareholder, Singa Dragon International Ventures Limited, on 15 April 2021, the Deed of Non-competition terminated as the Former Controlling Shareholders together with his/its close associates, whether individually or taken together, ceased to be interested in 30% or more of the entire issued share capital of the Company.

During the year ended 31 December 2021, the Company had not received any information in writing from any of the Former Controlling Shareholders in respect of any new business opportunity which competed or might compete with the existing and future business of the Group which were offered to or came to the knowledge of the Former Controlling Shareholders or his/its associates (other than any member of the Group). Each of the Former Controlling Shareholders has made a declaration to the Company that he/it had fully complied with his/its obligations under the Deed of Non-competition for the year ended 31 December 2021.

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

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued Shares was held by the public as at the date of this report.

BUSINESS REVIEW

A fair review of the business of the Company as well as a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position can be found in the management discussion and analysis set out on pages 7 to 17 of this annual report. These discussions form part of this report.

CORPORATE GOVERNANCE

Information on the corporate government practices adopted by the Company is set out in the "Corporate Governance Report" on pages 23 to 35 of this annual report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2021 have been audited by Crowe (HK) CPA Limited ("Crowe"). Crowe shall retire in the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting. There is no change in auditor since the date of Listing.

On behalf of the Board

Zhang Yaping
Executive Director

Hong Kong,
21 March 2022

Independent Auditor's Report to the Shareholders of Yunhong Guixin Group Holdings Limited

(formerly known as MEIGU Technology Holding Group Limited)
(Incorporated in the Cayman Islands with limited liability)

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

OPINION

We have audited the consolidated financial statements of Yunhong Guixin Group Holdings Limited (formerly known as MEIGU Technology Holding Group Limited) (the "Company") and its subsidiaries (the "Group") set out on pages 61 to 140, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS OF 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.

The Key Audit Matter	How the matter was addressed in our audit
Impairment of contract assets and trade and other receivables (Refer to notes 2(i)(i), 17, 18, 27(a) and 30(b)(i) to the consolidated financial statements) At 31 December 2021, contract assets amounted to approximately RMB1.6 million, net of provision for impairment losses of approximately RMB0.05 million, and trade and other receivables amounted to approximately RMB46.9 million, net of provision for impairment losses of approximately RMB4.2 million, for which there are no collateral as security for settlement. In the normal ordinary course of its business, the Group grants its customers with credit period up to 180 days after billing. The Group's top five largest debtors accounted for approximately 57.0% of its total contract assets and trade and other receivables at 31 December 2021. This may give rise to the risk of bad debt losses arising from unfavourable changes in the customers' abilities to settle their trade debts after year end. Management's judgement and inherent estimation uncertainty are involved in determining the impairment provision for contract assets and trade and other receivables.	We reviewed and challenged the assumptions applied by management in estimating the provision for impairment against contract assets and trade and other receivables at the year end. This included: – reviewing the Group's credit control and debt recovery procedures and actions taken to monitor and collect the contract assets and trade and other receivables; – reviewing historical settlement history of the customers and testing subsequent cash receipts from the customers after the year end; – assessing ageing analysis for contract assets and trade and other receivables by customers and updated creditworthiness of the customers; – enquiring management of any material disputes with customers, assessing and evaluating the implications arising from the discrepancies on the debtor confirmations directly obtained from the customers and reviewing correspondences with the customers for any material potential dispute; – reviewing the management's assessment on expected credit losses on contract assets and trade and other receivables, in particular challenging the reasonableness of the provision matrix by reference to historical bad debt loss rates, payment history and creditworthiness of the customers, and other forward-looking information specific to the customers and the economic conditions; and – checking the accuracy of calculation of the required provision for the expected credit losses on contract assets and trade and other receivables. We also assessed the Group's disclosures in respect of contract assets and trade and other receivables in notes 17, 18, 27(a) and 30(b)(i) to the consolidated financial statements.

KEY AUDIT MATTERS *(Continued)*

The Key Audit Matter	How the matter was addressed in our audit
Revenue recognition (Refer to notes 2(t), 3, 10, and 30(b)(v) to the consolidated financial statements) For the year ended 31 December 2021, revenue amounted to approximately RMB78.6 million. The Group is principally engaged in the research and development, production and sales of fiberglass reinforced plastic ("FRP") grating products and epoxy wedge strip products in the People's Republic of China (the "PRC"). In some of the terms of the sales contracts made between the Group and its customers, there are warranty clauses for the quality of the products, which were mainly related to agreed-upon product function specifications, with expiry date falling within 1-2 years after the control of the products were transferred to the customers. Revenue is recognised when the control of the products have been transferred to the customers at a point of time. The recognition of revenue involves significant judgement and estimates made by the management on the basis applied for measuring the value of performance obligations completed by the Group, using the output method. We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group and there is an inherent risk of manipulation of the timing of revenue recognition by management to meet specific targets or expectations.	In response to this key audit matter, our audit work included control testings and substantive procedures as follows: – evaluating and testing the design and operating effectiveness of controls over the capture and measurement of revenue transactions; – evaluating the appropriateness of the accounting policies on revenue recognition adopted by the Group and related accounting estimates and judgements made; and – performing substantive testings on the accuracy and occurrence of revenue using sampling techniques by examining, including to but not limited to, the terms of sales contracts, delivery notes, bills of lading, customer bills, billing reports, and financial records, as well as testing the cut-off for revenue recognised immediately before and after the end of the reporting period and obtaining written confirmation replies directly from the customers. We also assessed the Group's disclosures in respect of revenue in notes 3, 10 and 30(b)(v) to the consolidated financial statements.

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

The directors are responsible for the other information. The other information comprises all 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 were required to report the fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intention 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 the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

- 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.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 21 March 2022

Liu Mok Lan, Cliny
Practising Certificate Number P07270

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
Revenue	3	**78,624**	97,608
Cost of sales		**(57,602)**	(65,121)
Gross profit		**21,022**	32,487
Other revenue and other income	4	**304**	274
Other net loss	4	**(327)**	(1,182)
Fair value gain on investment property	12	**100**	–
Impairment losses on contract assets and trade and other receivables	5(c)	**(659)**	(1,512)
Distribution costs		**(4,336)**	(4,166)
Administrative expenses		**(14,864)**	(15,839)
Profit from operations		**1,240**	10,062
Finance costs	5(a)	**(294)**	(306)
Profit before taxation	5	**946**	9,756
Income tax	6(a)	**(2,989)**	(4,207)
(Loss)/profit for the year		**(2,043)**	5,549
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of property, plant and equipment and right-of-use asset on transfer to investment property, net of tax of RMB3,710,000 (2020: Nil)		**11,132**	–
Total comprehensive income for the year		**9,089**	5,549
		RMB cents	RMB cents
(Loss)/ earnings per share			
Basic and diluted	9	**(0.51)**	1.39

Consolidated Statement of Financial Position

As at 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	11	**5,993**	13,859
Investment property	12	**29,000**	–
Right-of-use asset	13	**320**	1,360
Deferred tax assets	23(b)	**1,760**	1,107
		37,073	16,326
Current assets			
Inventories	15	**12,305**	8,173
Property held for sale	16	**1,468**	1,468
Contract assets	17	**1,648**	1,377
Trade and other receivables	18	**46,865**	49,753
Pledged bank deposits	14	**3,000**	4,000
Cash and cash equivalents	19(a)	**8,220**	16,545
		73,506	81,316
Current liabilities			
Trade and other payables	20	**29,853**	25,890
Bank borrowings	21	**–**	5,000
Lease liabilities	22	**171**	–
Income tax payable	23(a)	**1,888**	2,818
		31,912	33,708
Net current assets		**41,594**	47,608
Total assets less current liabilities		**78,667**	63,934
Non-current liabilities			
Lease liabilities	22	**150**	–
Deferred tax liabilities	23(c)	**10,271**	4,844
		10,421	4,844
NET ASSETS		**68,246**	59,090

Consolidated Statement of Financial Position

As at 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
CAPITAL AND RESERVES	26		
Share capital		**3,600**	3,600
Reserves		**64,646**	55,490
TOTAL EQUITY		**68,246**	59,090

Approved and authorised for issue by the board of directors of the Company on 21 March 2022.

On behalf of the board

Li Yubao
Director

Zhang Yaping
Director

The notes on pages 67 to 140 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

		Reserves							
	Share capital RMB'000 (note 26(a))	Share premium RMB'000 (note 26(b))	Capital reserve RMB'000 (note 26(c))	Property revaluation reserve RMB'000 (note 26(d))	Share-based payment services RMB'000 (note 26(e))	Statutory reserve RMB'000 (note 26(f))	Retained profits RMB'000	Sub-total RMB'000	Total equity RMB'000
At 1 January 2020	3,600	20,900	9,557	–	1,533	5,327	12,224	49,541	53,141
Profit and total comprehensive income for the year	–	–	–	–	–	–	5,549	5,549	5,549
Equity-settled share-based payments	–	–	–	–	400	–	–	400	400
Transfer to statutory reserve	–	–	–	–	–	1,080	(1,080)	–	–
At 31 December 2020	3,600	20,900	9,557	–	1,933	6,407	16,693	55,490	59,090
At 1 January 2021	**3,600**	**20,900**	**9,557**	**-**	**1,933**	**6,407**	**16,693**	**55,490**	**59,090**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(2,043)**	**(2,043)**	**(2,043)**
Other comprehensive income for the year	**-**	**-**	**-**	**11,132**	**-**	**-**	**-**	**11,132**	**11,132**
Total comprehensive income for the year	**-**	**-**	**-**	**11,132**	**-**	**-**	**(2,043)**	**9,089**	**9,089**
Equity-settled share-based payments	**-**	**-**	**-**	**-**	**67**	**-**	**-**	**67**	**67**
Transfer to statutory reserve	**-**	**-**	**-**	**-**	**-**	**1,880**	**(1,880)**	**-**	**-**
Lapse of share-based payment arrangements	**-**	**-**	**-**	**-**	**(2,000)**	**-**	**2,000**	**-**	**-**
At 31 December 2021	**3,600**	**20,900**	**9,557**	**11,132**	**-**	**8,287**	**14,770**	**64,646**	**68,246**

The notes on pages 67 to 140 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
Operating activities			
Profit before taxation		**946**	9,756
Adjustments for:			
– Depreciation of property, plant and equipment	5(c)	**1,839**	2,723
– Amortisation for right-of-use asset	5(c)	**64**	38
– Impairment loss on contract assets and trade and other receivables	5(c)	**659**	1,512
– Write-down of inventories	5(c)	**1,648**	16
– Interest income	4	**(15)**	(28)
– Finance costs	5(a)	**294**	306
– Equity-settled share-based payment	5(b)	**67**	400
– Written-off of property, plant and equipment	5(c)	**35**	–
– Fair value gain of investment property	12	**(100)**	–
Operating cash flows before changes in working capital		**5,437**	14,723
Changes in working capital			
Increase in inventories		**(5,780)**	(2,243)
Decrease/(increase) in trade and other receivables		**2,244**	(16,942)
Increase in contract assets		**(286)**	(768)
Increase/(decrease) in pledged bank deposits		**1,000**	(2,800)
Increase in trade and other payables		**3,963**	9,350
Decrease in contract liabilities		**–**	(61)
Cash generated from operations		**6,578**	1,259
Income taxes paid		**(2,856)**	(3,672)
Net cash generated from/(used in) operating activities		**3,722**	(2,413)
Investing activities			
Payments for the purchase of property, plant and equipment		**(6,739)**	(276)
Interest received		**15**	28
Net cash used in investing activities		**(6,724)**	(248)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
Financing activities			
Proceeds from new bank borrowings	19(b)	**–**	5,000
Capital element of lease rentals paid	19(b)	**(29)**	–
Interest element of lease rentals paid	19(b)	**(2)**	–
Repayment of bank borrowings	19(b)	**(5,000)**	(5,000)
Interest paid		**(292)**	(306)
Net cash used in financing activities		**(5,323)**	(306)
Net decrease in cash and cash equivalents		**(8,325)**	(2,967)
Cash and cash equivalents at 1 January		**16,545**	19,512
Cash and cash equivalents at 31 December	19(a)	**8,220**	16,545

The notes on pages 67 to 140 form an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

Yunhong Guixin Group Holdings Limited (formerly known as MEIGU Technology Holding Group Limited) (the "Company") was incorporated in the Cayman Islands on 13 January 2016 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its shares have been listed on GEM of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 13 January 2017. The address of its registered office is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, the Cayman Islands and its principal place of business is 66 South Oujiang Road, Haimen Economic Development Zone, Nantong City, Jiangsu Province, the People's Republic of China (the "PRC").

The Company is an investment holding company and its subsidiaries are principally engaged in the research and development, production and sales of fibreglass reinforced plastic products in the PRC. During the reporting periods, the principal business was carried out through Nantong Meigu Composite Materials Company Limited ("Nantong Meigu"), which is an indirect wholly-owned subsidiary of the Company incorporated in the PRC.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

The Group has not applied any new standard, amendments or interpretations that is not yet effective for the current accounting period, details of which are set out in note 32.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the consolidated financial statements

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

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Renminbi ("RMB") is the functional currency of all entities of the Group. These consolidated financial statements are presented in RMB and the figures are rounded to the nearest thousand of RMB ("RMB'000"), except for per share data, because the management evaluates the performance of the Group based on RMB.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the investment property, representing interests in leasehold land and building held as investment property is stated at their fair value as explained in the accounting policies (see note 2(g)).

Non-current assets held for sales are stated at the lower of carrying amount and fair value less costs to sell (see note 2(l)).

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 30.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Changes in accounting policies

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these consolidated financial statements for the current accounting period:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest rate benchmark reform – phase 2
Amendment to HKFRS 16	Covid-19-related rent concessions beyond 30 June 2021

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

(d) Subsidiaries and non-controlling interests

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

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Subsidiaries and non-controlling interests *(Continued)*

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

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

(e)(i) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred 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. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair values, except that:

– deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Incomes Taxes and HKAS 19 *Employee Benefits* respectively;

– liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based* Payment at the acquisition date;

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

– lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e)(i) Business combinations *(Continued)*

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

Where the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e)(ii) Merger accounting for common control combinations

The consolidated financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

(f) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statements of financial position at cost less accumulated depreciation and impairment losses (see note 2(i)(ii)).

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

– buildings situated on leasehold land are depreciated over their estimated useful life, being no more than 50 years after the date of completion.

–	leasehold improvement	5 years
–	plant and equipment (including moulds)	3 to 10 years
–	furniture and fixtures	5 years
–	motor vehicles	4 years

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are recognised in profit or loss during the reporting period in which they are incurred.

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.

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

(g) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(h)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property. Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(t)(iv).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

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

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

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

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(f) and 2(i)(ii)), except for right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 2(g).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Leased assets *(Continued)*

(i) As a lessee (Continued)

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

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

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

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(t)(iv). When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 2(h)(i), then the Group classifies the sub-lease as an operating lease.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

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

– financial assets measured at amortised cost (including cash and cash equivalents, pledged bank deposits and trade and other receivables);

– contract assets as defined in HKFRS 15 when the receivables are not unconditional (e.g. retention money withheld by customers); and

– lease receivables:

Measurement of ECLs

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

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

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

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

– Lease receivables: discount rate used in the measurement of the lease receivable;

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments and contract assets (Continued)

Measurement of ECLs *(Continued)*

ECLs are measured on either of the following bases:

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

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

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

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

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments and contract assets (Continued)

Significant increases in credit risk *(Continued)*

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

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

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

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

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

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

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments and contract assets (Continued)

Basis of calculation of interest income

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

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

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

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or past due events;

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

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

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

Write-off policy

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Credit losses and impairment of assets *(Continued)*

(ii) Impairment of other non-current assets

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

– property, plant and equipment;

– right-of-use assets; and

– investments in subsidiaries in the Company's statement of financial position.

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

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Credit losses and impairment of assets *(Continued)*

(ii) Impairment of other non-current assets (Continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(i)(i) and (ii)).

(j) Inventories and other contract costs

(i) Inventories

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Inventories and other contract costs *(Continued)*

(i) Inventories (Continued)

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

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

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 2(j)(i)) or property, plant and equipment (see note 2(f)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Inventories and other contract costs *(Continued)*

(ii) Other contract costs (Continued)

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

(k) Contract assets and contract liabilities

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

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

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

(l) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Non-current assets held for sale *(Continued)*

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets and financial assets (other than investments in subsidiaries). These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(m) Trade and other receivables

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

Receivables are stated at amortised cost using the effective interest method less allowance for expected credit losses (see note 2(i)(i)).

(n) Interest-bearing borrowings

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

(o) Trade and other payables

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 2(i)(i).

(q) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

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

Pursuant to the relevant laws and regulations of the PRC, the Group's subsidiary in the PRC has joined defined contributions plans for the employees, such as basic pension scheme, housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes contributions to the above mentioned schemes at the applicable rates based on the amounts stipulated by the government organisation. The contributions are charged to profit or loss on an accrual basis.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Employee benefits *(Continued)*

(iii) Share-based payments

The fair value of shares or share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the appropriate valuation techniques, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the shares or share options, the total estimated fair value of the shares or share options is spread over the vesting period, taking into account the probability that the shares or share options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(r) Income tax

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Income tax *(Continued)*

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

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

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of reporting period. Deferred tax assets and liabilities are not discounted.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Income tax *(Continued)*

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

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

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Provisions and contingent liabilities

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Revenue and other income

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

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

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

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

(i) Sale of goods

Sales of the Group's goods are recognised as follows:

Revenue is recognised when the customer takes possession of and accepts the goods. If the goods are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Revenue and other income *(Continued)*

(ii) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(i)(i)).

(iii) Government grants

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

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Translation of foreign currencies

Foreign currency transactions during the reporting period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

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

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

(v) Borrowing costs

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Related parties

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

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

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Segment reporting

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

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

(y) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

– the technical feasibility of completing the intangible asset so that it will be available for use or sale;

– the intention to complete the intangible asset and use or sell it;

– the ability to use or sell the intangible asset;

– how the intangible asset will generate probable future economic benefits;

– the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

– the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

3. REVENUE

The principal activities of the Group are research and development, production and sale of fiberglass reinforced plastic products in the PRC.

Revenue represents net invoiced value of goods sold, less value-added taxes, returns and discounts, during the year.

	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of fiberglass reinforced plastic products		
– fiberglass reinforced plastic grating	**41,188**	45,562
– phenolic grating	**160**	250
– epoxy wedge strip	**37,276**	51,796
	78,624	97,608
Timing of revenue recognition		
At a point in time	**78,624**	97,608

Disaggregation of revenue from contracts with customers by geographic markets is disclosed in note 10(a).

4. OTHER REVENUE, OTHER INCOME AND OTHER NET LOSS

	2021 RMB'000	2020 RMB'000
Other revenue		
Interest income on bank deposits	**15**	28
Rental income from investment property	**80**	–
	95	28
Other income		
Government grants and other subsidies	**187**	238
Others	**22**	8
	209	246
	304	274
Other net loss		
Net foreign exchange loss	**(327)**	(1,182)

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging the following:

	2021 RMB'000	2020 RMB'000
(a) Finance costs		
Interest on bank borrowings	**292**	306
Interest on lease liabilities	**2**	–
	294	306
(b) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	**13,014**	12,484
Contributions to defined contribution retirement plans	**1,024**	506
Equity-settled share-based payments (note 26(e))	**67**	400
	14,105	13,390
(c) Other items		
Amortisation for a right-of-use asset (note 13)	**64**	38
Impairment losses on contract assets and trade and other receivables (note 18(b))		
– contract assets	**15**	41
– trade and bills receivables	**259**	1,385
– other receivables	**385**	86
	659	1,512
Depreciation of property, plant and equipment (note 11)	**1,839**	2,723
Write-down of inventories	**1,648**	16
Written-off of property, plant and equipment	**35**	–
Cost of inventories recognised as expense (note (i))	**60,863**	66,609
Auditor's remuneration:		
– auditor of the Company	**807**	758
– other auditors (note (ii))	**24**	59
Research and development costs (note (iii))	**4,834**	6,000

Notes:

(i) Cost of inventories recognised as expenses include RMB5,552,000 (2020: RMB5,522,000) relating to staff costs, RMB1,166,000 (2020: RMB1,517,000) relating to depreciation of property, plant and equipment, RMB3,213,000 (2020: RMB4,360,000) relating to research and development cost and RMB1,648,000 (2020: RMB16,000) relating to write-down of inventories, for the year ended 31 December 2021, the amounts of which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

(ii) The amounts represent remunerations paid to other auditors of Nantong Meigu for statutory audit service.

(iii) Included in research and development costs are staff cost of RMB1,454,000 (2020: RMB1,453,000) and costs of materials consumed of RMB3,213,000 (2020: RMB4,360,000), the amounts of which are also included in the total amount separately disclosed for each of these types of expenses.

6. INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Income tax recognised in profit or loss:

	2021 RMB'000	2020 RMB'000
Current tax		
The PRC Enterprise Income Tax ("EIT") on profits of a PRC subsidiary of the Group		
– current year	**1,893**	3,640
– under-provision in prior years	**32**	45
	1,925	3,685
Deferred tax		
Origination and reversal of temporary differences in respect of		
– provision for impairment losses on contract assets and trade and other receivables (note 23(b))	**(165)**	(311)
– write-down of inventories (note 23(b))	**(386)**	(3)
– withholding tax on distributable profits of a PRC subsidiary of the Group (note 23(c))	**1,692**	836
– fair value gain on investment property (note 23(c))	**25**	–
– tax losses arising from the Group's PRC subsidiary (note 23(b))	**(102)**	–
	1,064	522
	2,989	4,207

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

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2021 and 2020, as the Group did not have assessable profits subject to Hong Kong Profits Tax during the years.

The PRC subsidiaries of the Group are subject to the PRC EIT at 25% (2020: 25%). Dividends declared to Prosperous Composite Material Co., Ltd. ("Prosperous Composite"), as a non-resident shareholder, in respect of profits earned by Nantong Meigu, is subject to the PRC withholding tax at 10%.

6. INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

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

	2021 **RMB'000**	2020 RMB'000
Profit before taxation	**946**	9,756
Notional tax on profit before taxation attributable to the subsidiaries under the tax jurisdiction of the PRC calculated at 25%	**1,241**	3,044
Notional tax on loss before taxation attributable to the non-PRC entities of the Group under the tax jurisdiction of Hong Kong calculated at 16.5%	**(693)**	(587)
Under-provision in prior years	**32**	45
Tax effect of non-deductible expenses	**1,243**	1,183
Tax effect of temporary difference	**(526)**	(314)
Deferred tax provided for the PRC withholding tax on distributable profits of the Group's PRC subsidiary	**1,692**	836
Actual tax expense	**2,989**	4,207

7. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVES

Emoluments of the directors of the Company and those of the chief executives of the Group for the year, disclosed pursuant to the GEM Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Company (Disclosure of Information about Benefits of Directors) Regulation, which were included in staff costs as disclosed in note 5(b), are as follows:

	Directors' Fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Bonus RMB'000	Employer's contributions to defined contribution scheme RMB'000	Share-based payments RMB'000	Total RMB'000
2021						
Executive directors and chief executives						
Li Yubao#	–	247	–	6	–	253
Zhang Yaping#	–	297	–	6	–	303
Shi Dongying#	–	128	–	24	–	152
Cheng Dong#	–	223	–	12	–	235
Jiang Guitang*#	–	112	–	22	67	201
Zhou Lingling*#	–	71	–	8	–	79
Shen Qixian*#	–	83	–	–	–	83
Lin Guangquan*	–	–	–	–	–	–
	–	1,161	–	78	67	1,306
Independent non-executive directors^						
Ng Sai Leung	–	99	–	–	–	99
Tam Tak Kei Raymond	–	99	–	–	–	99
Lee Man Tai	–	50	–	–	–	50
Huang Xin	–	50	–	–	–	50
	–	298	–	–	–	298
Total	–	1,459	–	78	67	1,604

7. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVES *(Continued)*

	Directors' Fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Bonus RMB'000	Employer's contributions to defined contribution scheme RMB'000	Share-based payments RMB'000	Total RMB'000
2020						
Executive directors and chief executives						
Shen Qixian*#	–	147	–	–	–	147
Lin Guangquan*	–	–	–	–	–	–
Jiang Guitang*#	–	195	–	4	400	599
Cheng Dong#	–	356	–	2	–	358
Shi Dongying#	–	106	–	2	–	108
	–	804	–	8	400	1,212
Independent non-executive directors^						
Huang Xin	–	107	–	–	–	107
Tam Tak Kei Raymond	–	107	–	–	–	107
Ng Sai Leung	–	107	–	–	–	107
	–	321	–	–	–	321
Total	–	1,125	–	8	400	1,533

* These are the directors of Nantong Meigu, the key operating entity of the Group during the year. Shen Qixian and Lin Guangquan resigned on 7 July 2021 and Zhou Lingling appointed on same date.

Jiang Guitang and Cheng Dong were appointed as executive directors of the Company on 16 March 2016 and both of them resigned on 30 June 2021. Zhang Yaping and Li Yubao appointed as an executive director of the Company on same date. Shi Dongying, who joined the Group in October 2015, was appointed as an executive director of the Company on 6 May 2016.

Jiang Guitang resigned as chief executive officer of the Group on 30 June 2021 and Zhang Yaping appointed as chief executive officer on the same date.

Shen Qixian is the legal representative and a director of Nantong Meigu, the key operating entity of the Group for both years, and he is regarded as a chief executive of the Group. He resigned on 7 July 2021 and Zhou Lingling appointed on same date for replacing his position.

^ Huang Xin, Tam Tak Kei Raymond and Ng Sai Leung were appointed as independent non-executive directors of the Company on 16 December 2016. Huang Xin resigned on 30 June 2021 and Lee Man Tai appointed on same date.

7. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVES *(Continued)*

During the year, no emolument was paid by the Group to any of the directors of the Company or the five highest paid individuals (note 8 below) as an inducement to join or upon joining the Group or as compensation for loss of office (2020: Nil). None of the directors of the Company or the top five highest paid individuals (note 8 below) waived any emoluments during the year (2020: Nil).

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2020: one) is director, Li Yubao (2020: Cheng Dong), whose emoluments for the years ended 31 December 2021 and 2020 are disclosed in note 7. The aggregate of the emoluments in respect of the other four (2020: four) individuals were as follows:

	2021	2020
	RMB'000	RMB'000
Basic salaries, allowances and other benefits	**1,616**	1,397
Employer's contributions to defined contribution retirement schemes	**333**	3
	1,949	1,400

The emoluments of the five individuals with the highest emoluments are within nil to HK$1,000,000 band.

9. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share for each of the years ended 31 December 2021 and 2020 has been based on the following data:

	2021	2020
	RMB'000	RMB'000
(Loss)/earnings for the purpose of basic (loss)/earnings per share		
(Loss)/profit for the year attributable to the owners of the Company	**(2,043)**	5,549

	'000	'000
Number of shares		
Number of shares at the beginning and the end of the reporting period and the weighted average number of shares	**400,000**	400,000

Basic loss per share for the year ended 31 December 2021 amounted to RMB0.51 cent (2020: earnings per share of RMB1.39 cent) per share.

No diluted earnings per share was presented as there was no potential ordinary shares outstanding during the years ended 31 December 2021 and 2020.

10. SEGMENT REPORTING

In a manner consistent with the way in which information is reported internally to the Company's directors for the purposes of resource allocation and performance assessment, no segment information is presented in respect of the Group's operating segment as the Group is principally engaged in one segment in the research and development, production and sales of fiberglass reinforced plastic products in the PRC.

10. SEGMENT REPORTING *(Continued)*

(a) Geographic information

The following is an analysis of geographical location of the Group's revenue from external customers. The geographical location of customers refers to the location at which the goods were delivered.

	2021 RMB'000	2020 RMB'000
Local customers		
The PRC (excluding Hong Kong) (place of domicile)	**51,675**	64,434
Foreign customers		
The United States of America	**12,522**	14,968
The United Kingdom	**8,174**	11,661
Belgium	**1,036**	1,965
France	**1,258**	356
Canada	**112**	393
Germany	**41**	141
Hong Kong	**–**	173
Denmark	**3,078**	2,583
South Korea	**10**	10
Others	**718**	924
	26,949	33,174
	78,624	97,608

The geographical locations of property, plant and equipment and investment property are based on the physical location of the asset under consideration. During the reporting periods, all property, plant and equipment and investment property were located in the PRC and right-of-use asset was located in Hong Kong (2020: all property, plant and equipment and leasehold land were located in the PRC).

(b) Information about major customers

Revenue from external customers contributing 10% or more of the total revenue of the Group is as follows:

	2021 RMB'000	2020 RMB'000
Customer A	**19,863**	30,357
Customer B (note)	**10,946**	N/A

Note: Revenue from customer B did not contribute 10% or more of the total revenue of the Group during the year ended 31 December 2020.

11. PROPERTY, PLANT AND EQUIPMENT

	Building RMB'000	Leasehold improvement RMB'000	Furniture and fixtures RMB'000	Plant and equipment (including moulds) RMB'000	Motor Vehicles RMB'000	Total RMB'000
Cost:						
At 1 January 2020	15,937	–	450	18,631	1,080	36,098
Additions	–	–	–	276	–	276
At 31 December 2020	15,937	–	450	18,907	1,080	36,374
At 1 January 2021	**15,937**	**–**	**450**	**18,907**	**1,080**	**36,374**
Additions	**4,934**	**66**	**–**	**1,648**	**91**	**6,739**
Transfer to investment property	**(20,871)**	**–**	**–**	**–**	**–**	**(20,871)**
Written-off	**–**	**–**	**–**	**(788)**	**(79)**	**(867)**
At 31 December 2021	**–**	**66**	**450**	**19,767**	**1,092**	**21,375**
Accumulated depreciation:						
At 1 January 2020	6,766	–	407	11,835	784	19,792
Charge for the year	717	–	1	1,937	68	2,723
At 31 December 2020	7,483	–	408	13,772	852	22,515
At 1 January 2021	**7,483**	**–**	**408**	**13,772**	**852**	**22,515**
Charge for the year	**657**	**–**	**–**	**1,112**	**70**	**1,839**
Transfer to investment property	**(8,140)**	**–**	**–**	**–**	**–**	**(8,140)**
Eliminated on written-off	**–**	**–**	**–**	**(761)**	**(71)**	**(832)**
At 31 December 2021	**–**	**–**	**408**	**14,123**	**851**	**15,382**
Carrying amounts:						
At 31 December 2021	**–**	**66**	**42**	**5,644**	**241**	**5,993**
At 31 December 2020	8,454	–	42	5,135	228	13,859

11. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

All the buildings are situated in the PRC and erected on the leasehold land, as referred to note 12 below, at the end of both reporting periods.

During the year ended 31 December 2021, the Group's owner-occupied property, including the underlying land use rights, with net carrying amount of RMB14,057,000 were transferred to investment property upon commencement of an operating lease to an independent third party. Fair value of the owner-occupied property at the date of transfer amounted to RMB2,890,000, and a surplus on revaluation of RMB14,843,000 and the related deferred tax liabilities of RMB3,711,000 were dealt with property revaluation reserve.

As at 31 December 2021, the carrying amount of buildings pledged for bank borrowings (note 21) of the Group was RMB Nil (2020: RMB8,454,000). Included in plant and equipment are moulds amounting to RMB1,341,000 (2020: RMB1,485,000), whose costs of RMB8,484,000 (2020: RMB8,351,000) are depreciated on a straight-line basis over their estimated useful lives of 10 years. The depreciation policies for the other categories of property, plant and equipment are disclosed in note 2(f).

At the end of both reporting periods, there was no impairment of property, plant and equipment.

12. INVESTMENT PROPERTY

	RMB'000
Fair Value	
At 1 January 2021	–
Transfer from property, plant and equipment and right-of-use asset	28,900
Increase in fair value recognised in profit or loss	100
At 31 December 2021	29,000

During the year ended 31 December 2021, an owner property has become an investment property because the Group has rented out the property to an independent third party. Accordingly, the carrying amount of the owner property has been transferred from property, plant and equipment and right-of-use asset to investment property. The fair value at the date of transfer of RMB28,900,000 had been arrived at on the basis of a valuation carried out by APAC Asset Valuation and Consulting Limited, an independent qualified professional valuer not connected with the Group. The valuation was arrived at by reference to market evidence of recent transaction prices to similar properties and on the basis of capitalization of the rental income under term and reversion approach. The surplus of the fair value of the owner property over the carrying amount at the date of transfer of RMB14,842,000 and the related deferred tax liabilities of RMB3,710,000 were dealt with property revaluation reserve.

12. INVESTMENT PROPERTY *(Continued)*

Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 31 December 2021	Fair value measurements as at 31 December 2021 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
Investment property – Industrial – PRC	29,000	–	–	29,000

During the year ended 31 December 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The Group's investment property was revalued at 31 December 2021. The valuation was carried out by APAC Asset Valuation and Consulting Limited, an independent qualified professional valuer not connected with the Group, who have recent experience in the location and category of property being valued. The Group's management have discussions with the surveyors on the valuation assumptions and valuation results when the valuation is performed at the end of the reporting period.

12. INVESTMENT PROPERTY *(Continued)*

Fair value measurement of properties *(Continued)*

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Unobservable input	Range
Investment property – Industrial – PRC	(i) Comparable sales evidences	Sales evidence of comparable properties (adjusted for the difference in the quality and location of the properties	RMB2,178 to RMB2,760 per square meter
	(ii) Capitalization of the rental income	Risk-adjusted discount rate (i.e. market rental yield)	5.6% to 6.1%
		Expected occupancy rate	100%

The fair value of investment property located in the PRC is determined by (i) direct comparison method with reference to the sales evidence of comparable properties (adjusted for difference in the quality and location of the properties) or where appropriate, (ii) discounting a projected cash flow forecast associated with the properties using risk-adjusted discount rate which is the market rental yield for the property. The valuation takes into account the land expiry date and occupancy rate of the respective property. The discount rate used has been adjusted for the quality and location of the building and the tenant credit quality. The fair value measurement is positively correlated to the sales price of comparable properties, the land expiry date and the occupancy rate, and negatively correlated to the risk-adjusted discount rate.

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

Investment property – Industrial – PRC

	2021 RMB'000	2020 RMB'000
At 1 January	**–**	–
Transfer from property, plant and equipment and right-of-use asset	**28,900**	–
Net gain from fair value adjustment recognized in valuation gain on investment property in profit or loss	**100**	–
At 31 December	**29,000**	–

12. INVESTMENT PROPERTY *(Continued)*

Investment properties – Industrial – Mainland China *(Continued)*

The Group leased out investment property under operating leases. The lease runs for a period for five years. The lease does not include contingent rentals.

Total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2021 RMB'000	2020 RMB'000
Within 1 year	1,991	–
After 1 year but within 5 years	7,646	–
	9,637	–

13. RIGHT-OF-USE ASSET

	2021 RMB'000	2020 RMB'000
Cost		
At 1 January	1,890	1,890
Transfer to investment property	(1,890)	–
Additions arising from new leases	350	–
At 31 December	350	1,890
Accumulated amortisation		
At 1 January	530	492
Amortisation charged for the year	64	38
Transfer to investment property	(564)	–
At 31 December	30	530
Carrying amount	320	1,360

13. RIGHT-OF-USE ASSET *(Continued)*

The analysis of the carrying amount of right-of-use assets by Class of underlying assets is as follows:

	2021 RMB'000	2020 RMB'000
Ownership interest of the land used right held for own use, carried at depreciated cost in PRC with medium-term lease	–	1,360
Office premises leased for own use, carried at depreciated cost in Hong Kong, with remaining lease terms of more than 1 year and less than 5 years	320	–
	320	1,360

At the end of both reporting periods, there were no impairment recognized on the Group's right-of-use assets. As at 31 December 2020, the carrying amount of leasehold land pledged for bank borrowings (note 21) of the Group was RMB1,360,000 and was released during the year ended 31 December 2021.

14. PLEDGED BANK DEPOSITS

As at 31 December 2021, deposits of RMB3,000,000 (2020: RMB4,000,000) was placed in the accounts of a bank pledged in favour of banks for bills issuance. According to the relevant agreements, all the pledge will/would be released within 12 months after the end of the reporting period, and accordingly, the amount was classified under current assets as at 31 December 2021 and 2020.

15. INVENTORIES

	2021 RMB'000	2020 RMB'000
Raw materials	**9,034**	4,301
Work in progress	**2,401**	1,426
Finished goods	**870**	2,446
	12,305	8,173

16. PROPERTY HELD FOR SALE

	2021 RMB'000	2020 RMB'000
Property held for sale at cost, in the PRC		
– amount of trade receivable settled in lieu of payment	**1,337**	1,337
– other incidental transaction costs	**131**	131
	1,468	1,468

On 14 January 2016, a residential property located in Chengdu, the Sichuan Province, the PRC was assigned by a customer to the Group in lieu of payment of an overdue trade receivable amounted to RMB1,337,000. According to a valuation report issued by APAC Asset Valuation and Consulting Limited, an independent firm of professional valuers with recognised qualifications and experience in valuing similar properties, using the direct comparison approach, the fair value of the property held for sale was RMB2,690,000 (2020: RMB2,650,000) as at 31 December 2021. In the opinion of the directors of the Company, the estimated fair value less costs to sell of the property held for sale exceeded its carrying amount and accordingly, no impairment on the property held for sale was considered necessary as at 31 December 2021 (2020: Nil).

Particulars of the property held for sale are set out below:

Location	Existing use	Term of lease
Unit 05, L14, Xingshun Huayuan, No. 2 Xinghui East Road, Jinniu District, Chengdu, the Sichuan Province, the PRC	Residential	Till 2069

17. CONTRACT ASSETS

	2021 RMB'000	2020 RMB'000
Contract assets		
Retention monies receivables	**1,704**	1,418
Less: allowance for lifetime expected credit losses	**(56)**	(41)
	1,648	1,377
Receivables from contracts with customers within the scope of HKFRS 15, which are included in" Trade and other receivables" (note 18)	**46,133**	46,028

Note:

(i) The contract assets primarily relate to the Group's rights to consideration for goods transferred by the Group to the customers for which the rights to consideration are still conditional upon the customers' satisfaction on the quality of the goods sold which is typically at the expiry date of the assurance-type warranty period, as stipulated in the contracts.

The contract assets are transferred to trade receivables when the rights to consideration become unconditional.

At 31 December 2021 and 2020, included in contract assets were retention monies receivable from the contract customers amounting to RMB1,704,000 and RMB1,418,000 respectively. The terms and conditions for the release of retention monies by the contract customers vary from contract to contract, which are subject to the customers' satisfaction of quality upon the expiry of the assurance-type warranty period. The retention monies receivable from the contract customers generally represent 5% to 10% of the total consideration of the relevant contracts, that are retained by the contract customers as securities for non-performance protection, and the Group's entitlement to payment of retention monies receivable are conditional upon the contract customers' physical inspection of the quality of the goods at the expiry of the assurance-type warranty period. In the opinion of the directors of the Company, the retention monies retained by the contract customers under the contracts are not intended as a financing arrangement by the Group to the contract customers.

(ii) Impairment assessment of the contract assets

Contract assets are related to the retention monies receivables, which have substantially the same characteristics as the trade receivables for the same types of the contract. The Group's contract customers are mainly with high credit rating and their payment history with the Group are considered to be good. There are no material disputes or claims received from the contract customers of the relevant contracts and the Group considered that there has not been a significant change in credit quality of the contract customers. The Group concluded that the expected loss rates for trade receivables are a reasonable approximation of the rates for contract assets. Since the payment is not due, the expected loss rate of contract assets is assessed to be minimal and accordingly, the net carrying amount of contract assets is still considered fully recoverable at the end of each reporting period. The Group does not hold any collateral as security for the contract assets at the end of each reporting period.

As at 31 December 2021, contract assets amounting to RMB56,000 (2020: RMB41,000) were determined to be impaired according to the lifetime expected credit loss rates and impairment loss of RMB15,000 (2020: RMB41,000) was made on contract assets for the year ended 31 December 2021.

18. TRADE AND OTHER RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables	**42,845**	48,322
Bills receivables	**7,006**	1,165
	49,851	49,487
Less: allowance for lifetime expected credit losses	**(3,718)**	(3,459)
Trade and bills receivables, net *(notes (a) and (b))*	**46,133**	46,028
Other receivables	**861**	983
Less: allowance for 12-month expected credit losses	**(471)**	(86)
Financial assets measured at amortised cost	**46,523**	46,925
Prepayments	**342**	2,828
	46,865	49,753

The Group has an unconditional right to all of the trade and other receivables which are expected to be recovered and/or recognised as expenses within one year or repayable on demand.

The Group determines the provision for impairment of trade and bills receivables on a forward looking basis and lifetime expected credit losses are recognised from initial recognition of the assets and remeasured at the end of each reporting period.

The provision matrix is determined based on the Group's historical observed bad debt loss rates over the expected life of the trade and bills receivables with similar credit risk characteristics and is adjusted for forward-looking estimates.

Other receivables are considered for 12-month expected credit losses. Provision for 12 month credit losses of RMB385,000 (2020: RMB86,000) on the other receivables was made for the year ended 31 December 2021. There was no significant change in credit risk and the default risk was considered as low for the remaining balance of the other receivables.

In making the judgement, management considers available reasonable and supportive forward-looking information such as actual or expected significant changes in operating results and financial positions of the customers, past payment history of the customers, and actual or adverse changes in business, financial or economic conditions that are expected to cause a significant change in the customers' ability to meet their obligations.

At the end of each reporting period, the historical observed bad debt loss rates are updated and changes in the forward-looking estimates are analysed by the Group's management.

18. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Ageing analysis

An ageing analysis of trade and bills receivables (net of allowance for lifetime expected credit losses), based on the invoice date, is as follows:

	2021	2020
	RMB'000	RMB'000
0 – 30 days	**20,216**	12,780
31 – 90 days	**12,811**	21,640
91 – 180 days	**9,950**	8,828
181 – 365 days	**3,043**	2,420
Over 365 days	**113**	360
	46,133	46,028

The Group generally granted credit terms to its customers ranging from cash on delivery to 180 days after invoice date.

(b) Impairment of contract assets and trade and bills receivables

Impairment loss in respect of contract assets and trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against contract assets and trade and bills receivables directly.

Allowance for lifetime expected credit losses at the end of the reporting period

	2021	2020
	RMB'000	RMB'000
– Trade and bills receivables	**3,718**	3,459
– Contract assets *(note 17)*	**56**	41
	3,774	3,500

18. TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Impairment of contract assets and trade and bills receivables *(Continued)*

Movements in the allowance for lifetime expected credit losses

	2021 RMB'000	2020 RMB'000
At 1 January	**3,500**	2,349
Impairment loss recognised *(note 5(c))*		
– contract assets	**15**	41
– trade and bills receivables	**259**	1,385
	274	1,426
Bad debt written off	**–**	(275)
At 31 December	**3,774**	3,500

As at 31 December 2021, contract assets and trade and bills receivables amounting to RMB3,774,000 (2020: RMB3,500,000) were determined to be impaired according to the lifetime expected credit loss rates and adjusted for forward-looking estimates. Accordingly, allowance for lifetime expected credit losses of RMB274,000 (2020: RMB1,426,000) was recognised for the year ended 31 December 2021.

(c) Further details in respect of credit risk of and lifetime ECL on contract assets, and trade and bills receivables are disclosed in note 27(a).

19. CASH AND CASH EQUIVALENTS

	2021 RMB'000	2020 RMB'000
(a) Cash and cash equivalents comprise:		
Cash at bank	**8,202**	16,544
Cash on hand	**18**	1
Cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows	**8,220**	16,545

19. CASH AND CASH EQUIVALENTS *(Continued)*

(b) Reconciliation of liabilities arising from financing activities

	Lease liabilities RMB'000	Bank borrowings RMB'000	Total liabilities from financing activities RMB'000
At 1 January 2020	**–**	**5,000**	**5,000**
Changes from financing cash flows			
– Proceeds from new bank borrowings	–	5,000	5,000
– Repayment of bank borrowings	–	(5,000)	(5,000)
At 31 December 2020 and 1 January 2021	**–**	**5,000**	**5,000**
New lease	350	–	350
Interest expenses recognised in profit or loss	2	–	2
Changes from financing cash flows			
– Repayment of bank borrowings	–	(5,000)	(5,000)
– Capital element of lease payments	(29)	–	(29)
– Interest element of lease payments	(2)	–	(2)
At 31 December 2021	**321**	**–**	**321**

20. TRADE AND OTHER PAYABLES

	2021 RMB'000	2020 RMB'000
Trade payables	**11,379**	11,600
Bills payables	**4,383**	4,000
Total trade and bills payables	**15,762**	15,600
Amount due to a former shareholder (note (b))	**6,012**	–
Amounts due to directors (note (c))	**1,846**	–
Amount due to a shareholder (note (d))	**661**	4,702
Other payables	**5,572**	5,588
	29,853	25,890

(a) The following is an analysis of trade and bills payables by age based on the invoice date:

	2021 RMB'000	2020 RMB'000
0 – 30 days	**10,015**	3,882
31 – 90 days	**2,844**	5,613
91 – 180 days	**1,735**	5,443
Over 180 days	**1,168**	662
	15,762	15,600

(b) Amount due to a former shareholder

	2021 RMB'000	2020 RMB'000
Amount due to Singa Dragon International Ventures Limited	**6,012**	–

The amount due to a former shareholder was unsecured, interest-free and had no fixed repayment term.

20. TRADE AND OTHER PAYABLES *(Continued)*

(c) Amounts due to directors

	2021 RMB'000	2020 RMB'000
Amount due to Li Yubao	286	–
Amount due to Zhang Yaping	1,560	–
	1,846	–

The amounts due to directors were unsecured, interest-free and had no fixed repayment term.

(d) Amount due to a shareholder

	2021 RMB'000	2020 RMB'000
Amount due to Singa Dragon International Ventures Limited	–	4,702
Amount due to Yunhong Group Co., Limited	661	–
	661	4,702

The amount due to a shareholder was unsecured, interest-free and had no fixed repayment term.

21. BANK BORROWINGS

The analysis of the carrying amount of bank borrowings is as follows:

	2021 RMB'000	2020 RMB'000
Fixed rate term loans from banks due for repayment within 1 year or repayable on demand		
Secured bank borrowings (note below)	–	5,000

Note: As at 31 December 2020, the bank borrowings were secured by buildings (note 11) and a right-of-use asset (note 13) of the Group. It was further guaranteed by an independent third party guarantee company in the PRC. The pledge and the guarantee were released during the year ended 31 December 2021 upon settlement of the loan.

22. LEASE LIABILITIES

As at 31 December 2021, the lease liabilities were payable as follows:

	2021 RMB'000	2020 RMB'000
Within 1 year	171	–
After 1 year but within 2 years	150	–
	321	–

23. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2021 RMB'000	2020 RMB'000
Current year		
PRC EIT	1,888	2,818

(b) Deferred tax assets

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

	Temporary differences in respect of			
	tax losses arising from PRC subsidiary RMB'000	write down of inventories RMB'000	provision for impairment losses on receivables RMB'000	Total RMB'000
At 1 January 2020	–	206	587	793
Credited to consolidated profit or loss (note 6(a))	–	3	311	314
At 31 December 2020 and 1 January 2021	–	209	898	1,107
Credited to consolidated profit or loss (note 6(a))	102	386	165	653
At 31 December 2021	102	595	1,063	1,760

23. INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION *(Continued)*

(c) Deferred tax liabilities

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

	Temporary differences in respect of		
	Fair value adjustment on property	**distributable profits from the PRC subsidiary**	**Total**
	RMB'000	RMB'000	RMB'000
At 1 January 2020	–	4,008	4,008
Charged to consolidated profit or loss (note 6(a))	–	836	836
At 31 December 2020 and 1 January 2021	–	4,844	4,844
Charged to other comprehensive income	3,710	–	3,710
Charged to consolidated profit or loss (note 6(a))	25	1,692	1,717
At 31 December 2021	**3,735**	**6,536**	**10,271**

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared to non-resident shareholders in respect of profits earned by the PRC subsidiary from 1 January 2008 onwards.

Deferred tax charges of RMB1,717,000 (2020: RMB836,000) have been recognised for the year ended 31 December 2021, representing 10% withholding tax on profits distributable to Prosperous Composite, a non-resident shareholder of Nantong Meigu and fair value adjustment on investment property.

(d) Deferred tax assets and liabilities not recognised

There was no significant unrecognised deferred tax assets or liabilities of the Group as at 31 December 2021 and 2020.

24. EMPLOYEE RETIREMENT BENEFITS

Under the stated-managed retirement benefit scheme, the contributions once made by the employer will vest fully with the employees, and no forfeiture could be made by the Group. Accordingly, there is no forfeited contribution available for the Group to reduce its existing level of contributions to the retirement benefit scheme in future years.

The employees of the Group's subsidiary in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total expenses recognised in profit or loss of RMB1,024,000 (2020: RMB506,000) for year ended 31 December 2021, representing contributions payable to these plans by the Group at rates specified in the rules of the plans.

25. SUBSIDIARIES

The particulars of the Company's subsidiaries are as follows:

Name of subsidiary	Place and date of incorporation	Principal activities and place of operation	Particulars of issued and paid up capital/ registered capital	Effective interest held by the Company
Direct interests:				
Prosperous Composite Material Co., Ltd	The BVI/ 7 November 2006/ Limited liability company	Investment holding, Hong Kong	US$100,000	100%
Brighten Forest Limited	The BVI/ 15 July 2021/ Limited liability company	Investment holding, Hong Kong	US$1	100%
Soar Journey Limited	The BVI/ 15 July 2021/ Limited liability company	Investment holding, Hong Kong	US$1	100%

25. SUBSIDIARIES *(Continued)*

Name of subsidiary	Place and date of incorporation	Principal activities and place of operation	Particulars of issued and paid up capital/ registered capital	Effective interest held by the Company
Indirect interests:				
Nantong Meigu Composite Materials Company Limited	The PRC/ 24 April 2003/ Wholly foreign-owned enterprise	Research and development, production and sales of fiberglass reinforced plastic products in the PRC	US$3,000,000	100%
China Nine Continents Group Limited	Hong Kong/ 23 August 2021/ Limited liability company	Investment holding, Hong Kong	HK$1	100%
China Five Oceans Group Limited	Hong Kong/ 23 August 2021/ Limited liability company	Investment holding, Hong Kong	HK$1	100%
Hubei Aoxun New Material Technology Company Limited	PRC/ 16 September 2021/Limited liability company	Sale of building material, PRC	US$30,000,000	100%
Guogui new material (Liaoning) Company Limited	PRC/ 8 October 2021/ Limited liability company	Dormant, PRC	RMB10,000,000	100%
南通德而匯精密設備有限公司	PRC/ 20 July 2021/ Limited liability company	Property Investment, PRC	RMB31,000,000	100%

26. CAPITAL AND RESERVES

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of changes in the Company's individual components of reserves between the beginning and the end of the reporting period are set out in note 31(a).

(a) Share capital

	2021		2020	
	Number of shares	**Share capital**	Number of shares	Share capital
Ordinary shares of HK$0.01 each				
		HK$'000		HK$'000
Authorised:				
At beginning and end of the year	**2,000,000,000**	**20,000**	2,000,000,000	20,000
		RMB'000		RMB'000
Issue and fully paid:				
At beginning and end of the year	**400,000,000**	**3,600**	400,000,000	3,600

26. CAPITAL AND RESERVES *(Continued)*

(a) Share capital *(Continued)*

The owners of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(b) Share premium

The application of share premium account is governed by the Companies Law of the Cayman Islands. Under the Companies Law of the Cayman Islands, the funds in share premium account are distributable to shareholder of the Company provided that immediately the following date, on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debt as they fall due in the ordinary course of business.

(c) Capital reserve

The Group's capital reserve represented the Company's then beneficial owners' contributions for 85.37% of the registered capital of Nantong Meigu which has become an indirect and wholly-owned subsidiary of the Company since 16 March 2016.

(d) Property revaluation reserve

The property revaluation reserve comprises the net change in the fair value from net book value of the date when the property, plant and equipment and right-of-use assets changed in use and reclassified as investment property.

26. CAPITAL AND RESERVES *(Continued)*

(e) Share-based payment reserve

On 16 March 2016 and immediately after share swap arrangement made between the Company and the then shareholders of Prosperous Composite, the equity interest in the Group (comprising the Company, Prosperous Composite and Nantong Meigu) of a former substantial shareholder of the Company was decreased by 4.15% (which was subsequently enlarged to 5.53% after the share cancellation of 250 repurchased shares on 20 April 2016, which was effectively transferred to Mr. Jiang ("Share Award"), based on an undertaking agreement ("Share Award Agreement") as confirmed in writing by a confirmatory deed dated 3 June 2016, in which, Mr. Jiang, as a key management personnel and a founder of the Group, has provided an irrevocable promise that Mr. Jiang shall continue to engage in the management of the Group for coming 5 years and shall not terminate the engagement with the Group before 16 March 2021. The fair value of the Share Award at was RMB2,000,000 based on a professional valuation report issued by APAC Asset Valuation and Consulting Limited on 2 June 2016, under the market approach, using the price to earnings ("P/E") and enterprise value to EBITDA ("EV/EBITDA") multiples of comparable listed companies and after making adjustments for the discount of 20% for lack of marketability and size discount of 15% to reflect the specific risks of the Company. The directors of the Company considered that there would be no material difference for the fair value of the Share Award between the grant date on 16 March 2016 and valuation date on 31 December 2017. The fair value of the Share Award at the grant date shall be amortised, recognised and charged as expense to the consolidated profit or loss, on a straight-line basis, over a period of 5 years, which will be regarded as a contribution by a shareholder of the Company.

For the years ended 31 December 2021 and 2020, the share-based payments amortised, recognised and charged as expense to the consolidated profit or loss of the Group amounted to RMB67,000 (2020: RMB400,000) respectively, for which the same amounts were credited as a contribution from a shareholder of the Company in the consolidated statement of changes in equity and the Company's changes in reserves for the years.

For the year ended 31 December 2021, the share swap arrangement was lapsed and the reserve was transferred to the retained profits.

(f) Statutory reserve

Pursuant to applicable PRC regulations, the PRC subsidiary in the Group is required to appropriate 10% of its profit after tax to the statutory reserve until such reserve reaches 50% of their registered capital. Transfers to this reserve must be made before distribution of dividends to shareholders. Upon approval by relevant authorities, the statutory reserve can be utilised to offset the accumulated losses or to increase the registered capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

26. CAPITAL AND RESERVES *(Continued)*

(g) Distributability of reserves

At 31 December 2021, the aggregate amount of reserves available for distribution to owners of the Group, as calculated under the provisions of the Companies Law of the Cayman Islands, was RMB56,359,000 (2020: RMB47,150,000).

(h) Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less relevant pledged bank deposits, and cash and cash equivalents. Total capital is calculated as total equity attributable to owners of the Company as shown in the consolidated statements of financial position plus net debt.

The Group is not subject to any externally imposed capital requirements.

The gearing ratios at 31 December 2021 and 2020 were as follows:

	2021 **RMB'000**	2020 RMB'000
Total borrowings (note 21)	**–**	5,000
Less: Cash and cash equivalents (note 19(a))	**8,220**	(16,545)
Net cash	**(8,220)**	(11,545)
Total equity attributable to owners of the Company	**68,246**	59,090
Total capital	**60,026**	47,545
Gearing ratio	**N/A**	N/A

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The financial instruments of the Group include contract assets (note 17), trade and other receivables (excluding prepayments) (note 18), pledged bank deposits (note 14), cash and cash equivalents (note 19(a)), trade and other payables (note 20) and bank borrowings (note 21).

The Group have exposure to credit risk, liquidity risk, interest rate risk and currency risk arising from financial instruments. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

The Group's credit risk is primarily attributable to contract assets, trade and other receivables, cash and cash equivalents, pledged bank deposits and financial assets at fair value through other comprehensive income. In order to minimise risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its customers' financial position and condition are performed on each and every major customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade and other receivables are usually due within one year from the date of billing. For debtors with balances past due, further credit would not be granted until all outstanding balances are settled. Normally, the Group does not obtain collateral from its customers.

The Group's cash and cash equivalents and pledged bank deposits are placed with and financial assets at fair value through other comprehensive income are issued by creditworthy banks with high credit ratings and the Group has limited exposure to any of these banks.

In respect of contract assets and trade and other receivables, the Group's exposures to credit risk is influenced mainly by the individual characteristics of each customer. Contract assets are substantially the same characteristics as the trade receivables for the same types of the contracts. The Group's contract customers are mainly with high credit rating and their payment history with the Group are considered to be good. There are no material disputes or claims received from the contract customers and the Group considered that there has not been a significant change in credit quality of the contract customers. The default risk of the industries and countries in which customers operate also has an influence on credit risk.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. As at 31 December 2021, 22.8% (2020: 35.6%) and 54.9% (2020: 64.3%), of the total of contract assets and trade and other receivables was due from the Group's largest debtor and the five largest debtors, respectively.

Maximum exposure and year-end staging

The table 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 net carrying amounts after provision for ECLs for financial assets

Maximum exposure and year-end staging as at 31 December 2021

	12-months ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets (note 17)	–	–	–	**1,648**	**1,648**
Trade and other receivables (note 18)	**390**	–	–	**46,133**	**46,523**
Pledged bank deposits (note 14)	**3,000**	–	–	–	**3,000**
Cash and cash equivalents (note 19(a))	**8,220**	–	–	–	**8,220**
	11,610	–	–	**47,781**	**59,391**

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

Maximum exposure and year-end staging (Continued)

Maximum exposure and year-end staging as at 31 December 2020

	12-months ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Contract assets (note 17)	–	–	–	1,377	1,377
Trade and other receivables (note 18)	897	–	–	46,028	46,925
Pledged bank deposits (note 14)	4,000	–	–	–	4,000
Cash and cash equivalents (note 19(a))	16,545	–	–	–	16,545
	21,442	–	–	47,405	68,847

In order to determine the expected credit losses for the portfolio of contract assets, trade and other receivables at the end of each reporting period, the Group uses a provision matrix. The provision matrix is based on its historical observed bad debt loss rates, adjusted for forward-looking estimates and market conditions. At the end of each reporting period, the historical observed bad debt loss rates and the forward looking estimates are updated.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

The following table provides information about the Group's exposures to credit risk and ECLs for contract assets and trade and bills receivables as at 31 December 2021 and 2020.

	As at 31 December 2021				
	Lifetime ECL	Gross carrying amount	Lifetime ECL	Net carrying amount	Credit impaired
	%	RMB'000	RMB'000	RMB'000	Yes/No
Not past due	3.3	41,198	(1,354)	39,844	No
Past due					
Within 1 month	5.1	6,262	(320)	5,942	No
1 to 3 months	7.7	1,296	(100)	1,196	No
3 months to 1 year	23.8	933	(222)	711	No
Over 1 year	63.3	238	(150)	88	No
Credit impaired	100.0	1,628	(1,628)	–	Yes
		51,555	(3,774)	47,781	
Represented by:					
Contract assets (note 17)		1,704	(56)	1,648	
Trade and bills receivables (note 18)		49,851	(3,718)	46,133	
		51,555	(3,774)	47,781	

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

	As at 31 December 2020				
	Lifetime ECL %	Gross carrying amount RMB'000	Lifetime ECL RMB'000	Net carrying amount RMB'000	Credit impaired Yes/No
Not past due	2.9	40,550	(1,172)	39,378	No
Past due					
Within 1 month	4.6	5,053	(231)	4,822	No
1 to 3 months	6.7	2,476	(167)	2,309	No
3 months to 1 year	19.9	1,013	(202)	811	No
Over 1 year	63.2	231	(146)	85	No
Credit impaired	100.0	1,582	(1,582)	–	Yes
		50,905	(3,500)	47,405	
Represented by:					
Contract assets (note 17)		1,418	(41)	1,377	
Trade and bills receivables (note 18)		49,487	(3,459)	46,028	
		50,905	(3,500)	47,405	

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

Lifetime expected loss rates of contract assets and trade and bills receivables are based on actual loss experience over the past 4 years and are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the contract assets and trade and bills receivables.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to each entity's board approval. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient amount of cash to meet its liquidity requirements in the short and longer term.

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

	Total contractual undiscounted cash flows within 1 year RMB'000	**Carrying amounts** RMB'000
As at 31 December 2021		
Trade and other payables	**29,853**	**29,853**
	29,853	**29,853**
As at 31 December 2020		
Trade and other payables	25,890	25,890
Bank borrowings	5,138	5,000
	31,028	30,890

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings.

Interest rate risks are managed by the Group by maintaining an appropriate mix between fixed and variable rate borrowings.

Interest rate profile

The following table details the interest rate profile of the Group's material interest bearing financial instruments at the end of the reporting period:

	2021		2020	
	Effective interest rates		Effective interest rates	
	%	**RMB'000**	%	RMB'000
Fixed rate borrowings				
Bank borrowings	**–**	**–**	5.00	5,000

All of the bank borrowings which are fixed rate financial instruments are insensitive to any change in interest rates. A change in interest rate at the end of each reporting period would not affect profit or loss. Accordingly, no sensitivity analysis is presented by the Group.

(d) Currency risk

Exposure to currency risk

The Group is exposed to currency risk primarily through sales which give rise to receivables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars, which were attributable to sales transactions entered into by the Group with foreign customers.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(d) Currency risk *(Continued)*

Exposure to currency risk (Continued)

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the end of the reporting period.

	Exposure to foreign currency	
	2021	2020
	United States Dollars	United States Dollars
	RMB'000	RMB'000
Trade receivables	**8,210**	7,581
Cash and cash equivalents	**5,355**	13,205
Gross exposure arising from recognised assets and liabilities	**13,565**	20,786

Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2021		2020	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits RMB'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000
United States Dollars	**5%**	**509**	5%	779
	5%	**(509)**	(5%)	(779)

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(d) Currency risk *(Continued)*

Sensitivity analysis (Continued)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of each reporting period for presentation purposes.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2020.

28. MATERIAL RELATED PARTY TRANSACTIONS

The Group has entered into the following material related party transactions in the ordinary course of its business during the reporting period:

Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors as disclosed in note 7, certain of the highest paid employees as disclosed in note 8 and senior management, is as follows:

	2021	2020
	RMB'000	RMB'000
Short-term employee benefits	**3,196**	2,613
Post-employment benefits	**116**	12
Equity-settled share-based payments	**67**	400
	3,379	3,025

29. CAPITAL AND LEASE COMMITMENTS

As at 31 December 2021 and 2020, the Group had no material outstanding capital and lease commitments.

30. ACCOUNTING JUDGEMENTS AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

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

(i) Income tax

The Group is subject to taxation in various jurisdictions. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

(ii) Recognition of deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

(iii) Deferred tax liabilities for withholding taxes

Deferred tax liabilities have been established for withholding tax payable on undistributed earnings of a subsidiary in the PRC based on that the directors considered that the undistributed earnings are to be repatriated and distributed by way of dividends. The directors' assessment is constantly reviewed and deferred tax liabilities are adjusted when the results of assessment change.

30. ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(b) Key sources of estimation uncertainty

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

(i) Impairment of contract assets and receivables

The Group determines the provision for impairment of contract assets, and trade and other receivables on a forward looking basis. Lifetime ECLs on contract assets, and trade and bills receivables are recognised from initial recognition of the assets. The provision matrix is determined based on the Group's historical observed bad debt loss rates over the expected life of the contract assets, and trade and bills receivables with similar credit risk characteristics and is adjusted for forward looking estimates. Other receivables are considered for 12-month expected credit losses unless there has been a significant increase in credit risk of the financial instruments, in which case the loss allowance is measured at an amount equal to lifetime ECLs. In making the judgement, management considers available reasonable and supportive forward-looking information such as actual or expected significant changes in operating results and financial positions of the customers, past payment history of the customers, and actual or expected adverse changes in business, financial or economic conditions that are expected to cause a significant change in the customers' ability to settle their trade debts. At the end of each reporting period, the historical observed bad debt loss rates are updated and changes in the forward-looking economic conditions and estimates are analysed by the Group's management.

(ii) Estimated useful lives of property, plant and equipment

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(iii) Valuation of inventories

Inventories are carried at the lower of cost and net realisable value at the end of each reporting period. Net realisable value is determined on the basis of the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The management estimates the net realisable value for inventories based primarily on the latest invoice prices, current market conditions, historical experience on selling similar inventories and physical conditions of the inventories. It could change significantly as a result of changes in market conditions. In addition, the management performs an inventory review at the end of each reporting period and assess the need for write down of inventories.

30. ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(b) Key sources of estimation uncertainty *(Continued)*

(iv) Valuation of property held for sale

The Group's property held for sale is stated at the lower of cost and fair value less costs to sell. Appropriate write-off to estimated fair value less costs to sell is recognised in profit or loss when there is objective evidence that the property held for sale is impaired. In estimating the fair value less costs to sell of the property held for sale, management has taken into consideration the current property market environment, the estimated market value of the property and/or the present value of future cash flows expected to receive. The fair value less costs to sell of the property held for sale at 31 December 2021 was determined by the directors of the Company by reference to a valuation report for the property performed by a firm of independent valuers with recent experiences and qualifications in valuing similar properties. Based on the assessment, the directors of the Company considered that the estimated fair value less costs to sell of the property held for sale exceeded its carrying amount of RMB1,468,000 at 31 December 2021 and no write-off for the property held for sale was considered necessary. If the property market environment and circumstances had changed significantly, the fair value less costs to sell of the property held for sale would have decreased and write-down may be required.

(v) Product warranty clause

In some of the sales contracts made between the Group and its customers, there are warranty clauses for the quality of the products, which were sold by the Group and accepted by the customers, for a specified period of time, normally one to two years after the control of the products were transferred to the customers. The assurance type warranty cannot be separately purchased by the customers and it only provides assurance that the products transferred by the Group comply with the agreed-up specifications. The Group considered the facts that there were no significant costs incurred in the past for its sold products during the warranty period after sales and at the reporting period end, the Group was not aware of any events that would cause the Group to incur material amount for the future costs for the purpose of the warranty clause of the sales agreements for those goods sold to the customers.

31. THE COMPANY'S STATEMENT OF FINANCIAL POSITION

The Company was incorporated in the Cayman Islands on 13 January 2016 as an exempted company with limited liability, which had an authorised share capital of HK$20,000,000 divided into 2,000,000,000 shares of a par value HK$0.01 each at the end of the reporting period. Details of the share capital of the Company are set out in 26(a).

	Note	**2021 RMB'000**	2020 RMB'000
Non-current assets			
Investments in subsidiaries		**29,903**	29,903
Right-of-use asset		**320**	–
Property, plant and equipment		**66**	–
		30,289	29,903
Current assets			
Prepayments		**153**	149
Amount due from a subsidiary		**8,433**	8,433
Cash and cash equivalents		**55**	141
		8,641	8,723
Current liabilities			
Other payables		**(1,127)**	(826)
Lease liabilities		**(171)**	–
Amount due to a subsidiary		**(7,198)**	(7,198)
Amount due to a shareholder		**(661)**	(4,702)
Amount due to a former shareholder		**(6,012)**	–
Amount due to a director		**(1,846)**	–
		(17,015)	(12,726)
Net current liabilities		**(8,374)**	(4,003)
Total assets less current liabilities		**21,915**	25,900
Non-current liabilities			
Lease liabilities		**(150)**	–
NET ASSETS		**21,765**	25,900
EQUITY			
Equity attributable to owners of the Company			
Share capital	26(a)	**3,600**	3,600
Reserve	31(a)	**18,165**	22,300
TOTAL EQUITY		**21,765**	25,900

31. THE COMPANY'S STATEMENT OF FINANCIAL POSITION *(Continued)*

Notes: *(Continued)*

(a) Details of changes in the Company's individual components of reserves between the beginning and the end of the reporting period are set out below:

	Share premium (note 26(b)) RMB'000	Capital reserve (note 26(c)) RMB'000	Share-based payment reserve (note 26(e)) RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2020	20,900	29,903	1,533	(26,875)	25,461
Loss and total comprehensive loss for the year	–	–	–	(3,561)	(3,561)
Equity-settled share-based payments	–	–	400	–	400
As at 31 December 2020 and 1 January 2021	**20,900**	**29,903**	**1,933**	**(30,436)**	**22,300**
Loss and total comprehensive loss for the year	–	–	–	(4,202)	(4,202)
Equity-settled share-based payments	–	–	67	–	67
Lapse of share-based payment services	–	–	(2,000)	2,000	–
As at 31 December 2021	**20,900**	**29,903**	**–**	**(32,638)**	**18,165**

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

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

HKFRS 17	Insurance Contracts and the related Amendments[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
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]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[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 Effective for annual periods beginning on or after a date to be determined

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

33. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors of the Company on 21 March 2022.

Financial Summary

	For the year ended 31 December				
	2017 RMB'000 (restated)	2018 RMB'000 (restated)	2019 RMB'000 (restated)	2020 RMB'000	**2021** **RMB'000**
Results					
Revenue	68,188	74,584	80,269	97,608	**78,624**
Cost of sales	(43,594)	(50,923)	(49,180)	(65,121)	**(57,602)**
Gross profit	24,594	23,661	31,089	32,487	**21,022**
Other revenue	1,918	496	271	274	**304**
Other net gain/(loss)	(916)	580	310	(1,182)	**(327)**
Fair value gain on investment property	–	–	–	–	**100**
Impairment losses on contract assets, and trade and other receivables	(118)	(555)	(1,052)	(1,512)	**(659)**
Selling and distribution costs	(6,661)	(5,614)	(5,012)	(4,166)	**(4,336)**
Listing expenses	(1,343)	–	–	–	**–**
Administrative expenses	(12,409)	(13,497)	(17,745)	(15,839)	**(14,864)**
Profit from operations	5,065	5,071	7,861	10,062	**1,240**
Finance cots	(1,122)	(1,073)	(645)	(306)	**(294)**
Profit before taxation	3,943	3,998	7,216	9,756	**946**
Income tax	(3,260)	(2,528)	(3,742)	(4,207)	**(2,989)**
Profit/(loss) and total comprehensive income/(loss) for the year	683	1,470	3,474	5,549	**(2,043)**
Profit/(loss) for the year attributable to:					
Owners of the Company	683	1,470	3,474	5,549	**(2,043)**
Non-controlling interest	–	–	–	–	**–**
	683	1,470	3,474	5,549	**(2,043)**

	As at 31 December				
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	**2021** **RMB'000**
Total assets	90,603	92,280	81,555	97,642	**110,579**
Total liabilities	(43,206)	(43,013)	(28,414)	(38,552)	**(42,333)**
	47,397	49,267	53,141	59,090	**68,246**