



SoftMedx Healthcare Limited

京玖醫療健康有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 648)



ANNUAL REPORT
2021

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director

CHEUNG Wai Kwan
WANG Jianguo

Independent Non-executive Directors

HU Xuezheng
LIN Pinzhao *(appointed on 2 February 2023)*
YIU Chun Wing *(appointed on 20 December 2022)*

AUDIT COMMITTEE

HU Xuezheng *(Chairperson)*
LIN Pinzhao
YIU Chun Wing

NOMINATION COMMITTEE

HU Xuezheng *(Chairperson)*
LIN Pinzhao
YIU Chun Wing

REMUNERATION COMMITTEE

HU Xuezheng *(Chairperson)*
LIN Pinzhao
YIU Chun Wing

RISK MANAGEMENT COMMITTEE

YIU Chun Wing *(Chairperson)*
LIN Pinzhao
WANG Jianguo

COMPANY SECRETARY

LAM Sung Him, Gaston

STOCK CODE

648

REGISTERED OFFICE

Level 38, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

SHARE REGISTRAR

Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hong Kong and Shanghai Bank Corporation Limited

INDEPENDENT AUDITORS

CL Partners CPA Limited
Certified Public Accountants

WEBSITE ADDRESS

www.648.com.hk

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL RESULTS

SoftMedx Healthcare Limited (the “Company”, together with its subsidiaries, the “Group”) is principally engaged in medical and well-being business. For the year ended 31 December 2021, the Group recorded revenue of HK\$1.7 million (2020: HK\$1.7 million), gross profit of HK\$0.8 million (2020: HK\$5.2 million) and gross profit margin of 46.5% (2020: 54.3%). The consolidated loss and consolidated loss attributable to the owners of the Company amounted to HK\$24.7 million (2020: HK\$52.5 million) and HK\$26.3 million (2020: HK\$50.8 million) respectively.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2021, the Group’s total assets and net liabilities amounted to HK\$19.1 million (2020: HK\$27.3 million) and HK\$324.9 million (2020: HK\$316.3 million) respectively. Its cash and bank balances amounted to HK\$3.7 million (2020: HK\$1.1 million) and liquidity ratio (calculated based on the Group’s total assets to total liabilities) was 0.06 (2020: 0.08). The Group’s total borrowings amounted to HK\$272.0 million (2020: HK\$253.7 million), including borrowings of HK\$217.1 million (2020: HK\$201.6 million) and bond payable of HK\$54.9 million (2020: HK\$52.0 million). During the year ended 31 December 2021, the Group’s net cash outflow from operating activities amounted to HK\$6.6 million (2020: HK\$9.9 million), net cash outflow from investing activities amounted to HK\$0.7 million (2020: inflow HK\$0.3 million) and net cash inflow from financing activities amounted to HK\$9.9 million (2020: HK\$7.3 million). As a result, the Group recorded a net cash inflow of HK\$2.6 million (2020: outflow HK\$2.3 million).

As at 31 December 2021, the total number of issued shares and the issued share capital of the Company were 326,036,828 (2020: 326,036,828) and HK\$3,030,660,000 (2020: HK\$3,030,660,000) respectively.

FUND RAISING ACTIVITIES

The Group did not conduct any equity fund raising activities during the year ended 31 December 2021.

CAPITAL COMMITMENT

There was no significant capital commitment of the Group outstanding as at 31 December 2021.

SIGNIFICANT INVESTMENT AND MATERIAL ACQUISITION AND DISPOSAL

There was no significant investment and material acquisition and disposal during the year ended 31 December 2021.

CHARGE ON ASSETS OF THE GROUP

No material asset of the Group had been pledged as at 31 December 2021.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors knowledge that the Group is exposed to certain risks that could impact the Group and the industries in which the Group operates. As such, the Group has established risk management policies to ensure that significant risks which may adversely affect the Group are identified, reported, monitored and measured on a continuous basis. The followings are the principal risks which the Directors consider significant to the Group and may adversely or materially affect the businesses, financial conditions and operation of the Group for the year ended 31 December 2021.

COVID-19 Pandemic

The World Health Organisation declared the COVID-19 a global health emergency in January 2020. The implementation of the various restrictive measures in different countries to contain the pandemic may directly or indirectly affect the operating results and liquidity position of the Group. The Directors will continue to assess the impact of the pandemic on the Group’s businesses.

MANAGEMENT DISCUSSION AND ANALYSIS

Competition

The businesses that the Group operate are highly competitive and challenging, including price competition, customer preferences and products/services offerings from competitors. If the Group cannot respond to the market conditions and implement appropriate strategies, it would affect the financial performance, the consumers' demand of the Group's products and services and even the reputation of the Group.

Credit Risk

The Group has a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults of counter-parties. In order to minimise the credit risk of trade receivables, the management of the Group will monitor the Group's exposure to credit risk on an ongoing basis and periodically reviews the customers' settlement patterns.

Exchange Rate Risk

The Group's cash flow from operations is mainly denominated in Hong Kong dollars. Its assets are mostly denominated in Hong Kong dollars, and liabilities are mainly denominated in Japanese Yen and Hong Kong dollars. The Group currently does not have a foreign currency hedging policy but will monitor the foreign exchange exposure closely and consider hedging if there is significant foreign currency exposure.

Interest Rate Risk

The Group's interest-bearing borrowings are exposed to interest rate risk. The Group currently does not have an interest rate hedging policy. However, the Group monitors interest rate fluctuations and will consider hedging strategies should the interest rate exposure becomes significant.

CORPORATE DEVELOPMENT AND FUTURE PROSPECTS

Since 27 November 2017, trading in the shares of the Company has been suspended under the direction of the Securities and Futures Commission ("SFC"). Trading in the shares of the Company remains suspended pending fulfilment of the resumption conditions imposed by The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The Company has been taking active steps to address the concerns of the SFC and the Stock Exchange. Despite the Company's very limited resources resulted from the long suspension of trading and heavy indebtedness as well as the disruptive impact of the COVID-19 pandemic on the business activities including those of the Group, the Company has been continuously exploring business opportunities to enhance long term shareholders' value. The Company, as a natural extension of its medical and well-being business segment and leveraging on its resources and business connections, has commenced the business of distribution of medical equipment and products in 2021. Notwithstanding the challenges arising from the Sino-United States trade conflict, the war in Ukraine, the disruptive changes in the business environment and disruption of supply chains in the midst of the COVID-19 pandemic as well as the worldwide interest and inflation hikes, the business progressed well in 2022. With the gradual opening up of the global, Hong Kong and China economy, the Group is confident that the business will further thrive in 2023 and beyond. Looking ahead, the challenges arising from the above adverse factors will continue to take a hit on the global economy and may inevitably affect the Group's business operations. But the Company is confident that it will be able to survive all these challenges with the support of its stakeholders and its businesses will improve steadily with good prospects. While adopting the newly established policies in ensuring disciplined execution of prudent financial, liquidity and cash flow management, the Company will continue to seek new business opportunities with a view to achieving earning growth and enhancing the long term value of all of its stakeholders.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Cheung Wai Kwan

(Executive Director)

Mr. Cheung, aged 60, has more than 20 years of management experience in manufacturing and distribution of resources, healthcare and related products and has maintained an extensive business network in Asia, particularly Japan and China. Mr. Cheung holds a bachelor's degree in business management and a master's degree in business administration from Asia University, Japan. Mr. Cheung was appointed as an executive Director in 2014.

Mr. Wang Jianguo

(Executive Director)

Mr. Wang, aged 58, is a qualified lawyer in China and, prior to joining the Group, was a practising lawyer at a law firm in China where his legal practice was mainly in the medical sector in China. Mr. Wang was awarded an Advanced Lawyer in Anhui Province. Mr. Wang holds an executive master's degree in business administration from Nanjing University, China. Mr. Wang was appointed as an executive Director in 2011.

Ms. Hu Xuezhen

(Independent Non-executive Director)

Ms. Hu, aged 56, is the chairman and founder of companies engaged in education and manufacturing of household products in China. Ms. Hu has extensive experience in corporate management and business development. Ms. Hu was appointed as an independent non-executive Director in 2014.

Mr. Lin Pinzhuo

(Independent Non-executive Director)

Mr. Lin, aged 57, has 30 years of experience in product commercialization, production, business development and marketing. He has held management positions in a number of telecommunications and technology companies in China. Mr. Lin graduated from Shenzhen University with specialization in electronics and computer science. Mr. Lin was appointed as an independent non-executive Director in February 2023.

Mr. Yiu Chun Wing

(Independent Non-executive Director)

Mr. Yiu, aged 40, has 18 years of experience in the areas of audit, financial management and reporting and corporate governance. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Yiu had years of audit experience at a number of accounting firms and is currently the company secretary of a telecommunications company in China. Mr. Yiu holds a bachelor's degree of business administration in accounting from The Hong Kong University of Science and Technology. Mr. Yiu was appointed as an independent non-executive Director in 2022.

REPORT OF THE DIRECTORS

The Directors submit this report together with the audited consolidated financial statements of the Group for the year ended 31 December 2021.

GENERAL INFORMATION

The Company is incorporated in Hong Kong and has its registered office situated at Level 38, Infinitus Plaza, 199 Des Voeux Road Central, Sheung Wan, Hong Kong.

PRINCIPAL ACTIVITIES AND SEGMENTAL INFORMATION

The principal activity of the Company is investment holding and the principal activities of its principal subsidiaries are set out in the note to the consolidated financial statements.

An analysis of the Group's revenue and results by reportable segments and geographical locations during the financial year are set out in the note to the consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2021 and the state of the Group's (including the Company's) affairs as at that date are set out in the consolidated financial statements of this report.

RESERVES

As at 31 December 2021, the Company did not have any reserves available for distribution (2020: Nil). Movements in the reserves of the Group are set out in this report and in the note to the consolidated financial statements.

FIVE YEARS SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out in this report.

BUSINESS REVIEW AND PERFORMANCE

Review of the businesses of the Group and discussion and analysis of the Group's performance, financial position and outlook are provided in the section headed "Management and Discussion Analysis". These statements therein form parts of this section.

MAJOR CUSTOMERS AND SUPPLIERS

The largest and five largest customers by legal entity are attributable to 24.0% and 70.0% of the Group's revenue respectively, and the largest supplier and five largest suppliers by legal entity are attributable to 81.0% and 99.0% of its purchases respectively. At no time during the year had the Directors, their associates or any shareholder of the Company (whom to the knowledge of the Directors owning more than 5% of the shares) held any beneficial interest in these major customers and suppliers.

DIVIDEND POLICY AND DIVIDENDS

The Company has adopted a dividend policy which allows it to distribute dividends to shareholders by way of cash or shares. Any distribution of dividends shall be in accordance with the articles of association of the Company and the distribution shall be targeted to achieve continuity, stability and sustainability. Recommendation of the payment of any dividend is subject to the discretion of the Board, and any declaration of final dividend will be subject to the approval of the shareholders of the Company. In proposing any dividend payout, the Board shall also take into account, inter alia, the earnings per share, the reasonable return to the shareholders in order to provide incentives for them to support the long term development of the Group, the financial conditions and business plan of the Group, and the market sentiment and circumstances. The Company reviews the dividend policy from time to time and there is no assurance that a dividend will be proposed or declared in any specific period. The Board does not recommend payment of any dividend for the year ended 31 December 2021 (2020: Nil).

DONATIONS

The Group did not make any charitable contribution (2020: Nil) during the year ended 31 December 2021.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year ended 31 December 2021 are set out in the note to the consolidated financial statements.

BORROWINGS

Particulars of the Group's borrowings as at 31 December 2021 are set out in the notes to the consolidated financial statements.

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are set out in the note to the consolidated financial statements.

DIRECTORS

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

Executive Directors:

Mr. Chan Ka Chung
Mr. Cheung Wai Kwan
Mr. Wang Jianguo

Independent Non-executive Directors:

Ms. Hu Xuezheng	
Mr. Lin Pinzhuo	<i>(appointed on 2 February 2023)</i>
Mr. Yiu Chun Wing	<i>(appointed on 20 December 2022)</i>
Mr. Chan Yee Ping, Michael	<i>(resigned on 31 May 2022)</i>
Mr. Lam Chun Ho	<i>(resigned on 30 April 2021)</i>
Mr. Tsang Hung Kei	<i>(resigned on 31 January 2021)</i>

All Directors (including independent non-executive Directors) are subject to retirement and rotation at the annual general meeting pursuant to the Company's articles of association. In accordance with the articles of association of the Company, Mr. Lin Pinzhuo and Mr. Yiu Chun Wing shall retire from the Board by rotation at the forthcoming annual general meeting. Mr. Lin and Mr. Yiu are eligible and have offered themselves for re-election.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each independent non-executive Director has confirmed his/her independence pursuant to The Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). The Board considers all the independent non-executive Directors being independent.

BIOGRAPHICAL DETAILS OF DIRECTORS

The biographical details of the directors are set out in this report.

DIRECTORS' EMOLUMENT

The remuneration of the executive Directors and non-executive Directors is director's fee which is discussed by the remuneration committee of the Board with reference to the contribution, commitment and responsibilities of such Directors to the Group as well as the prevailing market conditions. Details of the Directors' emoluments for the year ended 31 December 2021 are shown in the note to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

There is no service contract with any Director (including those proposed for re-election at the forthcoming annual general meeting) which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTEREST IN CONTRACT

No contract, commitment or agreement of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, either directly or indirectly, subsisted as at 31 December 2021 or during the year ended 31 December 2021.

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

As at 31 December 2021, none of the directors and chief executive of the Company, save for the 9,953,052 shares held by Mr. Chan Ka Chung, has any interest and short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) that were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have taken under such provisions of the SFO), or were recorded pursuant to Section 352 of the SFO, or were otherwise notified to the Company and the Stock Exchange pursuant to the Listing Rules.

REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or the chief executive of the Company or any of their respective associates, including spouses or children under eighteen years of age, to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE OPTION SCHEME

The Company's share option scheme was adopted pursuant to a resolution passed on 12 June 2014. The share option scheme has a term of 10 years and is for the purpose of providing incentives to eligible participants for their contribution to the growth of the Group. Under the share option scheme, the Board may grant options to eligible participants to subscribe for shares in the Company. The exercise price is determined by the Board and will not be less than higher of (i) the closing price of the shares on the grant date; (ii) the average closing price of the shares for the five business days immediately preceding the grant date. The total number of shares issued and to be issued upon exercise of the options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the total number of shares in issue. Any further grant of share option in excess of such limit must be separately approved by the shareholders of the Company in a general meeting. No share option was granted during the year and the Company had no outstanding share option outstanding as at 31 December 2021.

SHARE AWARD SCHEME

The Company adopted the share award scheme on 19 June 2015. The scheme has a term of 10 years and is for recognising contributions of the eligible participants and attracting and retaining them for the continual development of the Group. The share award may be satisfied by (a) issuance of new shares, in which case the issue price of the award shares is determined by the Board at its absolute discretion at the time of grant and shall at least be the higher of (i) the closing price of the shares on the grant date; or (ii) the average closing price of the shares for the five trading days immediately preceding the grant date; and (b) acquiring existing shares from the market, in which case the purchase price will be based on the market value of the shares on the date of acquisition. The Board may at its absolute discretion select and grant share award to eligible participant and determine the terms, composition and conditions of the award. The scheme has neither specified the maximum number of securities of the Company that it may hold, the minimum vesting period nor maximum entitlement of each eligible participant. No amount is payable by the eligible participant upon acceptance of the award. The Company did not grant any share award to any person during the year, and there were 20,452,570 Shares held under the scheme.

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

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of associations or the laws in Hong Kong which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2021, so far as being known to the Directors, there was no person (other than a Director or the chief executive of the Company) who had interests or short position in the shares or underlying shares of the Company which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or which would be required to be recorded in the register required to be kept under Section 336 of the SFO, or who is interested in 5% or more of any class of share capital carrying rights to vote at the general meetings of the Company.

COMPETING INTEREST

None of the directors or substantial shareholders of the Company or their respective associates (as defined in the Listing Rules) had engaged in any business that would compete with the businesses of the Group or had any other conflict of interests with the Group for the year ended 31 December 2021.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2021 are set out in the note to the consolidated financial statements and none of them constituted any connected or continuing connected transaction of the Company pursuant to the Listing Rules.

MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2021.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the total number of employees of the Group was 8. The Group remunerates its employees based on their performance, working experience and the prevailing market rate. Details of the Group's retirement benefits scheme for the year ended 31 December 2021 are set out in the note to the consolidated financial statements.

AUDIT COMMITTEE

The audit committee of the Board has been established with written terms of reference in compliance with the Listing Rules. The audit committee's primary duties include reviewing the annual, interim and quarterly financial reports of the Company and providing advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures. The audit committee currently comprises all of independent non-executive Directors. The audit committee has reviewed the accounting principles and practices adopted by the Group and the consolidated financial statements for the year ended 31 December 2021 and discussed auditing, internal control and financial reporting matters with the Group's auditors. There was no disagreement between the auditors and the audit committee in respect of the accounting policies adopted by the Group.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Board considers good corporate governance a key element in managing the businesses and affairs of the Group. The management of the Group periodically reviews and proposes amendments to its corporate governance practices for compliance with the Corporate Governance Code in Appendix 14 of the Listing Rules. Details of the Group's corporate governance practices are set out in the Corporate Governance Report in this report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group recognises the importance of compliance with legal and regulatory requirements and the risk of non-compliance with such requirements. The Group conducts on-going reviews of newly enacted/revised laws and regulations affecting its operations. The Company is not aware of any non-compliance in any material respect with the relevant laws and regulations that have a significant impact on the business and operation of the Group for the year ended 31 December 2021.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

AUDITORS

In 2022, HLB Hodgson Impey Cheng Limited resigned as auditors of the Company. Asian Alliance (HK) CPA Limited was appointed and resigned thereafter. In February 2023, CL Partners CPA Limited was appointed by the Company to fill the casual vacancy so arising. A resolution for reappointment of CL Partners CPA Limited as auditors of the Company will be proposed at the forthcoming annual general meeting.

By order of the Board

Cheung Wai Kwan
Executive Director

Hong Kong, 19 May 2023

CORPORATE GOVERNANCE REPORT

COPORATE GOVERNANCE

The Company is committed to achieving and maintaining a high standard of corporate governance. The Board believes that high corporate governance standards are key to safeguard the interest of shareholders, enhance corporate value through formulating business strategies and policies, and increase transparency and accountability. The Company's corporate governance practices are based on the principles and the code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules. During the year ended 31 December 2021, the Company has complied with the code provisions except for none of the existing non-executive directors being appointed for a specific term. However, since all the non-executive directors of the Company are subject to retirement by rotation at the annual general meetings pursuant to the articles of association of the Company, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those set out in the code.

BOARD OF DIRECTORS

Responsibilities, Accountabilities and Contribution

The Board assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company through directing and supervising its affairs. The Board leads and supervises the management of the Company and is responsible for making decisions on major matters relating to policy, strategies, risk management, material transactions, financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementation of the decisions of the Board, execution of the daily operations and management of the Company are delegated to the management of the Company. The Board currently comprises five Directors, who have diversified skills and experience in business, legal, financial, accounting and management. During the year, the Directors have brought a variety and valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

Roles of Chairperson and Chief Executive

To ensure a balance of power and authority, a clear division of the responsibilities of the chairperson of the Board and the chief executive has been set out such that the chairperson provides leadership and governance to the Board and is responsible for the effective functioning of the Board, whilst the chief executive is responsible for leading the management in the day-to-day operation of the Group's business and implementation of the strategies and policies approved by the Board. During the year, the office of the chief executive was vacated. The Board will continue to identify a suitable candidate with suitable knowledge, skills and experience.

Board Diversity

The Company has adopted a board diversity policy which complies with the provisions of the Corporate Governance Code, under which the nomination committee is delegated with the responsibility to review, assess and recommend any appointment, re-election or any succession plan of any Director to the Board after considering factors including but not limited to cultural and educational background, professional experience, skills and knowledge and length of service to accommodate the Company's business development and specific needs.

Appointment and Re-election

Pursuant to the articles of association of the Company, each Director is subject to retirement by rotation once for every three years at the annual general meetings of the Company and shall then be eligible for re-election. A retiring Director shall retain office until the conclusion at the annual general meeting at which he/she is due to retire. All Directors appointed to fill casual vacancies shall hold office only until the next annual general meeting and shall then be eligible for re-election at the meeting.

Continuing Professional Development

The Board recognises the importance of continuing professional development and knowledge enhancement of the Directors to ensure that their contribution to the Board remains informed and relevant. During 2021, the Directors had read material (e.g. newspaper and journals) and attended training courses on topics relating to the markets and regulatory matters. In addition, the Company arranges a formal and comprehensive induction for any newly appointed Director prior to his/her appointment on director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Board Meetings

The Directors participated the Board meetings in person or through electronic means of communication. All Directors have access to the relevant materials and are provided with adequate information which enables him/her to make informed decisions on the matters to be discussed and considered at Board meetings. During the year, four board meetings had been convened and all the Directors had attended.

BOARD COMMITTEES

The Board has established four committees, namely the audit committee, the remuneration committee, the nomination committee and the risk management committee, for overseeing different aspects of the Company's affairs. All of these Board committees have their terms of reference which define their authority and duties.

Audit Committee

The audit committee of the Board currently comprises three members, all being independent non-executive Directors. The chairperson is Mr. Yiu Chun Wing and the other members are Ms. Hu Xuezheng and Mr. Lin Pinzhao. The audit committee's primary duties include making recommendations to the Board in relation to the appointment, re-appointment and removal of external auditors, reviewing the Group's annual and interim financial statements, reviewing the Group's financial information and reporting procedures, audit plans, accounting policies and practices. In discharging its responsibilities, the audit committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2022 prior to approval by the Board; discussed with the Company's auditors relating to the work performed and their findings; reviewed significant financial reporting judgments and accounting policies; reviewed and approved the terms of the audit engagement (including the fee). The audit committee has been provided with resources enabling them to discharge its duties. For the year ended 31 December 2021, two meetings had been convened and all the members had attended.

Remuneration Committee

The remuneration committee of the Board currently comprises three members, all being independent non-executive Directors. The chairperson is Ms. Hu Xuezheng and the other members are Mr. Lin Pinzhao and Mr. Yiu Chun Wing. The primary responsibilities of the remuneration committee include making recommendations to the Board on the remuneration policies and structures relating to the Directors and the senior management, as well as reviewing and making recommendations on matters relating to the Company's share option scheme, bonus structure, provident fund and other compensation-related issues with reference to factors such as size of the Group's operation, duties and responsibilities of the Directors and prevailing market condition. The remuneration committee has reviewed the emoluments of Directors and senior management and considered that they are fair and reasonable. The remuneration committee has been provided with resources enabling them to discharge its duties. For the year ended 31 December 2021, one meeting had been convened and all the members had attended.

Nomination Committee

The nomination committee of the Board currently comprises three members, all being independent non-executive Directors. The chairperson is Mr. Lin Pinzhao and the other members are Ms. Hu Xuezheng and Mr. Yiu Chun Wing. The nomination committee is responsible for establishing nomination policies, reviewing and recommending to the Board the required mix of skills and experiences the Board requires, assessing the effectiveness of the Board and its committees, the independence of the independent non-executive Directors, making recommendation to the Board on nomination and appointment of Director, reviewing Board's succession plan and reviewing the Board diversity policies and targets. In assessing the suitability of a candidate for Director, the nomination committee considers a number of factors including the candidate's skills, knowledge, expertise, experience and integrity, the impact of the proposed appointment on the composition, diversity and structure of the Board, and other perspectives appropriate to the Group's businesses and the Board. The nomination committee had reviewed the policies for the nomination and appointment of Directors, the Board's diversity policies and assessed the independence of the independent non-executive Directors. The nomination committee has been provided with resources enabling them to discharge its duties. For the year ended 31 December 2021, one meeting had been convened and all the members had attended.

Risk Management Committee

The risk management committee of the Board was established in April 2023 and comprises three members. The chairperson is Mr. Yiu Chun Wing and the other members are Ms. Lin Pinzhao and Mr. Wang Jianguo. The risk management committee is responsible for considering and monitoring risk exposure of the Group; determining the approach to risk governance; ensuring that the risks relevant to the Company are properly identified and overseeing the adequacy and effectiveness of the risk management and internal control system.

CORPORATE GOVERNANCE REPORT

Company Secretary

The Company Secretary of the Company is responsible for advising the Board on governance matters. All Directors have access to the advice and services of the Company Secretary to ensure that board procedures, applicable laws, rules and regulations are followed. The Company Secretary is appointed by the Board. Mr. Lam Sung Him, Gaston is the Company Secretary and has taken no less than 15 hours of relevant training during the year.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the required standards under the Listing Rules as its own code of conduct regarding securities transactions by the Directors. All the Directors have confirmed that they had complied with the required standards during the year ended 31 December 2021.

FINANCIAL REPORTING

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group in accordance with Hong Kong Accounting Standards and the disclosure requirements of the Listing Rules. In preparing the consolidated financial statements for the year ended 31 December 2021, the Board has adopted suitable accounting policies in accordance with Hong Kong accounting principles and applied them consistently. The judgements and estimates made were also prudent, fair and reasonable. A statement by the auditor of the Company about its responsibility for the consolidated financial statements is set out in the Independent Auditor's Report contained in this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is committed to the maintenance of sound and effective risk management systems of the Group and has established the risk management committee to oversee the effectiveness of the Group's risk management and internal control to ensure that effective risk management in its operation, financial reporting and compliance with applicable laws and regulations. The Board is aware that the Group's risk management and internal control systems are designed to manage but not to eliminate the risks of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The risk management committee is responsible for evaluating and determining the nature and extent of the risk which the Group can take in achieving the Company's strategic objectives, establishing and maintaining appropriate and effective risk management and internal control systems and setting up risk monitoring and review process for those risks that are considered to be significant. The Board considers that the risk management and internal control systems of the Group are effective and adequate.

AUDITORS' REMUNERATION

For the year ended 31 December 2021, CL Partners CPA Limited, the Company's external auditors, had not rendered any non-audit services and the fee (excluding disbursements) payable to CL Partners CPA Limited, was HK\$880,000.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

The Company has established channels to communicate with the shareholders and stakeholders of the Company, including (i) publication of interim and annual reports; (ii) the holding of the annual general meetings and extraordinary general meetings to provide a forum for shareholders of the Company to raise comments and exchange views with the Board; (iii) key information on the Group on the website of the Company; and (iv) the Company's share registrar in Hong Kong serving the shareholders on all share registration matters. The Company aims to provide its shareholders and potential investors with high standard of disclosure and financial transparency. During the year, the Company did not convene any general meeting.

CONSTITUTIONAL DOCUMENTS

There was no change in the Company's constitutional documents during the year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This Environmental, Social and Governance Report of the Group contains the environmental and social information for the year ended 31 December 2021 and is summarised as follows:

(A) ENVIRONMENTAL MATTERS

The Group's operation does not materially generate air pollutants, gas emission and regulated discharges. As such, the Air Pollution Control Ordinance and Water Pollution Control Ordinance as well as the related regulations are considered less relevant to the Group's operations. As a socially responsible corporation, the Company is committed to minimizing the adverse impact on and to prevent pollution to the environment and excessive consumption of natural resources.

Emissions and Wastes

The operation of the Group does not general any hazardous gases emission, and only the non-hazardous gas emission of carbon dioxide is generated indirectly from the use of electricity. The Group does not generate hazardous waste in its business operation and domestic waste (such as polluted water from employees' general hygiene usage, paper, packaging materials for goods sold and purchased) is the major non-hazardous waste which is generated at an insubstantial amount. The Group has policies and measures to minimize emissions and waste generation and the adverse impact on the environment and strives to be energy, water and other resources usage efficient. During the year, the Group is not aware of any non-compliance with the relevant laws and regulations that have a material impact on the Group in relation to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes. Although the Group does not produce much hazardous and non-hazardous emission, the Group is conscious of the effects its operations may have on the environment and strives to maximise energy efficiency and minimise waste to reduce the environmental impact of the Group's daily operations. The Group encourages the economic and efficient use of resources and has adopted the following measures to reduce the emission of greenhouse gas, generation of hazardous and non-hazardous wastes: (i) encourage the practice of recycling used papers and double-sided printing in workplace and utilizing recycled packaging and products; (ii) promote paperless office by disseminating general office documents through electronic means and saving information in electronic format where possible; (iii) reduce unnecessary business trips and promote the use of information technology such as video conference; (iv) utilize efficient energy bulbs and adjust the temperature of the office premises appropriately and switch equipment to energy-saving mode; and (v) encourage electricity, water and paper saving habits.

Minimising the Impact on Environment and Natural Resources

The major source of the Group's energy consumption is electricity. As mentioned above, the Group has adopted measures to minimize energy consumption where possible. The Group does not consume significant water in its business activities and its water usage is mainly for general hygiene usage. The Group is committed to conserving resources in order to reduce its impact on the environment as well as saving operational costs. As discussed above, the Group's operations do not generate much environmental hazards nor utilise much natural resources. Since the Group is not an industrial producer, its operations mostly involve the discharge of general domestic non-hazardous waste used by employees such as water, paper and packaging materials which are removed by general waste collectors. As the amounts of these are relatively immaterial, the Group considers it will not result in any significant pollution to air, water or land nor any breach of relevant environmental laws and regulations in Hong Kong including the Air Pollution Control Ordinance, Waste Disposal Ordinance and Water Pollution Control Ordinance. The Group will continue to actively promote energy efficiency, conservation and environmental awareness to its employees and stakeholders. Staff are required to pay attention to the use of air-conditioning and electricity, and implement practices such as turning off lights, air-conditioning and computers when not in use. The Group also encourages regular maintenance of its computers, printers, photocopiers and other common office equipment to minimise replacement.

Climate Change

The Group is aware that climate change can result in extreme conditions such as flooding, seasonal storms and severe rainfall. As Hong Kong's climate is sub-tropical, the significant climate-related issues the Group has identified are typhoons and heavy rainstorms which may hinder the travelling of the Group's employees commuting to office. The Group has procedures to approach typhoon signals and rainstorm warning to protect personal safety of the employees and the safety of the property of the Group. In addition, the Group has work-from-home arrangement to mitigate any adverse effects of any short term disruption of business operation as a result of extreme weather conditions.

(B) SOCIAL MATTERS

The Group strives to build mutually beneficial relationships with its stakeholders, including its employees, customers, suppliers, communities, as well as the public and government authorities. The Group has taken into account its business development goals, considerations and its responsibility to stakeholders.

Employment

The Group recognises that its continued success depends highly on the skills and commitment of its employees. The Group has been mindful and committed to maintaining a safe and equal working environment for its employees, providing development opportunities and promoting employees' health and well-being. The salaries of the employees are determined with reference to individual performance, work experience, qualification and current industry practices. The Group's recruitment and selection process is based on merit, essential and desirable criteria of the job nature and in line with the policy of equal opportunity. The Group also promotes fair competition and prohibits discrimination or harassment against any employee on his/her race, ethnicity, social class, nationality, religion, disability, gender, sexual orientation, marital status, age, membership in trade union, political party or any other status protected by law. In addition, child and forced labour are intolerable to the Group and all potential candidates shall provide identity documents for verification before employment. The employees of the Group are provided with open and fair workplaces to maintain their job satisfaction. During the year, the Group has been in compliance with the relevant employment ordinances and codes including but not limited to the Employment Ordinance, Employees' Compensation Ordinance, Minimum Wage Ordinance, Mandatory Provident Fund Schemes Ordinance, Occupational Safety and Health Ordinance, Family Status Discrimination Ordinance, Race Discrimination Ordinance, Sex Discrimination Ordinance and Disability Discrimination Ordinance.

Health and Safety

The health and well-being of employees are the most critical factors contributing to organisational success. The Group is dedicated to supporting employees by providing a safe workplace and encouraging a healthy work-life balance. In light of the COVID-19 pandemic, the Group aligns with government's disease prevention and control policies and regulations and performed precautionary measures to protect the health and safety of its employees. At the same time, the Group has introduced a series of employee health protection measures such as providing anti-pandemic items, arranging flexible working hours, and frequently performing disinfection procedures in the working environment. During the year, the Group was not aware of any non-compliance with relevant laws and regulations relating to health and safety of workplace.

Development and Training

Improvement of employee's competency is key to the Group's development. The Group believes that cultivating its workforce and supporting employees' long-term career goals are integral to sustaining and strengthening its economic performance. The Group has been providing comprehensive on-the-job coaching programs and encourages its employees to attend outside seminars and training sessions to enrich their knowledge in discharging their duties.

Supply Chain Management

Reliable and quality suppliers are key to the Group's business. The Group selects its suppliers carefully and based on a number of selection criteria, including (i) ability to meet specification and standards; (ii) product and service quality; (iii) pricing of the products and services; (iv) quality control methods and practices, and reliable delivery method; and (v) past performance. During the year, the Group is not aware that the engagement of its suppliers will constitute major environment and social risks. The Group will continue to review and assess the suppliers' performance and qualification regularly.

Product/Service Responsibility

The Group regards services and product quality as the key competitive advantages of its business. All of the Group's service personnel are provided with comprehensive training to ensure they clearly understand the products to ensure that the Group's customers are provided with quality products and services and their satisfaction is kept at a high level. During the course of its business operation, the Group receives a substantial amount of confidential information including the privacy data of its clients and the commercial information of its suppliers. The Group fully understands its obligation to keep this type of information confidential. The Group fully complies with the Personal Data (Privacy) Ordinance and other statutory requirements in privacy law. The Group's customers are assured of high level of data privacy regarding personal information. Employees are prohibited from accessing information without approval and from leaking private and confidential information to third parties. The Group's employees are required to handle and use customer information privately and confidentially.

Anti-corruption

The Company is committed to adhering to the highest possible ethical standards and maintaining a corporate culture of integrity and fairness by preventing, detecting and reporting all types of corrupted and fraudulent practices (such as bribes, kickbacks, favouritisms, money-laundering, etc.) and is committed to complying with the laws and regulations in relation to the prevention of bribery which includes Prevention of Bribery Ordinance and Anti-Money Laundering and Counter Terrorist Financing. The Group encourages its employees to discharge their duties and conduct themselves in compliance with laws and regulations and to do so with integrity and honesty. During the year, the Group did not identify any non-compliance or legal cases in relation to corruption, fraud, money laundering and bribery. The Group has a Whistleblowing Policy to encourage and assist whistleblowers to disclose information relevant to misconduct, malpractices or irregularities through a confidential reporting channel without the fear of recrimination. Suspected misconduct cases will be referred to the Risk Management Committee, which will review the cases and determine the appropriate mode of investigation and any subsequent corrective action. All reported cases will be handled by the Company with care and the concerns will be investigated in a fair and proper manner.

Community

The Group strives to be a socially responsible corporate citizen making contributions to the general communities. The Group supports the employees to provide voluntary services and to participate in charity works as means to contribute to the community in which it operates. During the year, the Group did not make any donation to charity.

INDEPENDENT AUDITOR'S REPORT

To the members of SoftMedx Healthcare Limited

(Incorporated in Hong Kong with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of SoftMedx Healthcare Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR DISCLAIMER OF OPINION

Limitation of scope on accounting books and records of subsidiaries which had been liquidated

As explained in note 3 to the consolidated financial statements, the directors advised that certain subsidiaries under the medical and well-being business ("Liquidated subsidiaries") were liquidated in 2021 and the Company only has the basic business records ("Basic Records") of the Liquidated subsidiaries such as management accounts available which were not considered sufficient for our audit purposes. More specific business records and supporting documents were needed for our audit, including but not limited to, (i) supporting documents of business transactions, such as invoices, receipts and purchase orders; and (ii) detailed explanation of the accounting entries made (collectively, the "Specific Records"). In the absence of the Specific Records of these companies following the liquidation, the directors considered that they had no other access to such Specific Records despite they have taken all reasonable steps and used their best endeavor to locate such Specific Records.

As a result of the above matters, we have not been able to obtain sufficient appropriate audit evidence to ascertain whether the income and expenses, the assets and liabilities and other related disclosure notes in relation to the above-mentioned companies (including gain on liquidation of subsidiaries of HK\$7.9 million), as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements. Accordingly, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded transactions and the elements making up 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 ended 31 December 2021.

Limitation of scope on opening balances, comparative figures and related disclosures

As described in the preceding paragraphs, due to the absence of sufficient supporting documents and more detailed explanations in relation to the accounting records in connection to the opening balances and comparative information made available to the directors, we were unable to obtain sufficient appropriate audit evidence over the account balances as at 31 December 2020 and the transactions and notes to consolidated financial statements of the Group and Company for the year then ended. Any adjustments that might have been found necessary to the Group's consolidated statement of financial position as at 31 December 2020 and 1 January 2021 would have a consequential effect on the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2020.

Non-compliance with HKFRSs and omission of disclosures

As described in the preceding paragraphs, as the consolidated financial statements of the Group have been prepared based on incomplete books and records. Consequently, the directors of the Company were unable to confirm that the consolidated financial statements comply with Hong Kong Financial Reporting Standards ("HKFRSs") or the disclosure requirements of the Hong Kong Companies Ordinance. Given these circumstances, which are more fully described in the note 3 to the consolidated financial statements, there were no practicable audit procedures that we could perform to quantify the extent of adjustments that might be necessary in respect of the Group's consolidated financial statements.

MATERIAL UNCERTAINTY RELATING TO GOING CONCERN

We draw attention to note 3 the consolidated financial statements, the Group incurred a net loss attributable to owners of the Company of HK\$26.3 million for the year ended 31 December 2021, and as at 31 December 2021, the Group had net current liabilities and net liabilities of HK\$255.3 million and HK\$324.9 million respectively, which included borrowings of HK\$140.4 million that would be repayable within one year, while the Group's cash and cash equivalent balance was HK\$3.7 million. The Group did not have sufficient cash and cash equivalents for immediate settlement of borrowings as mentioned above. These factors, together with other matters disclosed on note 3, indicated the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. However, our opinion is not modified in respect of this matter.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

CL Partners CPA Limited
Certified Public Accountants

Chan Kin Wai
Practising Certificate Number: P07749

Hong Kong, 19 May 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Revenue	7	1,699	9,617
Cost of goods sold		<u>(909)</u>	<u>(4,392)</u>
Gross profit		790	5,225
Other income, gains and losses	8	8,725	2,210
Selling and distribution expenses		–	(967)
Administrative expenses		(21,837)	(36,441)
Gain on disposal of subsidiaries		–	647
Gain on liquidation of subsidiaries	32	7,949	–
Loss arising from change in fair value of financial assets at fair value through profit or loss (“FVTPL”)	18	(2,740)	–
Impairment of goodwill		–	(5,043)
Impairment loss on other receivables	21	(1,335)	–
Finance costs	9	<u>(16,269)</u>	<u>(18,101)</u>
Loss before income tax	10	(24,717)	(52,470)
Income tax	11	–	–
Loss and total comprehensive expense for the year		<u>(24,717)</u>	<u>(52,470)</u>
Loss and total comprehensive expense attributable to:			
Owners of the Company		(26,275)	(50,846)
Non-controlling interests		1,558	(1,624)
		<u>(24,717)</u>	<u>(52,470)</u>
Loss per share attributable to owners of the Company			
Basic and diluted	13	<u>HK(8.1) cents</u>	<u>HK(15.6) cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Property, plant and equipment	16	609	457
Right-of-use assets	17(a)	1,035	7,818
Financial assets at FVTPL	18	5,439	–
		7,083	8,275
Current assets			
Inventories	19	–	5,491
Trade receivables	20	1,665	157
Prepayments, other receivables and other assets	21	6,696	3,562
Financial assets at FVTPL	18	–	8,739
Bank balances and cash		3,671	1,073
		12,032	19,022
Current liabilities			
Trade payables	22	–	3,344
Other payables	23	70,913	72,663
Tax payable		102	–
Borrowings	24	140,425	118,534
Bonds payable	25	54,856	–
Lease liabilities	17(b)	1,076	8,029
		267,372	202,570
Net current liabilities		(255,340)	(183,548)
Total assets less current liabilities		(248,257)	(175,273)
Non-current liabilities			
Other payables	23	–	5,900
Borrowings	24	76,676	83,096
Bonds payable	25	–	52,034
		76,676	141,030
NET LIABILITIES		(324,933)	(316,303)
Capital and reserves			
Share capital	26	3,030,660	3,030,660
Reserves		(3,348,010)	(3,321,735)
Deficit attributable to owners of the Company		(317,350)	(291,075)
Non-controlling interests		(7,583)	(25,228)
Total deficit		(324,933)	(316,303)

The consolidated financial statements were approved and authorised for issue by the board of directors on 19 May 2023 and are signed on its behalf by:

Cheung Wai Kwan
Director

Wang Jianguo
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

Attributable to owners of the Company							
	Share capital HK\$'000 (Note 26)	Other Reserve* HK\$'000	Shares held for share award scheme* HK\$'000 (Note 28)	Accumulated losses* HK\$'000	Subtotal* HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
Balance as at 1 January 2021	3,030,660	1,273	(8,538)	(3,314,470)	(291,075)	(25,228)	(316,303)
(Loss)/profit for the year	-	-	-	(26,275)	(26,275)	1,558	(24,717)
Total comprehensive (expense)/income for the year	-	-	-	(26,275)	(26,275)	1,558	(24,717)
Liquidation of subsidiaries	-	(886)	-	886	-	16,087	16,087
Balance as at 31 December 2021	<u>3,030,660</u>	<u>387</u>	<u>(8,538)</u>	<u>(3,339,859)</u>	<u>(317,350)</u>	<u>(7,583)</u>	<u>(324,933)</u>

Attributable to owners of the Company									
	Share capital HK\$'000	Exchange reserve* HK\$'000	Other Reserve* HK\$'000	Shares held for share award scheme* HK\$'000	Investment Revaluation Reserve* HK\$'000	Accumulated losses* HK\$'000	Subtotal* HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
Balance as at 1 January 2020	3,030,660	85	(2,751)	(8,538)	(88,823)	(3,170,862)	(240,229)	(23,604)	(263,833)
Loss for the year	-	-	-	-	-	(50,846)	(50,846)	(1,624)	(52,470)
Total comprehensive expense for the year	-	-	-	-	-	(50,846)	(50,846)	(1,624)	(52,470)
Disposal of subsidiaries	-	(85)	4,024	-	88,823	(92,762)	-	-	-
Balance as at 31 December 2020	<u>3,030,660</u>	<u>-</u>	<u>1,273</u>	<u>(8,538)</u>	<u>-</u>	<u>(3,314,470)</u>	<u>(291,075)</u>	<u>(25,228)</u>	<u>(316,303)</u>

* The total of these accounts as at the reporting dates represents "Reserves" in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Cash flows from operating activities			
Loss before income tax		(24,717)	(52,470)
Adjustments for:			
Depreciation of property, plant and equipment	10	213	453
Depreciation of right-of-use assets	10	981	1,119
Gain on disposal of subsidiaries		–	(647)
Gain on liquidation of subsidiaries	32	(7,949)	–
Exchange gain		(8,405)	–
Impairment loss on goodwill		–	5,043
Impairment loss on other receivables	21	1,335	–
Written off of PPE		–	34
Loss arising from change in fair value of financial assets at FVTPL	18	2,740	–
Finance costs	9	16,269	18,101
Operating cash outflow before working capital changes		(19,533)	(28,367)
Decrease in inventories		–	1,748
Decrease in trade receivables		1,378	714
(Increase)/decrease in prepayments and other receivables		(5,723)	2,262
Decrease in trade payables		–	(2,332)
Increase in other payables and accruals		17,260	16,053
Net cash used in operating activities		(6,618)	(9,922)
Cash flows from investing activities			
Purchase of property, plant and equipment		(524)	–
COVID-19 related rent concession		–	311
Disposal of subsidiaries		–	(6)
Liquidation of subsidiaries		(734)	–
Disposal of financial assets at FVTPL		6,000	–
Investment in financial assets at FVTPL		(5,439)	–
Net cash (used in)/generated from investing activities		(697)	305
Cash flows from financing activities			
	35(b)		
Inceptions of loans		17,052	12,518
Repayment of loan		(6,109)	(3,717)
Capital element of lease rentals paid		(959)	(1,418)
Interest element of lease rentals paid		(71)	(48)
Net cash generated from/(used in) financing activities		9,913	7,335
Net increase/(decrease) in cash and cash equivalents		2,598	(2,282)
Cash and cash equivalents at the beginning of the year		1,073	3,355
Cash and cash equivalents at the end of the year		3,671	1,073

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office of the Company are set out in the section headed "Corporate Information" of the annual report. The Company acts as an investment holding company. The activities of the Company's principal subsidiaries are set out in Note 30.

The Group, comprising the Company and its subsidiaries, is principally engaged in the distribution of medical equipment and products.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

In the current year, the Group has applied following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKFRS 9, Hong Kong Accounting Standards ("HKAS") 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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

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

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKFRS 3	Reference to the conceptual framework ⁵
Amendments to HKFRS 16	Covid-19-related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, plant and equipment – Proceeds before intended use
Amendments to HKAS 37	Onerous Contracts – cost of fulfilling a contract ⁵
Annual to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ⁵

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

⁴ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after a date to be determined.

⁵ Effective for annual periods beginning on or after 1 January 2021.

³ Effective for annual periods beginning on or after 1 January 2024.

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

Amendments to HKFRS10 and HKAS 28

HKFRS 10 and HKAS 28 are amended to address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information. HKFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement. The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8, Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates

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

Amendments to HKAS 12, Income Taxes: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

3. BASIS OF PREPARATION

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with all HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

3.2 Basis of measurement and going concern assumption

These consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The consolidated financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated. These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and the Hong Kong Companies Ordinance. These consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

Suspension of trading in shares of the Company

Reference is made to the Company's announcement dated 27 November 2017 made at the request of Securities and Futures Commission ("SFC") under section 8(1) of the Securities and Futures (Stock Market Listing) Rules (Cap. 571V) to suspend trading in shares of the Company on the Stock Exchange with effect from 27 November 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Insufficient records for audit purpose

The Liquidated subsidiaries were liquidated in 2021 and the Company has retained only the Basic Records which were insufficient for audit purposes. Although all reasonable steps have been taken to locate such Specific Records, there was no access to such Specific Records. As a result, there were not sufficient and appropriate audit evidence to ascertain whether the income and expenses, the assets and liabilities and other related disclosure notes in relation to the above-mentioned companies included in the consolidated financial statements of the Group have been accurately recorded and properly accounted for in the consolidated financial statements. It is therefore unable to determine whether any adjustment might have been found necessary in respect of recorded or unrecorded transactions and the elements making up 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 ended 31 December 2021.

Going concern

The Group incurred a loss attributable to owners of the Company of approximately HK\$26,275,000 for the year ended 31 December 2021 and recorded net current liabilities of HK\$255,340,000 and net liabilities of HK\$324,933,000 as at 31 December 2021. In assessing the appropriateness of the use of the going concern in the preparation of these consolidated financial statements, the Board has given careful consideration to the Group's future liquidity and performance, debt restructuring and available sources of financing, including but not limited to the following:

- (a) The Company is exploring a scheme. The Directors assess that it is probable that the Company would obtain the necessary approvals, considering the Group's financial position published in its most recent audited consolidated financial statements;
- (b) The Group has in place a loan facility of HK\$8,000,000 to finance its operating costs and a loan facility of HK\$12 million to finance its business operation from a financier; and
- (c) The Group has been continuing to develop its medical and well-being business to improve its cashflow from operations.

The Directors are of the opinion that, taking into account the above-mentioned measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the date of approval for issue of these consolidated financial statements. Accordingly, they are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis. However, a material uncertainty exists relating to the above conditions exists and may cast significant doubt about the Group's ability to continue as a going concern.

3.3 Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollar ("HK\$"), which is the same as the functional currency of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and comprehensive income from dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Changes in the Group's interests in a subsidiary that do not result in a loss of control of the subsidiary are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for on the same basis as would be required if the relevant assets or liabilities were disposed of.

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When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (i) power over the investee, (ii) exposure, or rights, to variable returns from the investee, and (iii) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4.3 Property, plant and equipment

Property, plant and equipment including plants, machinery and equipment and leasehold improvements, are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

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 the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their costs net of estimated residual values over their estimated useful lives on straight-line method. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Leasehold improvements	20%–33.3% or over the shorter of the term of the lease
Furniture, fixtures and equipment	10%–33.3%
Motor vehicles	10%–33.3%
Computer equipment	10%–33.3%

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount. The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4.4 Government grant

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable and are recognised as other income, rather than reducing the related expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.5 Leases

The Group as a lessee

All leases are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of 12 months or less and do not contain purchases option. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset is initially recognised at cost and would comprise:

- (i) The amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability);
- (ii) Any lease payments made at or before the commencement date, less any lease incentives received;
- (iii) Any initial direct costs incurred by the lessee; and
- (iv) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-of-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

The following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments:

- (i) Fixed lease payments less any lease incentives receivable;
- (ii) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date;
- (iii) Amounts expected to be payable by the lessee under residual value guarantees;
- (iv) Exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- (v) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by:

- (i) Increasing the carrying amount to reflect interest on the lease liability;
- (ii) Reducing the carrying amount to reflect the lease payments made; and
- (iii) Remeasuring the carrying amount to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payments.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease, in all other cases, where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount. With the exception to which the practical expedient for COVID-19-Related Rent

Concessions applies, if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss.

The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date and the right-of-use asset is adjusted by the same amount.

4.6 Financial Instruments

(i) *Financial assets*

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL (as defined below), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("FVTOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Debt investments at FVTOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Fair value through profit or loss ("FVTPL"): Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVTOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVTOCI are measured at fair value. Dividend income is recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) *Impairment loss on financial assets*

The Group recognises loss allowances for expected credit loss ("ECL") on trade receivables and financial assets measured at amortised cost. The ECLs are measured on either of the following bases:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate. The Group measures loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. Trade receivables with significant balances and/or credit-impaired are assessed for ECLs individually. The Group calculates the lifetime ECLs on these receivables based on lifetime probability of default, loss given default and adjusted for forward-looking factors specific to the debtors and the economic environment. Lifetime ECLs for trade receivables which are not assessed individually are estimated by establishing a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the lifetime ECLs except when there has not been a significant increase in credit risk since initial recognition, in which case the allowance will be based on the 12-month ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group considers a financial asset to be credit-impaired when: (1) significant financial difficulty of the debtor; (2) a breach of contract, such as a default or being more than 90 days past due; (3) the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise; (4) it is probable that the debtor will enter bankruptcy or other financial reorganisation; or (5) the disappearance of an active market for security because of financial difficulties.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account except for debt instruments measured at FVTOCI, whose loss allowance shall be recognised in other comprehensive income. The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL. Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at FVTPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at FVTPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, bonds payable and borrowings, are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the accounting policy set out in 4.6(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

4.7 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first out method. Net realisable value represents 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.

4.8 Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added taxes or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance: (i) provides all of the benefits received and consumed simultaneously by the customer; (ii) creates or enhances an asset that the customer controls as the Group performs; or (iii) does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

Performance obligations for contracts with customers

For distribution of medical equipment and products to customers and sale of optical products and provision of eye-care services to customers, revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. Delivery occurs when the goods have been shipped to a customer's specific location. When a customer initially purchases the goods, the transaction price received by the Group is recognised as a contract liability until the goods have been delivered to the customer.

Transaction price allocated to the remaining performance obligation for contracts with customers

The distribution of medical equipment and products and the sale of optical products and provision of eye-care services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Contract liabilities

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contract costs

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;
- the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

The asset recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the cost relate. The asset is subject to impairment review.

4.9 Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and initial recognition of assets and liabilities that do not form part of the business combination that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that has been enacted or substantively enacted at the end of reporting period.

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

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4.10 Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which it/they operate(s) (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities’ separate financial statements on the translation of long-term monetary items forming part of the Group’s net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

4.11 Employee benefits

(i) Short term employee benefit

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plans

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group’s employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

Under the above scheme, retirement benefits of existing and retired employees are payable by the relevant scheme administrators and the Group has no further obligations beyond the annual contributions.

(iii) Termination benefits

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

4.12 Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

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

Value in use is based on the estimated future cash flows expected to be derived from the asset, 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 or cash generating unit.

4.13 Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.14 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

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, the existence of which 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.

4.15 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits and highly liquid investments with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their value, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

4.16 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 key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following condition 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 the employees of 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 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 Company'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 and include (i) that person's children and spouse or domestic partner; (ii) children of that person's spouse or domestic partner; and (iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results 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. Critical accounting judgements and key sources of estimation uncertainty are as follows:

(i) Income taxes

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provision are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

(ii) Useful lives and residual values of property, plant and equipment

The management of the Group determines the residual values, estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual residual value and useful lives of the property, plant and equipment of similar nature and functions. Management will change the depreciation charge where residual values and useful lives are different from the previous estimates. It will also write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(iii) Impairment of property, plant and equipment

In assessing impairment of property, plant and equipment, the Group's management uses all readily available information in determining an amount that is reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable information from similar comparable products in the market. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(iv) Provision for ECL on trade receivables

The Group uses a probability of default to assess ECLs for trade receivables with significant balances and/or credit-impaired individually. The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

For trade receivables which are not assessed individually, the Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for grouping of various customer segments that have similar loss patterns (e.g. by geography, product type, and customer type and rating, etc.). The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e. gross domestic products) are expected to deteriorate over the next year which can lead to an increase number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast in economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's default in the future. The information about ECLs on the Group's trade receivables and related credit risk is disclosed in notes 20 and 38(c), respectively.

(v) Fair value measurement

The fair value measurement of the Group's financial assets at FVTOCI and at FVTPL utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

(vi) ECLs on other receivables

The ECLs for financial assets including other receivables are based on assumptions about risk of default and expected credit loss rates. The Group adopts judgement in making these assumption and selecting inputs for computing such ECLs, broadly based on the available historical data, existing market conditions including forward looking estimates at the end of the reporting period.

6. SEGMENT REPORTING

The Group's reportable and operating segments under HKFRS 8 are based on the information reported to the executive Directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The management of the Company monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is measure of adjusted profit or loss before income tax. Since suspension in trading the shares of the Company, the management of the Company reviewed and made adjustment to its business portfolio and development plans as appropriate from time to time. During the year, the Group commenced the distribution of medical equipment and products business through service contracts. In accordance with the streamlined reportable segment and the way in which information is reported internally to the chief operating decision maker for the purpose of resource allocation and performance assessment, the Group has one (2020: one) reportable operating segment i.e. medical and well-being business for distribution of medical equipment and products. The adjusted profit or loss before income tax is measured consistently with the Group's profit or loss before income tax except that unallocated finance costs and corporate expenses are excluded from such measurement. Segment assets exclude unallocated head office and corporate assets that are managed on a group basis. Segment liabilities exclude borrowings, bonds payable and unallocated head office and corporate liabilities that are managed on a group basis.

(i) The following summary describes the operations in each of the Group's reportable segments:

For the year ended 31 December 2021

	Medical and well-being business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment revenue	1,699	1,699
Reportable segment results	652	652
Gain in liquidation of subsidiaries		7,949
Unallocated corporate expenses		(17,049)
Unallocated finance costs		(16,269)
Loss before taxation		(24,717)
Reportable segment assets	16,985	16,985
Unallocated assets		2,130
Total assets		19,115
Reportable segment liabilities	16,975	16,975
Unallocated liabilities		327,073
Total liabilities		344,048
Other information		
Capital expenditure	345	345
Unallocated capital expenditure		178
		523
Unallocated depreciation		1,129
Unallocated impairment loss of other receivables		1,335

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For the year ended 31 December 2020

	Medical and well-being business HK\$'000	Total HK\$'000
Reportable segment revenue	9,617	9,617
Reportable segment results	(7,351)	(7,351)
Unallocated corporate expenses		(27,018)
Unallocated finance costs		(18,101)
Loss before taxation		(52,470)
Reportable segment assets	15,952	15,952
Unallocated assets		11,345
Total assets		27,297
Reportable segment liabilities	28,535	28,535
Unallocated liabilities		315,065
Total liabilities		343,600
Other information		
Depreciation	81	81
Unallocated depreciation		372
		453
Unallocated impairment loss on goodwill		5,043

(ii) Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2021 HK\$'000	2020 HK\$'000
Income from distribution of medical equipment and products	1,699	–
Income from sale of optical products and provision of eye-care services	–	9,617
	1,699	9,617

(iii) Geographical information

The Group's operation is located in Hong Kong. The Group's revenue from external customers is all from Hong Kong and non-current assets are located in Hong Kong.

(iv) Information about major customers

In 2021, revenue from three customers of the Group's medical and well-being business amounted to approximately HK\$407,000, HK\$374,000 and HK\$211,000, which individually represents 10% or more of the Group's revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. REVENUE

An analysis of revenue as follows:

(i) Disaggregation of revenue from contracts with customers

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Types of goods or services		
Medical and well-being business:		
– Distribution of medical equipment and products	1,699	–
– Sale of optical products and provision of eye-care services	–	9,617
Total	1,699	9,617
Geographical market		
Hong Kong	1,699	9,617
Time of revenue recognition		
A point in time	1,699	9,617

(ii) Performance obligations for contracts with customers

For distribution of medical equipment and products and sale of optical products and provision of eye-care services to customers, revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. Delivery occurs when the goods have been shipped to a customer's specific location. When a customer initially purchases the goods, the transaction price received by the Group is recognised as a contract liability until the goods have been delivered to the customer.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The distribution of medical equipment and products and the sale of optical products and provision of eye-care services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

8. OTHER INCOME, GAINS AND LOSSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest income on bank balances	1	–
Government subsidies under COVID-19 (note)	–	392
Others	8,724	1,818
	8,725	2,210

Note: There were no unfulfilled conditions or other contingencies attaching to these subsidies. All government subsidies had been received for the year ended 31 December 2020. The Group did not benefit from other forms of government assistance.

9. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest expenses on:		
Bank and other borrowings	12,932	14,778
Bonds payable	3,266	3,306
Lease liabilities	71	17
	16,269	18,101

10. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Depreciation of property, plant and equipment (<i>Note 16</i>)	213	453
Depreciation of right-of-use assets (<i>Note 17(a)</i>)	981	1,119
	<u>1,194</u>	<u>1,572</u>
Auditors' remuneration	880	200
Cost of inventories recognised as expenses	909	4,392
Employee salaries and other benefits	15,279	22,695

11. INCOME TAX

The amount of income tax in the consolidated statement of profit or loss represents:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax	–	–

Hong Kong Profits Tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss before income tax	<u>(24,717)</u>	<u>(52,470)</u>
Tax calculated at the applicable tax rate of 16.5% (2020: 16.5%)	(4,078)	(8,658)
Tax effect of income not taxable for tax purpose	(2,727)	(454)
Tax effect of expenses not deductible for tax purposes	812	1,092
Effect of tax losses not recognised	5,993	8,020
Income tax	<u>–</u>	<u>–</u>

12. DIVIDENDS

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

13. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company	<u>(26,275)</u>	<u>(50,846)</u>
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>326,037</u>	<u>326,037</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

No diluted loss per Share for both 2021 and 2020 were presented as there was no potential ordinary share in issue for both 2021 and 2020.

14. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the Directors were as follows:

	Fees HK\$'000	Salaries, allowance and other benefits HK\$'000	Defined contribution scheme HK\$'000	Total HK\$'000
For the year ended 31 December 2021				
<i>Executive Directors</i>				
Mr. Chan Ka Chung	12,000	-	-	12,000
Mr. Cheung Wai Kwan	144	-	-	144
Mr. Wang Jianguo	360	-	-	360
<i>Independent non-executive Directors</i>				
Ms. Hu Xuezhen	120	-	-	120
Mr. Chan Yee Ping, Michael	120	-	-	120
Mr. Tsang Hung Kei (Resigned on 31 January 2021)	10	-	-	10
Mr. Lam Chun Ho (Resigned on 30 April 2021)	40	-	-	40
	<u>12,794</u>	<u>-</u>	<u>-</u>	<u>12,794</u>
For the year ended 31 December 2020				
<i>Executive Directors</i>				
Mr. Chan Ka Chung	12,000	-	-	12,000
Mr. Cheung Wai Kwan	144	-	-	144
Mr. Wang Jianguo	360	-	-	360
<i>Independent non-executive Directors</i>				
Mr. Chan Yee Ping, Michael	135	-	-	135
Ms. Hu Xuezhen	120	-	-	120
Mr. Lam Chun Ho	120	-	-	120
Mr. Tsang Hung Kei	120	-	-	120
	<u>12,999</u>	<u>-</u>	<u>-</u>	<u>12,999</u>

The executive directors' emoluments shown above were for their services as directors with executive roles of the Company and the Group. The independent non-executive directors' emoluments shown above were for their services as directors of the Company. No emolument has been paid to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office (2020: Nil).

15. THE FIVE HIGHEST PAID INDIVIDUALS

The five individuals with the highest emoluments in the Group, two (2020: two) was Director whose emolument is included in the disclosures in Note 14 above. The emoluments of the remaining three (2020: three) individuals were as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries and other emoluments	1,399	1,990
Defined contribution scheme	73	87
	<u>1,472</u>	<u>2,077</u>

The number of the highest paid non-Directors fell within the following emolument band:

	2021 Number of individuals	2020 Number of Individuals
Nil to HK\$1,000,000	<u>3</u>	<u>3</u>

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Furniture, Fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost					
At 1 January 2020	3,256	3,252	879	2,197	9,584
Disposed/written off	(716)	(39)	-	-	(755)
As at 31 December 2020 and 1 January 2021	2,540	3,213	879	2,197	8,829
Addition	470	54	-	-	524
Liquidation of subsidiaries	(2,540)	(2,347)	-	-	(4,887)
As at 31 December 2021	<u>470</u>	<u>920</u>	<u>879</u>	<u>2,197</u>	<u>4,466</u>
Accumulated depreciation and impairment					
At 1 January 2020	3,256	2,599	623	2,162	8,640
Depreciation provided for the year	-	199	219	35	453
Disposed/written off	(716)	(5)	-	-	(721)
As at 31 December 2020 and 1 January 2021	2,540	2,793	842	2,197	8,372
Depreciation provided for the year	57	119	37	-	213
Liquidation of subsidiaries	(2,540)	(2,188)	-	-	(4,728)
As at 31 December 2021	<u>57</u>	<u>724</u>	<u>879</u>	<u>2,197</u>	<u>3,857</u>
Carrying amount					
As at 31 December 2021	<u>413</u>	<u>196</u>	<u>-</u>	<u>-</u>	<u>609</u>
As at 31 December 2020	<u>-</u>	<u>420</u>	<u>37</u>	<u>-</u>	<u>457</u>

17. LEASES
The Group as a lessee

The Group has lease contracts for its office premises and warehouse used in its operations. The leases for the office premises have i) non-cancellable lease period of two years and ii) non-cancellable lease period of one year with one year renewal option, respectively.

(a) Right-of-use assets

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

	<i>HK\$'000</i>
At 1 January 2020	9,248
Addition	-
Depreciation	(1,119)
Rent concession under COVID-19	(311)
As at 31 December 2020 and 1 January 2021	<u>7,818</u>
Addition	1,911
Depreciation	(981)
Liquidation of subsidiaries	(7,713)
As at 31 December 2021	<u><u>1,035</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(b) Lease liabilities

The carrying amounts of the Group's lease liabilities and the movement during the year as follows:

	2021 HK\$'000	2020 HK\$'000
At 1 January	8,029	9,477
Commencement of new leases	1,911	–
Accretion of interest recognised during the year (Note 9)	71	17
Payments	(1,029)	(1,465)
Liquidation of subsidiaries	(7,906)	–
At 31 December	<u>1,076</u>	<u>8,029</u>

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

	2021 HK\$'000	2020 HK\$'000
Interest on lease liabilities	71	17
Depreciation of right-of-use assets	<u>981</u>	<u>1,119</u>

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 HK\$'000	2020 HK\$'000
Unlisted investment	5,439	–
Listed securities	–	8,739
	<u>5,439</u>	<u>8,739</u>
Analysed into:		
Current	–	8,739
Non-current	<u>5,439</u>	–
	<u>5,439</u>	<u>8,739</u>

As at 31 December 2021, the unlisted investment relates to an insurance policy insured for a staff of a subsidiary of the Company. The insurance contract is denominated in HK\$. The fair value of the unlisted investment was estimated by making reference to the cash surrender value set out in the insurance contract. During the year ended 31 December 2021, the Group does not recognize any fair value loss in profit or loss in relation to the unlisted investment. During the year ended 31 December 2021, the Group disposed of its investment in listed securities and recognized a fair value loss of \$2,740,000 (2020: HK\$ Nil) in profit or loss.

19. INVENTORIES

	2021 HK\$'000	2020 HK\$'000
Finished goods	–	5,491

During the year, inventories amounted to HK\$5,491,000 (2020: Nil) was written off upon liquidation of subsidiaries.

20. TRADE RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Trade receivables	1,665	157
Less: Impairment allowances	–	–
	<u>1,665</u>	<u>157</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 days (2020: 30 days). Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The following is an aged analysis of the trade receivable based on the invoice date, or otherwise, delivery date, at the end of the reporting period, which approximated the respective revenue recognition dates:

	2021	2020
	HK\$'000	HK\$'000
0-30 days	366	157
31-90 days	1,109	–
91-180 days	190	–
	1,665	157
	1,665	157

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021	2020
	HK\$'000	HK\$'000
Prepayments	177	783
Deposits and other receivables	7,854	2,779
	8,031	3,562
Less: Impairment allowances (<i>note</i>)	(1,335)	–
	6,696	3,562
	6,696	3,562

Note: As at 31 December 2021, impairment allowances of HK\$1,335,000 (2020: HK\$Nil) were provided against other receivables.

22. TRADE PAYABLES

	2021	2020
	HK\$'000	HK\$'000
Trade payables, within 1 year	–	3,344
	–	3,344

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

	2021	2020
	HK\$'000	HK\$'000
0-30 days	–	3,344
	–	3,344

23. OTHER PAYABLES

	2021	2020
	HK\$'000	HK\$'000
Trade deposit	2,540	–
Accrual wages, staff benefit	50,051	36,939
Other payables and accruals	18,322	41,624
	70,913	78,563
	70,913	78,563
Analysed into:		
Current	70,913	72,663
Non-current	–	5,900
	70,913	78,563
	70,913	78,563

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. BORROWINGS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank loans (<i>note (a)</i>)	14,331	–
Loans from financial institutions (<i>note (b)</i>)	116,183	113,808
Loans from independent third parties (<i>note (c)</i>)	86,587	87,822
	217,101	201,630
Analysed into:		
Repayable within one year or on demand	140,425	118,534
Repayable within a period of more than one year	76,676	83,096
	217,101	201,630

Notes:

- (a) The amount represents (i) a bank loan with principal amount of HK\$4,440,000 (2020: N/A) bearing interest rates of 1.3% per annum over one-month-HIBOR or 2.75% per annum below the bank's best lending rate, whichever is lower (2020: N/A); and a bank loan with principal amount of HK\$9,891,000 (2020: N/A) bearing interest rates of 2.6% per annum over one-month-HIBOR (2020: N/A).
- (b) The amount represented loans with aggregate principle of HK\$95,800,000 (2020: HK\$101,800,000) bearing interest rates ranging from 8% to 8.5%.
- (c) The amount represented loans with aggregate principal of HK\$75,453,000 (2020: HK\$80,578,000) bearing interest rates ranging from 2% to 8%.

25. BONDS PAYABLE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bonds payable	54,856	52,034
Analysed into:		
Repayable within one year or on demand	54,856	–
Repayable within a period of more than one year	–	52,034
	54,856	52,034

The amount represented bonds issued by the Company with aggregate principal amount of HK\$49,000,000 (2020: HK\$49,000,000), bearing interest rates ranging from 5% to 6.5% (2020: 5% to 6.5%) and effective interest rates ranging from 6% to 9% (2020: 6% to 9%). As at 31 December 2021, all of the bonds are matured and has become immediately repayable.

26. SHARE CAPITAL

	Number of shares <i>'000</i>	Amount <i>HK\$'000</i>
Issued and fully paid: At 31 December 2020, 1 January 2021 and 31 December 2021	326,037	3,030,660

27. SHARE SCHEMES

Share option scheme

The Company's share option scheme was adopted pursuant to a resolution passed on 12 June 2014. The share option scheme has a term of 10 years and is for the purpose of providing incentives to eligible participants for their contribution to the growth of the Group. The Board may grant options to eligible persons to subscribe for shares in the Company. The exercise price is determined by the Board, and will not be less than higher of (i) the closing price of the shares on the grant date; or (ii) the average closing price of the shares for the five business days immediately preceding the grant date. No share option was granted during the financial year 2021 and 2020 and the Company had no outstanding share option outstanding as at 31 December 2021 and 2020.

Share award scheme

The Company has adopted the share award scheme on 19 June 2015 the scheme has a term of 10 years and is for the purpose of recognising the contributions of the eligible participant and attracting and retaining them for the continual development of the Group. The share award may be satisfied by (a) issuance of new shares, in which case the issue price of the award shares is determined by the board of directors of the Company at its absolute discretion at the time of grant and shall at least be the higher of (i) the closing price of the shares on the grant date; or (ii) the average closing price of the shares for the five trading days immediately preceding the grant date; and (b) acquiring existing shares from the market, in which case the purchase price will be based on the market value of the shares on the date of acquisition. The Board may, at its absolute discretion select and grant share award to any eligible participant and determine the terms, composition and conditions of the award. The share award scheme has neither specified minimum vesting period nor maximum entitlement of each eligible participant. No amount is payable by the eligible participant upon acceptance of the award. The Company had not granted any share award to any person during each of the years ended 31 December 2021 and 2020 and there were 20,452,570 Shares held under the scheme as at 31 December 2021.

28. RESERVES

Shares held for Share Award Scheme

	2021 <i>Number</i>	Amount <i>HK\$'000</i>	2020 <i>Number</i>	Amount <i>HK\$'000</i>
At 1 January and 31 December	<u>20,045,570</u>	<u>8,538</u>	<u>20,045,570</u>	<u>8,538</u>

29. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	151	263
Right-of-use assets	–	105
	<u>151</u>	<u>368</u>
Current assets		
Other receivables, prepayments and deposits	228	1,786
Financial assets at FVTPL	–	8,739
Amounts due from subsidiaries	2,583	3,579
Bank balances and cash	199	192
	<u>3,010</u>	<u>14,296</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2021 HK\$'000	2020 HK\$'000
Current liabilities		
Other payables	64,308	46,784
Borrowings	126,094	118,534
Bonds payable	54,856	–
Amounts due to subsidiaries	224	632
Lease liabilities	–	124
	245,482	166,074
Net current liabilities	(242,472)	(151,778)
Total assets less current liabilities	(242,321)	(151,410)
Non-current liabilities		
Borrowings	76,676	83,096
Bonds payable	–	52,034
	76,676	135,130
Net liabilities	(318,997)	(286,540)
CAPITAL AND RESERVES		
Share capital	3,030,660	3,030,660
Reserves*	(3,349,657)	(3,317,200)
Total deficit	(318,997)	(286,540)

On behalf of the Directors

Cheung Wai Kwan
Director

Wang Jianguo
Director

* A summary of the Company's movement in reserves is as follows:

	Other reserve HK\$'000	Shares held for Share Award Scheme HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2020	387	(8,538)	(3,233,800)	(3,241,951)
Loss for the year	–	–	(75,249)	(75,249)
At 31 December 2020 and 1 January 2021	387	(8,538)	(3,309,049)	(3,317,200)
Loss for the year	–	–	(32,457)	(32,457)
At 31 December 2021	387	(8,538)	(3,341,506)	(3,349,657)

30. SUBSIDIARIES

Details of the principal subsidiaries held directly or indirectly by the Company as at 31 December 2021 are as follows:

Name of subsidiary	Place of incorporation and operations	Normal value of issued and fully paid share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			2021	2020	
Wah Yan Bright Healthcare Limited	Hong Kong	HK\$1	100%	100%	Distribution of medical equipment and products
Hong Kong Optical Company Limited ("HKO")	Hong Kong	HK\$11,180,000	–	55.5%	Sale of optical products and provision of eye-care services

31. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2020, the Group disposed of certain subsidiaries, the net liabilities of these which attributable to the Group and the gain on disposal is as follows:

	<i>HK\$'000</i>
Net liabilities deconsolidated of (net of non-controlling interest)	(646)
Gain on disposal of subsidiaries included in loss for the year in the consolidated statement of profit or loss	646
Total consideration	-
Net cash outflow arising on disposal:	
Cash consideration	-
Bank balances and cash disposed of	(6)
	(6)

32. LIQUIDATION OF SUBSIDIARIES

a. HKO

In March 2021, HKO filed a winding-up petition to the High Court of Hong Kong and was subsequently wound up by the High Court of Hong Kong in July 2021. As such, the results, assets, liabilities and cash flows of HKO were deconsolidated from the consolidated financial statements of the Group in July 2021.

Net liabilities of HKO as at the date of winding up were as follows:

	<i>HK\$'000</i>
Net liabilities deconsolidated of	(12,584)
Non-controlling interest	9,409
Gain on deconsolidation of HKO	3,175
Net cash outflow arising on deconsolidation of HKO:	
Cash and cash equivalents	(681)

b. Golden Oasis Health Limited ("Golden Oasis")

In November 2021, Golden Oasis was wound up by the High Court of Hong Kong on a winding-up petition filed by a shareholder of Golden Oasis. As such, the results, assets, liabilities and cash flows of Golden Oasis were deconsolidated from the consolidated financial statements of the Group in November 2021.

Net liabilities of Golden Oasis as at the date of winding up were as follows:

	<i>HK\$'000</i>
Net liabilities deconsolidated of	(11,452)
Non-controlling interest	6,678
Gain on deconsolidation of Golden Oasis	4,774
Net cash outflow arising on deconsolidation of Golden Oasis:	
Cash and cash equivalents	(53)

33. PARTIALLY OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

	Percentage of equity interest held by non-controlling interests:		Profit/(loss) for the year ended 31 December allocated to non-controlling interest	
	2021	2020	2021	2020
			HK\$'000	HK\$'000
New Health Elite International Limited and subsidiary ("New Health Elite Subgroup")	22.6%	22.6%	1,520	(492)
HKO	-	44.5%	-	(1,132)

The following table illustrates the financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

(i) New Health Elite Subgroup

	Years ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Total income	7,007	-
Total expenses	(360)	(2,139)
Profit (loss) for the year	6,647	(2,139)
Total comprehensive income (expense) for the year	6,647	(2,139)
Assets	52	105
Liabilities	(25,965)	(39,343)
	(25,913)	(39,238)

(ii) HKO

	Year ended 31 December 2020
	HK\$'000
Total income	11,012
Total expenses	(13,555)
Loss for the year	(2,543)
Total comprehensive expense for the year	(2,543)
Assets	15,951
Liabilities	(41,168)
	(25,217)

34. RELATED PARTY TRANSACTIONS

The key management personnel are the Directors and the five highest paid individuals of the Company. The details of the emoluments paid to them are set out in notes 14 and 15 respectively. Except as disclosed above, no transaction, arrangement or contract of significance in relation to the Group's business to which the Company was a party and in which a Director of the Company or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the financial year.

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS
a. Major non-cash transactions

During the year ended 31 December 2021, there were non-cash additions to right-of-use assets and lease liabilities of HK\$1,911,000 (2020: HK\$Nil) and HK\$1,911,000 (2020: HK\$Nil), respectively, in respect of new lease arrangements for office premises and warehouse (2020: N/A).

b. Changes in liabilities arising from financing activities

The table below details changes in Group's liabilities arising from financing activities.

	Borrowings <i>(Note 23)</i> <i>HK\$'000</i>	Bonds payable <i>(Note 24)</i> <i>HK\$'000</i>	Lease liabilities <i>(Note 17(b))</i> <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2021	201,630	52,034	8,029	261,693
Change from financing cash flows:				
– Inception of loans	17,052	–	–	17,052
– Repayment of loans	(6,109)	–	–	(6,109)
– Capital element of lease rentals paid	–	–	(959)	(959)
– Interest element of lease rentals paid	–	–	(71)	(71)
	<u>10,943</u>	<u>–</u>	<u>(1,030)</u>	<u>9,913</u>
Non-cash flows:				
– Interest expense (Note 9)	12,932	3,266	71	16,269
– Exchange gain	(8,404)	–	–	(8,404)
– Inception of new lease	–	–	1,911	1,911
– Revaluation of bonds payable	–	(444)	–	(444)
– Liquidation of subsidiaries	–	–	(7,905)	(7,905)
	<u>4,528</u>	<u>2,822</u>	<u>(5,923)</u>	<u>1,427</u>
At 31 December 2021	<u>217,101</u>	<u>54,856</u>	<u>1,076</u>	<u>273,033</u>
At 1 January 2020	207,052	20,227	9,477	236,756
Change from financing cash flows:				
– Inception of loans	12,518	–	–	12,518
– Repayment of loans	(32,717)	29,000	–	(3,717)
– Capital element of lease rentals paid	–	–	(1,418)	(1,418)
– Interest element of lease rentals paid	–	–	(48)	(48)
	<u>(20,199)</u>	<u>29,000</u>	<u>(1,466)</u>	<u>7,335</u>
Non-cash flows:				
– Interest expense (Note 9)	14,777	3,306	18	18,101
– Prepaid bond interest	–	(444)	–	(444)
– Revaluation of bonds payable	–	(55)	–	(55)
	<u>14,777</u>	<u>2,807</u>	<u>18</u>	<u>17,602</u>
At 31 December 2020	<u>201,630</u>	<u>52,034</u>	<u>8,029</u>	<u>261,693</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. LITIGATION

During the year ended 31 December 2020, the Group involved in a litigation (the "Litigation") regarding the demand for immediate repayment of its borrowing and accrued interest of HK\$16,200,000. The lender claimed that the borrowing had become overdue in March 2020. The Directors have exercised their due care in defending the Group in the Litigation, assessing the financial impact in respect of the legal costs and claims, if any, of the Litigation. Since the Litigation is still on-going, the Directors would continue to exercise their due care in monitoring the progress of the Litigation and would assess the financial impact of the Group as and when appropriate.

37. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group manages its capital to ensure that the 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 capital structure of the Group consists of net debt, net of cash and cash equivalents and equity/deficit attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses, respectively. The Directors review the capital structure on a continuous basis taking into account the loss of capital and the risk associated with the capital. The Group will balance its overall capital structure through issue of new shares and share buy-back as well as the issue of new debts or debts restructuring, if necessary.

	2021 HK\$'000	2020 HK\$'000
Trade payables	–	3,344
Other payables	70,913	78,563
Tax payables	102	–
Borrowings	217,101	201,630
Bonds payable	54,856	52,034
Lease liabilities	1,076	8,029
Less: Cash and cash equivalents	(3,671)	(1,073)
Net debt	<u>340,377</u>	<u>342,527</u>
Deficit attributable to owners of the Company	<u>(317,350)</u>	<u>(291,075)</u>
Gearing ratio	<u>(107%)</u>	<u>(118%)</u>

38. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount of financial assets:

	2021 Carrying Amount HK\$'000	Fair value HK\$'000	2020 Carrying Amount HK\$'000	Fair value HK\$'000
Financial assets				
FVTPL/FVTOCI:				
Financial assets at FVTPL	5,439	5,439	8,739	8,739
Amortised cost:				
Trade receivables	1,665	1,665	157	157
Deposits and other receivables	6,696	6,696	3,562	3,562
Bank balances and cash	3,671	3,671	1,073	1,073
	<u>17,471</u>	<u>17,471</u>	<u>13,531</u>	<u>13,531</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following table shows the carrying amount of financial liabilities:

	2021 Carrying Amount <i>HK\$'000</i>	Fair value <i>HK\$'000</i>	2020 Carrying Amount <i>HK\$'000</i>	Fair value <i>HK\$'000</i>
Financial liabilities				
Amortised cost:				
Trade payables	–	–	3,344	3,344
Other payables	70,913	70,913	78,563	78,563
Borrowings	217,101	217,101	201,630	201,630
Bonds payable	54,856	54,856	52,034	52,034
Lease liabilities	1,076	1,076	8,029	8,029
	<u>343,946</u>	<u>343,946</u>	<u>343,600</u>	<u>343,600</u>

a. Financial instruments not measured at fair value

Financial instruments not measured at fair value include trade receivables, deposits and other receivables, bank balances and cash, trade payables, other payables and accruals, borrowings, bonds payable and lease liabilities. Due to their short term nature, their carrying value approximates their fair value. The carrying values of other loans and bonds payable as at 31 December 2021 approximate their fair values as the effective interest rates of these financial instruments were close to market rates.

b. Financial instruments measured at fair value

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy.

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2021				
Financial assets at FVTPL	–	5,439	–	5,439
At 31 December 2020				
Financial assets at FVTPL	–	–	8,739	8,739

There were no transfers between levels during the current and prior years.

39. FINANCIAL RISK MANAGEMENT

Details of the Group's major financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and other price risk), foreign currency risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The Directors manage and monitor these risk exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's interest rate risk mainly arises from bank deposits and bonds payable. Borrowings arranged at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's bank balances also expose it to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The Directors consider the Group's exposure to interest rate risk in respect of bank balances is not significant due to low level of deposit interest rate. The Group currently does not have an interest rate hedging policy. However, the management closely monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

(b) Foreign currency risk

The Group mainly operates in Hong Kong with most of the sales transactions and purchase transactions are settled in HK\$ and thus foreign exchange exposure is considered to be minimal.

(c) Credit risk

The credit risk of the Group mainly arises from trade and retention receivables, contract assets, deposits and other receivables and bank balances.

Bank balances

To manage the risk arising from bank balances, the Group only transacts with reputable banks which are all high credit-quality financial institutions. There has no recent history of default in relation to these financial institutions. The expected credit loss is insignificant.

Deposits and other receivables

For deposits and other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of deposits and other receivables based on historical settlement records and past experience, as well as quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that the expected credit loss is insignificant.

Trade receivables

For trade receivables, management makes periodic collective assessments as well as individual assessment on the recoverability with no significant credit risk identified. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group generally requires customers to settle progress billings in accordance with contracted terms and other debts in accordance with agreements. Trade receivables and contract assets for contract work are considered past due once billings have been made and revenue has been recognised, respectively. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. To measure expected credit losses, the Group categorises its trade receivables based on the nature of customer accounts and shared credit risk characteristics. The expected loss rates are based on the payment profiles of customers and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has taken into account the possible impacts associated with the overall changes in the economic environment arising from COVID-19, and concluded that there is no significant increase in credit risk. Based on the above basis, no loss allowance was made on the Group's trade receivables for the year ended 31 December 2021 (2020: Nil).

(d) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Directors who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from current interest rate at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Carrying amount <i>HK\$'000</i>	Total contractual undiscounted cash flows <i>HK\$'000</i>	Within one year or on demand <i>HK\$'000</i>	More than 1 year <i>HK\$'000</i>
At 31 December 2021				
Other payables	70,913	70,913	70,913	–
Borrowings	217,101	217,101	140,425	76,676
Bonds payable	54,856	54,856	54,856	–
Lease liabilities	1,076	1,076	1,076	–
	<u>343,946</u>	<u>343,946</u>	<u>267,270</u>	<u>76,676</u>
At 31 December 2020				
Trade payables	3,344	3,344	3,344	–
Other payables	78,563	78,563	72,663	5,900
Borrowings	201,630	201,630	118,534	83,096
Bonds payable	52,034	52,034	–	52,034
Lease liabilities	8,029	8,029	8,029	–
	<u>343,600</u>	<u>343,600</u>	<u>202,570</u>	<u>141,030</u>

40. EVENTS AFTER THE REPORTING DATE

In April 2023, a creditor of the Company filed a winding up petition against the Company in relation to its claim for an outstanding debt of HK\$16,200,000, together with the unpaid interest and cost thereon.

41. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of Directors on 19 May 2023.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published consolidated financial statements and restated/reclassified as appropriate, is set out below.

	Year ended 31 December				
	2021	2020	2019	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
RESULTS					
<u>CONTINUING OPERATIONS</u>					
REVENUE	1,699	9,617	40,157	58,229	120,522
Cost of goods sold	(909)	(4,392)	(16,866)	(27,372)	(73,808)
Gross profit	790	5,225	23,291	30,857	46,714
Other income and gains	8,725	2,210	7,189	8,874	10,541
Selling and distribution expenses	-	(967)	(4,051)	(5,773)	(15,615)
Administrative expenses	(21,837)	(36,441)	(62,192)	(77,722)	(113,873)
Gain on liquidation of subsidiaries	7,949	-	-	-	-
Loss arising from change in fair value of financial assets at FVTPL	(2,740)	-	(13,971)	-	(189,046)
Gain/(loss) on disposal of financial assets at FVTPL	-	-	96	294	(28,036)
Impairment loss on other receivables	(1,335)	-	(2,152)	(1,631)	(2,994)
Impairment loss on goodwill	-	(5,043)	(7,773)	-	-
Impairment loss on intangible assets	-	-	-	-	(41)
Impairment loss on property, plant and equipment	-	-	(1,987)	-	-
Impairment loss on trade receivables	-	-	(401)	-	-
Impairment loss on inventories	-	-	(296)	-	-
Gain on disposal of subsidiaries	-	647	134	540	74,536
Gain on disposal of associates	-	-	-	-	25,558
Share of results of associates	-	-	-	(118)	2,852
Finance costs	(16,269)	(18,101)	(17,104)	(20,093)	(32,831)
LOSS BEFORE INCOME TAX	(24,717)	(52,470)	(79,217)	(64,772)	(222,235)
Income tax expenses/(credit)	-	-	85	117	(510)
LOSS FOR THE YEAR FROM CONTINUING OPERATION	(24,717)	(52,470)	(79,132)	(64,655)	(222,745)
<u>DISCONTINUED OPERATION</u>					
Loss for the year from discontinued operation	-	-	-	-	(20,554)
LOSS FOR THE YEAR	(24,717)	(52,470)	(79,132)	(64,655)	(243,299)
Loss for the year attributable to:					
Owners of the Company	(26,275)	(50,846)	(76,984)	(66,078)	(228,594)
Non-controlling interests	1,558	(1,624)	(2,148)	1,423	(14,705)
	(24,717)	(52,470)	(79,132)	(64,655)	(243,299)
	2021	2020	2019	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TOTAL ASSETS	19,115	27,297	41,711	191,177	311,327
TOTAL LIABILITIES	(344,048)	(343,600)	(305,544)	(285,069)	(339,802)
NON-CONTROLLING INTERESTS	7,583	25,228	23,604	20,244	22,581
TOTAL DEFICIT ATTRIBUTABLE TO OWNERS OF THE COMPANY	(317,350)	(291,075)	(240,229)	(73,648)	(5,894)