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## **CEFC Hong Kong Financial Investment Company Limited**

**香港華信金融投資有限公司**

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

**(Stock Code: 1520)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **FINANCIAL HIGHLIGHTS**

- Revenue of the Group for the year ended 31 December 2021 was approximately HK\$139,818,000 (2020: HK\$114,474,000), representing an increase of approximately 22.1% as compared with the previous year.
- The loss attributable to owners of the Company for the year ended 31 December 2021 was approximately HK\$46,271,000 (2020: HK\$68,115,000), representing a decrease of approximately 32.1%.
- Loss per share of the Company for the year ended 31 December 2021 was approximately HK2.74 cents (2020: HK4.03 cents).
- The Directors do not recommend the payment of any final dividend for the year ended 31 December 2021.

## RESULTS

The board of Directors (the “Board”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2021 together with the comparative figures for the corresponding period in 2020 as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2021*

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	<b>2020</b> <b>HK\$'000</b>
<b>Revenue</b>	5	<b>139,818</b>	114,474
Cost of sales		<u><b>(101,119)</b></u>	<u>(89,517)</u>
<b>Gross profit</b>		<b>38,699</b>	24,957
Other gains and losses, net	5	<b>1,831</b>	9,663
Impairment of goodwill		—	(22,734)
Reversal of expected credit loss on trade receivables		<b>125</b>	8
Provision for expected credit loss on loans and interest receivables		<b>(18,042)</b>	(17,021)
Selling and distribution expenses		<b>(17,197)</b>	(16,271)
Administrative expenses		<b>(51,070)</b>	(45,325)
Finance costs		<u><b>(366)</b></u>	<u>(315)</u>
<b>Loss before income tax</b>	6	<b>(46,020)</b>	(67,038)
Income tax expense	7	<u><b>(251)</b></u>	<u>(1,077)</u>
<b>Loss for the year attributable to owners of the Company</b>		<u><b>(46,271)</b></u>	<u>(68,115)</u>
<b>Other comprehensive income, net of tax, attributable to owners of the Company</b>			
<b>Item that may be reclassified subsequently to profit or loss:</b>			
Exchange gain on translation of financial statements of foreign operations		<u><b>362</b></u>	<u>1,343</u>
<b>Total comprehensive loss for the year attributable to owners of the Company</b>		<u><b>(45,909)</b></u>	<u><b>(66,772)</b></u>
<b>Loss per share attributable to owners of the Company</b>	9		
Basic and diluted (in HK cents)		<u><b>(2.74)</b></u>	<u><b>(4.03)</b></u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		8,237	9,620
Right-of-use assets		5,486	6,445
Loans and interest receivables	13	1,803	—
Goodwill	10	34,632	34,632
Intangible asset		800	800
Deferred tax assets		562	599
		<u>51,520</u>	<u>52,096</u>
<b>Current assets</b>			
Inventories	11	6,016	11,971
Trade receivables	12	27,486	19,136
Loans and interest receivables	13	112,864	108,762
Deposits, prepayments and other receivables		5,534	12,594
Tax recoverable		383	594
Financial assets at fair value through profit or loss		15,681	—
Cash and cash equivalents		15,348	78,547
		<u>183,312</u>	<u>231,604</u>
<b>Current liabilities</b>			
Trade payables	14	19,124	24,651
Accruals, other payables and receipts in advance		10,968	13,098
Contract liabilities		529	2,551
Other borrowings		4,057	—
Lease liabilities	15	2,965	3,654
		<u>37,643</u>	<u>43,954</u>
<b>Net current assets</b>		<u>145,669</u>	<u>187,650</u>
<b>Total assets less current liabilities</b>		<u>197,189</u>	<u>239,746</u>
<b>Non-current liabilities</b>			
Lease liabilities	15	932	1,321
		<u>932</u>	<u>1,321</u>
<b>Net assets</b>		<u>196,257</u>	<u>238,425</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		16,900	16,900
Reserves		179,357	221,525
<b>Total equity</b>		<u>196,257</u>	<u>238,425</u>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Share capital <i>HK\$'000</i>	Share premium* <i>HK\$'000</i>	Merger reserve* <i>HK\$'000</i>	Statutory reserve* <i>HK\$'000</i>	Share-based payment reserve* <i>HK\$'000</i>	Translation reserve* <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2020	16,900	375,963	2,988	3,344	—	142	(94,140)	305,197
Loss for the year	—	—	—	—	—	—	(68,115)	(68,115)
Other comprehensive income								
– Exchange gain on translation of financial statements of foreign operations	—	—	—	—	—	1,343	—	1,343
Total comprehensive loss for the year	—	—	—	—	—	1,343	(68,115)	(66,772)
At 31 December 2020 and 1 January 2021	16,900	375,963	2,988	3,344	—	1,485	(162,255)	238,425
Loss for the year	—	—	—	—	—	—	(46,271)	(46,271)
Other comprehensive income								
– Exchange gain on translation of financial statements of foreign operations	—	—	—	—	—	362	—	362
Total comprehensive loss for the year	—	—	—	—	—	362	(46,271)	(45,909)
Equity-settled share option scheme arrangements	—	—	—	—	3,741	—	—	3,741
At 31 December 2021	<u>16,900</u>	<u>375,963</u>	<u>2,988</u>	<u>3,344</u>	<u>3,741</u>	<u>1,847</u>	<u>(208,526)</u>	<u>196,257</u>

\* These reserve balances comprised the reserve account as set out in the consolidated statement of financial position.

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31 December 2021*

### 1. GENERAL

CEFC Hong Kong Financial Investment Company Limited (the “Company”) was incorporated as an exempted company with limited liability in the Cayman Islands on 19 June 2013. The address of the registered office and principal place of business of the Company is disclosed in the section headed “Corporate Information” in the annual report. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

At the extraordinary general meeting of the Company held on 25 March 2022, the shareholders of the Company passed a special resolution which approved a change of the Company’s name from “CEFC Hong Kong Financial Investment Company Limited 香港華信金融投資有限公司” to “Virtual Mind Holding Company Limited 天機控股有限公司”.

Subject to and conditional upon the approval of the Registrar of Companies in the Cayman Islands being obtained by way of issue of a certificate of incorporation on change of name, the English name of the Company will be changed from “CEFC Hong Kong Financial Investment Company Limited” to “Virtual Mind Holding Company Limited” and the dual foreign name in Chinese of the Company will be changed from “香港華信金融投資有限公司” to “天機控股有限公司” with effect from the date of issue of the certificate of incorporation on change of name issued by the Registrar of Companies in the Cayman Islands.

The Company is an investment holding company and its subsidiaries (together the “Group”) are principally engaged in the design, manufacturing and trading of apparels and provision of money lending services.

The consolidated financial statements for the year ended 31 December 2021 were approved for issue by the board of directors on 28 March 2022.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### 2.1 Adoption of new or amended HKFRSs – effective 1 January 2021

The following amended HKFRSs issued by the Hong Kong Institute of Certified Public Accountants have been adopted by the Group in the current accounting period of the Group:

Amendments to HKFRS 16	Covid-19 – Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

None of these amended HKFRSs has a material impact on the Group’s results and financial position for the current or prior period.

The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

### 2.2 New or amended HKFRSs that have been issued but are not yet effective

The following new or amended HKFRSs, potentially relevant to the Group’s consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>2</sup>
Amendments to HKAS 16	Proceeds before Intended Use <sup>1</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>1</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 <sup>1</sup>
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023

The Group is in the process of making an assessment of the impact of these new or revised HKFRSs upon initial application. Up to now, the Group considers that these standards will not have a significant impact on the Group’s financial performance and financial position.

### **3. BASIS OF PREPARATION**

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

The consolidated financial statements have been prepared under historical cost convention, except for financial assets at fair value through profit or loss (“FVTPL”) as disclosed in the accounting policies and explanatory notes below.

It should be noted that accounting estimates and assumptions are used in the preparation of the consolidated financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involve a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise indicated.

### **4. SEGMENT INFORMATION**

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Group’s chief operating decision maker in order to allocate resources and assess performance of the segment. During the year, the Company has identified design, manufacture and trading of apparels and provision for money lending services as the reportable and operating segments of the Group.

Each of these operating segments is managed separately as each of them requires different business strategies.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than certain cash and bank balances and other corporate assets not attributable to the reportable segments;
- all liabilities are allocated to operating segments other than certain lease liabilities and other corporate liabilities not attributable to the reportable segments; and
- segment results represent the loss or profit incurred or earned by each segment without allocation of certain other income, certain administrative expenses, such as the Group’s headquarter rental expenses, administrative staff costs and directors’ emoluments.

The segment information provided to the executive directors for the reportable segments during the year is as follows:

	<b>Design, manufacturing and trading of apparels <i>HK\$'000</i></b>	<b>Money lending services <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
<b>Year ended 31 December 2021</b>			
Revenue from external customers	<b>129,254</b>	<b>10,564</b>	<b>139,818</b>
Segment loss	<b>(4,129)</b>	<b>(20,521)</b>	<b>(24,650)</b>
<i>Reconciliation</i>			
Bank interest income			<b>1</b>
Unallocated corporate expenses			<b>(21,005)</b>
Finance costs			<b>(366)</b>
Loss before tax			<b>(46,020)</b>
<b>At 31 December 2021</b>			
Segment assets	<b>53,033</b>	<b>179,104</b>	<b>232,137</b>
Other corporate assets			<b>2,695</b>
Total assets			<b>234,832</b>
Segment liabilities	<b>28,500</b>	<b>5,865</b>	<b>34,365</b>
Other corporate liabilities			<b>4,210</b>
Total liabilities			<b>38,575</b>
<b>Other segment information</b>			
<b>Year ended 31 December 2021</b>			
Amounts included in the measure of segment profit or loss or segment assets:			
Impairment of inventories	<b>(521)</b>	<b>—</b>	<b>(521)</b>
Reversal of provision for ECL on trade receivables	<b>125</b>	<b>—</b>	<b>125</b>
Provision for ECL on loans and interest	<b>—</b>	<b>(18,042)</b>	<b>(18,042)</b>
Loss arising from derecognition of loans and interest receivables	<b>—</b>	<b>(3,959)</b>	<b>(3,959)</b>
Fair value change on financial assets at FVTPL	<b>—</b>	<b>(2,679)</b>	<b>(2,679)</b>
Subcontracting income, net	<b>4,621</b>	<b>—</b>	<b>4,621</b>
Depreciation ( <i>note (a)</i> )	<b>(3,508)</b>	<b>(2,151)</b>	<b>(5,659)</b>
Capital expenditure ( <i>note (a)</i> )	<b>1,463</b>	<b>2,133</b>	<b>3,596</b>



	Design, manufacturing and trading of apparels <i>HK\$'000</i>	Money lending services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Year ended 31 December 2020</b>			
Revenue from external customers	107,053	7,421	114,474
Segment loss	(14,646)	(39,226)	(53,872)
<i>Reconciliation</i>			
Bank interest income			693
Unallocated corporate expenses			(13,544)
Finance costs			(315)
Loss before tax			(67,038)
<b>At 31 December 2020</b>			
Segment assets	69,540	149,789	219,329
Other corporate assets			64,371
Total assets			283,700
Segment liabilities	41,115	845	41,960
Other corporate liabilities			3,315
Total liabilities			45,275
<b>Other segment information</b>			
<b>Year ended 31 December 2020</b>			
Amount included in the measure of segment profit or loss or assets:			
Impairment of inventories	(2,634)	—	(2,634)
Reversal of provision for ECL on trade receivables	8	—	8
Provision for ECL on loans and interest receivables	—	(17,021)	(17,021)
Impairment of goodwill	—	(22,734)	(22,734)
Subcontracting income, net	5,817	—	5,817
Depreciation ( <i>note (a)</i> )	(4,551)	(2,159)	(6,710)
Capital expenditure ( <i>note (a)</i> )	79	—	79

The Company is an investment holding company and the principal places of the Group's operations are in the PRC (including Hong Kong). Management determines the Group is domiciled in Hong Kong, the PRC, which is the Group's principal operating location. No revenue was earned from transactions with other operating segments of the Group.

The Group's revenue from external customers is divided into the following geographical areas, based on locations of customers:

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
The USA	<b>89,056</b>	100,037
Hong Kong	<b>40,106</b>	12,665
Others	<b>10,656</b>	1,772
	<u><b>139,818</b></u>	<u>114,474</u>

Geographical location of external customers is based on the location at which the customers are domiciled.

The principal non-current assets held by the Group are located in the PRC (including Hong Kong).

Revenue from each of the major customers which accounted for 10% or more of the Group's revenue for the year is set out below:

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	<b>30,749</b>	50,399
Customer B	<b>29,435</b>	N/A*
Customer C	<b>23,168</b>	18,210
	<u><b>23,168</b></u>	<u>18,210</u>

\* The revenue from this customer accounted for less than 10% of the Group's revenue for the year ended 31 December 2020.

As at 31 December 2021, 12% (2020: 11%) of the Group's trade receivables was due from these customers. Revenue earned from these customers were reported in the design, manufacturing and trading of apparels operating segment.

*Note:*

- (a) Depreciation and capital expenditures, which represent the depreciation, additions and lease of property, plant and equipment and right-of-use assets, have been included in:

	<b>Design, manufacturing and trading of apparels <i>HK\$'000</i></b>	<b>Money lending services <i>HK\$'000</i></b>	<b>Unallocated <i>HK\$'000</i></b>	<b>Consolidated <i>HK\$'000</i></b>
<b>For the year ended 31 December 2021</b>				
Depreciation	3,508	2,151	1,229	6,888
Capital expenditures	1,463	2,133	676	4,272
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>For the year ended 31 December 2020</b>				
Depreciation	4,551	2,159	1,334	8,044
Capital expenditures	79	–	2,046	2,125
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## **5. REVENUE, AND OTHER INCOME AND GAINS**

Revenue represents the interest income from loans receivables, and revenue from sales of apparels, net of returns, discounts and sales related taxes. Further details regarding the Group's principal activities are disclosed in note 4.

The Group's revenue from contracts with customers represents revenue from sales of goods which is recognised on a point in time basis. An analysis of the Group's revenue and other income and gains are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Revenue from contracts with customers:</b>		
Sales of goods	129,254	107,053
<b>Revenue from other source:</b>		
Interest income from loans receivable	10,564	7,421
Total revenue	<u>139,818</u>	<u>114,474</u>
<b>Other gains and losses, net</b>		
Net fair value loss on financial assets at FVTPL	(2,679)	—
Bank interest income	1	693
Subcontracting income, net ( <i>note a</i> )	4,621	5,817
Government subsidies ( <i>note b</i> )	1,764	2,446
Loss arising from derecognition of loans and interest receivables	(3,959)	—
Sundry income	2,083	707
	<u>1,831</u>	<u>9,663</u>

*Note:*

- (a) Subcontracting income, net refers to other income generated from provision of assembling service on apparels by the Group to customers, after deduction of cost of services mainly including staff cost and material cost.
- (b) For the year ended 31 December 2020, included in profit or loss is HK\$2,050,000 of government grants obtained from Employment Support Scheme ("ESS") under the Anti-epidemic Fund launched by the Hong Kong SAR Government supporting the payroll of the Group's employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Group does not have other unfulfilled obligations relating to this program.

For the year ended 31 December 2021, included in profit or loss is HK\$1,714,000 of government grants obtained from Paycheck Protection Program launched by the United States Government supporting the payroll of the Group's employees and office rental expense. The Group does not have other unfulfilled obligations relating to this program.

The performance obligation of sale of goods is satisfied upon delivery and acceptance of the apparel products and payment is generally due within 10-180 days from delivery. Some contracts provide customers with a right of return which gives rise to variable consideration subject to constraint.

The disaggregation of the Group's revenue from contracts with customers are as follows:

	<b>Design, manufacturing and trading of apparels</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>Geographical markets</b>		
The USA	<b>89,056</b>	100,037
Hong Kong	<b>29,452</b>	5,244
Others	<b>10,746</b>	1,772
	<hr/>	<hr/>
Total revenue from contracts with customers	<b>129,254</b>	107,053
	<hr/> <hr/>	<hr/> <hr/>

The following table provides information about trade receivables and contract liabilities from contracts with customers.

	<b>2021</b>	<b>2020</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
As at 31 December		
Trade receivables	<b>27,486</b>	19,136
Contract liabilities	<b>529</b>	2,551
	<hr/> <hr/>	<hr/> <hr/>

The Group has applied the practical expedient to its sales contracts of apparels products and therefore no information is disclosed for revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for apparels production that had an original expected duration of one year or less.

## 6. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting):

	2021 HK\$'000	2020 HK\$'000
Auditor's remuneration	798	750
Duty and import fee*	4,524	4,588
Overseas delivery expenses*	8,797	6,298
Legal and professional expenses^	5,025	3,789
Cost of inventories recognised as expense (note (i))	101,119	89,517
Depreciation of property, plant and equipment	2,341	2,435
Depreciation of right-of-use assets	4,547	5,609
Foreign exchange (gain)/loss, net	219	71
Impairment on inventories	521	2,634
Reversal of ECL on trade receivables (note 11)	(125)	(8)
Provision for ECL on loans and interest receivables (note 12)	18,042	17,021
Short-term lease expense	352	872
Employee benefit expense (including directors' emoluments)		
– Wages and salaries	38,175	41,891
– Pension scheme contribution		
– defined contribution plans	779	1,844
– Share-based compensation	2,897	–
– Other benefits	857	1,556
	<u>          </u>	<u>          </u>

\* Included in selling and distribution expenses

^ Included in administrative expenses

Note:

- (i) Cost of inventories mainly includes material costs of approximately HK\$73,512,000 (2020: HK\$58,289,000), subcontracting charges of approximately HK\$12,484,000 (2020: HK\$13,902,000), and staff costs of approximately HK\$11,259,000 (2020: HK\$13,179,000).

## 7. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Current income tax charged for the year:</b>		
Hong Kong profits tax	251	79
Deferred tax	—	998
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	<b>251</b>	<b>1,077</b>
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- (i) Pursuant to the rules and regulations of the British Virgin Islands (“BVI”) and the Cayman Islands, the Group is not subject to any taxation under these jurisdictions.
- (ii) Hong Kong profits tax is calculated at 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong, except for the first HK\$2,000,000 of the assessable profit is calculated at 8.25% (2020: 8.25%), which is in accordance with the two-tiered profits tax rates regime of a qualified entity in the Group.
- (iii) PRC EIT is provided at 25% (2020: 25%) on the estimated assessable profits of the Group’s PRC subsidiary for the year.

Under the law of the PRC on EIT, corporate withholding income tax is levied on the foreign investor for the dividends distributed out of the profits generated by the foreign investment enterprises. The Group’s applicable withholding income tax rate is 5% (2020: 5%).

- (iv) The USA CIT comprises federal income tax calculated at 15% and state and local income tax calculated at various rates on the estimated assessable profits of the Group’s subsidiary in the USA.

A reconciliation of income tax expense applicable to loss before income tax at the statutory tax rates to the income tax expense is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss before income tax	<u>(46,020)</u>	<u>(67,038)</u>
Tax calculated at the rates applicable to profits in the tax jurisdictions concerned	(8,626)	(11,655)
Tax effect of non-taxable and non-deductible items, net	6,928	7,614
Tax effect of tax losses not recognised	<u>1,949</u>	<u>5,118</u>
Income tax expense	<u><u>251</u></u>	<u><u>1,077</u></u>

## 8. DIVIDENDS

No interim dividend was declared during the year (2020: Nil) and the board of directors of the Company does not recommend the payment of any final dividend for the year ended 31 December 2021 (2020: Nil).

## 9. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to owners of the Company of approximately HK\$46,271,000 (2020: HK\$68,115,000) by the weighted average number of 1,690,000,000 (2020: 1,690,000,000) ordinary shares in issue during the year.

As 60,000,000 share option granted by the Company under its share option scheme on 8 December 2021 had an anti-dilutive effect to the basic loss per share calculation for the year ended 31 December 2021, the diluted loss per share was the same as the basic loss per share for the year ended 31 December 2021.



## 10. GOODWILL

The amount of goodwill capitalised as an asset, arising from business combination, is as follows:

	<b>2021</b> <b>HK\$'000</b>	<b>2020</b> <b>HK\$'000</b>
Cost at 31 December	<b>99,109</b>	99,109
Accumulated impairment losses	<b>(64,477)</b>	(64,477)
Carrying amount as at 31 December	<b>34,632</b>	34,632

For the purpose of impairment testing, goodwill and intangible asset are allocated to the cash generating unit (“CGU”) in relation to the Group’s provision of money lending services (“Money Lending CGU”) in Hong Kong.

The recoverable amount of Money Lending CGU has been determined from value-in-use calculation based on cash flow projections from formally approved budgets by management covering a five-year period. The discount rate applied to the cash flow projections is 12.3% (2020: 12.3%). Cash flows beyond the five-year period are extrapolated using a steady growth rate of 3% (2020: 3%), which does not exceed the long-term growth rate for the relevant industry in Hong Kong. The discount rate used is pre-tax and reflected specific risks relating to the relevant Money Lending CGU.

## 11. INVENTORIES

	<b>2021</b> <b>HK\$'000</b>	<b>2020</b> <b>HK\$'000</b>
Raw materials and consumables	<b>2,053</b>	4,051
Work in progress	<b>170</b>	864
Finished goods	<b>3,793</b>	7,056
	<b>6,016</b>	11,971

## 12. TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	28,006	19,781
Less: impairment loss	(520)	(645)
	<u>27,486</u>	<u>19,136</u>

Trade receivables are recognised at their original invoice amounts which represented their fair values at initial recognition. The Group's trade receivables are attributable to a number of independent customers with credit terms. The Group normally allows a credit period ranging from 10 to 180 days (2020: 10 to 180 days) to its customers. Trade receivables are non-interest bearing.

Ageing analysis of trade receivables based on invoice date and net of loss allowance is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 30 days	20,037	8,897
31 to 60 days	6,037	4,403
61 to 90 days	73	2,230
91 to 180 days	154	913
Over 180 days	1,185	2,693
	<u>27,486</u>	<u>19,136</u>

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

	<i>HK\$'000</i>
At 1 January 2020	653
Provision for loss allowance recognised during the year	(8)
<b>At 31 December 2020 and 1 January 2021</b>	<b>645</b>
Reversal of provision for loss allowance recognised during the year	(125)
<b>At 31 December 2021</b>	<b>520</b>

The Group did not hold any collateral as security over the trade receivables. However, in order to minimise the credit risk of not receiving payments from its customers, the Group has entered into arrangements with a financial institution in the USA and a bank in Hong Kong (which in turn entered into certain arrangement with an insurance company in this connection), and Hong Kong Export Credit Insurance Corporation (a statutory body which provides Hong Kong exporters with insurance protection against non-payment risks arising from commercial and political events), which offered trade receivable credit protection arrangement against the Group's trade receivables for certain major customers. As at 31 December 2021, trade receivables of approximately HK\$16,532,000 (2020: HK\$15,323,000) were under such arrangements of which if the Group ultimately becomes unable to collect the trade receivables, the Group will be entitled to receive compensation for the trade receivables from the financial institution, the bank or the statutory body.

### 13. LOANS AND INTEREST RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Non-current</b>		
Loans receivable	1,807	—
Less: impairment loss	(4)	—
	<u>1,803</u>	<u>—</u>
<b>Current</b>		
Loans receivable	143,913	123,763
Interest receivables	4,998	4,808
Less: impairment loss	(36,047)	(19,809)
	<u>112,864</u>	<u>108,762</u>
	<u><u>114,667</u></u>	<u><u>108,762</u></u>

The Group's loans and interest receivables, which arose from the money lending business of providing corporate loans, personal loans and property mortgage loans in Hong Kong, are denominated in HK\$.

As at 31 December 2021, loans and interest receivables of carrying amount of HK\$81,420,000 (2020: HK\$58,901,000) were unsecured while remaining loans and interest receivables of carrying amount of HK\$33,247,000 (2020: HK\$49,861,000) were secured by charges over certain properties in Hong Kong and personal assets such as diamonds and jewelries, and guaranteed by certain independent third parties. The interest rates on all loans receivable are from 2.3% to 30% (2020: 3% to 36%) per annum and loans receivable are due within 24 months (2020: 12 months) and contain repayment on demand clause. The maximum exposure to credit risk at each of the reporting date is the carrying value of the loans and interest receivables mentioned above.

Before granting loans to outsiders, the Group uses an internal credit assessment process to assess the potential borrower's credit quality and defines credit limits granted to borrowers. Limits attributed to borrowers are reviewed by the management regularly.

As at the reporting date, the Group reviewed its loans and interest receivables for evidence of impairment on both individual and collective basis.

The Group has measured impairment loss for loans and interest receivables based on 12-month ECLs unless there have been a significant increase in credit risk since origination, then the allowance will be based on lifetime ECLs. The Group has assessed the ECLs on loans and interest receivables based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. As at 31 December 2021, provision for impairment of approximately HK\$32,411,000 (2020: HK\$1,800,000) was made on loans and interest receivables that were credit-impaired, and provision for impairment of approximately HK\$1,800,000 (2020: nil) was written-off.

#### 14. TRADE PAYABLES

Credit periods of trade payables normally granted by its suppliers were ranging from 15 to 120 days (2020: 15 to 120 days).

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 30 days	3,375	8,586
31 to 60 days	6,485	1,864
61 to 90 days	303	2,081
91 to 180 days	3,821	6,961
Over 180 days	5,140	5,159
	<u>19,124</u>	<u>24,651</u>

## 15. LEASE LIABILITIES

None of the leases contain variable lease payments.

	Office premises <i>HK\$ '000</i>	Office equipment <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
<b>As at 1 January 2020</b>	7,693	854	8,547
Effect of modification to lease terms ( <i>note</i> )	2,125	–	2,125
Interest expense	279	36	315
Lease payments	(5,746)	(266)	(6,012)
<b>As at 31 December 2020 and 1 January 2021</b>	<b>4,351</b>	<b>624</b>	<b>4,975</b>
Addition	3,541	–	3,541
Interest expense	200	25	225
Lease payments	(4,584)	(260)	(4,844)
<b>As at 31 December 2021</b>	<b>3,508</b>	<b>389</b>	<b>3,897</b>

*Note:*

During the year ended 31 December 2020, the Group remeasured the carrying amounts of lease liabilities to reflect an increase in the lease terms by one to two years.

The present values of future lease payments as at the reporting dates are analysed as:

	2021 <i>HK\$ '000</i>	2020 <i>HK\$ '000</i>
Current liabilities	2,965	3,654
Non-current liabilities	932	1,321
	<b>3,897</b>	<b>4,975</b>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

The Group principally engages in (i) design, manufacture and trading of apparel, namely apparel operation; and (ii) provision of money lending business, namely money lending operation.

### **REVENUE**

Revenue of the Group saw a recovery in 2021 thanks to the continued revival in demand in our major market. Revenue for the reporting period increased by 22.1% to approximately HK\$139,818,000 (2020: HK\$114,474,000).

### **APPAREL OPERATION**

Revenue from apparel operation is principally derived from the sales of apparel products. The Group's products can be classified into two categories, namely, private label products and own brand products. Private label products are those designed and manufactured under the private labels owned or specified by the Group's customers, while own brand products are those designed and manufactured under the Group's proprietary labels.

Most of our apparel products are exported to the United States and U.S. market is the principal market for our apparel operation.

The COVID-19 pandemic and resultant social distancing measures caused serious disruptions to people's livelihood and commercial activities in the U.S. However, the U.S. refrained from imposing large-scale lockdowns or other highly restrictive measures in 2021 despite the COVID-19 pandemic persisted. People's daily lives and economic activities have been reviving gradually as the U.S. relaxed social restrictive measures following implementation of mass vaccination campaigns. Coupled with fiscal measures and monetary support, the U.S. economy showed a rebound in 2021.

Thanks to the rebound of the U.S. economy, the revenue from apparel operation increased by 20.7% to approximately HK\$129,254,000 for the year ended 31 December 2021 (2020: HK\$107,053,000), despite affected by marine transportation limitation during the year. Apparel operation remained the largest contributor to the Group's business, accounting for 92.4% of total revenue.

## **APPAREL OPERATION - OWN BRAND PRODUCTS**

We turned our focus on the own brand products in 2021 as own brand products had higher gross profit margin. For the year 2021, revenue from own brand products increased by approximately 80.4% to approximately HK\$91,715,000 (2020: HK\$50,848,000). Own brand products became the largest contributor of the apparel operation and accounted for 71.0% (2020: 47.5%) of the revenue from apparel operation for the year. Gross profit increased by 107.5% to approximately HK\$27,719,000 (2020: HK\$13,358,000). The gross profit margin for own brand products increased from approximately 26.3% in 2020 to approximately 30.2% in 2021.

## **APPAREL OPERATION - PRIVATE LABEL PRODUCTS**

Revenue from certain major private label customers dropped in the year, resulting in the revenue from private label products decreased by approximately 33.2% to approximately HK\$37,539,000 (2020: HK\$56,205,000). Private label products contributed 29.0% (2020: 52.5%) of the total revenue from apparel operation for the year. The gross profit derived from private label products decreased by 90.0% to approximately HK\$416,000 (2020: HK\$4,178,000) and the gross profit margin decreased to approximately 1.1% in 2021, compared with approximately 7.4% in 2020.

## **MONEY LENDING BUSINESS**

Hong Kong saw a strong recovery in 2021 attributable to the well-contained local epidemic during the period and continued revival of global economic activities. However, the economic recovery is uneven as the pandemic, social distancing requirements and travel restrictions continued to weigh on certain industries. Our money lending business primarily offers loans to individual customers and small businesses in Hong Kong. Revenue from money lending operation was approximately HK\$10,564,000 for the year ended 31 December 2021 (2020: HK\$7,421,000), increased by approximately 42.3%. Money lending operation accounted for 7.6% of total revenue of the Group.

Provision of expected credit loss allowance on loans and interest receivables of approximately HK\$18,042,000 (2020: HK\$17,021,000) was recorded for the year ended 31 December 2021, increased by 6.0%.

Our loans and interest receivables (net of allowances) increased by approximately 5.4%, from approximately HK\$108,762,000 as at 31 December 2020 to approximately HK\$114,667,000 as at 31 December 2021. The interest rate charged on all loans receivable ranged from 2.3% to 30% (2020: 3.0% to 36%) per annum.

## **COST OF SALES**

As there was no direct cost incurred for money lending operation, cost of sales was incurred entirely for apparel operation only. The cost of sales was approximately HK\$101,119,000 for the year ended 31 December 2021 (2020: HK\$89,517,000), increased by 13.0%.

The increase in cost of sales for 2021 was primarily reflected by more material costs due to increase in revenue from apparel operation for the period.

## **GROSS PROFIT AND GROSS PROFIT MARGIN**

Gross profit for the year ended 31 December 2021 was approximately HK\$38,699,000 (2020: HK\$24,957,000), increased by 55.1%. The gross profit margin increased from approximately 21.8% for the year ended 31 December 2020 to 27.7% for the year ended 31 December 2021. During the year, apparel operation contributed approximately HK\$28,135,000 (2020: HK\$17,536,000) to the gross profit, and money lending operation contributed approximately HK\$10,564,000 (2020: HK\$7,421,000) to the gross profit.

The gross profit from apparel operation increased by 60.4% to approximately HK\$28,135,000 for the year ended 31 December 2021 (2020: HK\$17,536,000), due to increase in revenue from apparel operation. Thanks to more revenue from own brand products which had higher gross profit margin, the gross profit margin of apparel operation increased to 21.8% for the year ended 31 December 2021 (2020: 16.4%). For the year 2021, revenue from own brand products increased by approximately 80.4% to approximately HK\$91,715,000 (2020: HK\$50,848,000). On the other hand, revenue from private label products, which had less gross profit margin, decreased by approximately 33.2% to approximately HK\$37,539,000 (2020: HK\$56,205,000).

The gross profit from money lending operation increased by 42.3% to approximately HK\$10,564,000 for the year ended 31 December 2021 (2020: HK\$7,421,000), as there was an increase in revenue from money lending operation in the year. The gross profit margin was 100% for money lending operation for the year ended 31 December 2021 (2020: 100%), as there was no direct cost incurred in generating revenue in the money lending operation.



## **OTHER GAINS AND LOSSES**

Other gains and losses was approximately HK\$1,831,000 for the year ended 31 December 2021 (2020: HK\$9,663,000), decreased by 81.1%. Due to low utilization of capacity of our Jiaxing factory as a result of sluggish manufacturing demand, we also processed outside subcontracting orders in a bid to increase income. In 2021, there was subcontracting income of approximately HK\$4,621,000 (2020: HK\$5,817,000), fell by 20.6%.

We received United States Government subsidies of approximately HK\$1,714,000 in 2021 for our U.S. operation. The subsidiaries were mainly for the use of paying wages of employees and rental expense in the U.S. We received wage subsidies of approximately HK\$2,050,000 in 2020 granted from the Hong Kong SAR Government's Employment Support Scheme under Anti-Epidemic Fund for the use of paying wages of employees.

During the year, resulting from the volatile conditions of the Hong Kong stock market and the financial performance of the respective investee companies, a net fair value loss on financial assets at fair value through profit or loss of approximately HK\$2,679,000 (2020: nil) was recognised from the Group's securities investments.

## **IMPAIRMENT LOSS ON GOODWILL**

Goodwill arose on the acquisition of our money lending operation in November 2016, which was the fair value of consideration exceeding the fair value of the net identifiable assets of the acquiree.

There was no impairment loss on goodwill incurred in 2021 (2020: HK\$22,734,000).

## **REVERSAL OF EXPECTED CREDIT LOSS ON TRADE RECEIVABLES**

Reversal of expected credit loss on trade receivables of approximately HK\$125,000 (2020: HK\$8,000) was recorded for the year ended 31 December 2021. We provided impairment loss on trade receivables on individual assessment.

## **PROVISION FOR EXPECTED CREDIT LOSS ON LOANS AND INTEREST RECEIVABLES**

Provision for expected credit loss on loans and interest receivables of approximately HK\$18,042,000 (2020: HK\$17,021,000) was recorded for the year ended 31 December 2021, increased by 6.0%. In assessing the provision for expected credit loss for loans and interest receivables, the Group considered (i) the loan receivables which have been past due as at 31 December 2021; (ii) the repayment history of loan and interest receivables of each borrower during the year; and (iii) the probability of default rate due to the inability of the borrowers to make repayments to the Group when due.

The increase in the provision for expected credit loss was due to an increase in the loans and interest receivables, and deterioration of the credit status of certain borrowers. The loans and interest receivables (net of allowances) increased by approximately 5.4%, from approximately HK\$108,762,000 at 31 December 2020 to approximately HK\$114,667,000 at 31 December 2021.

## **SELLING AND DISTRIBUTION EXPENSES**

Selling and distribution expenses mainly consist of (i) import duty and transportation costs for delivery of products; (ii) staff costs for our sales representatives; and (iii) depreciation on of showroom tenancy as right-of use assets. The selling and distribution expenses incurred in the reporting period were approximately HK\$17,197,000 (2020: HK\$16,271,000), increased by 5.7% on a year to year basis. During the year, driven by (i) the increase in revenue from apparel operation; (ii) change in the product mix of apparel operation as there were more own brand product orders in 2021, for which we were responsible for import duty and transportation expenses in U.S. for those own brand product orders; and (iii) increase in marine transportation charges as a result of marine transportation bottleneck, the import duty and transportation costs increased noticeably. Excluding import duty and transportation expenses in U.S., most of the selling expenses recorded decreases for the reporting period. As a percentage of revenue, selling and distribution expenses decreased to 12.3% for the year ended 31 December 2021 from 14.2% for the year ended 31 December 2020.

## **ADMINISTRATIVE EXPENSES**

Administrative expenses primarily consist of (i) staff costs; (ii) professional fees; and (iii) depreciation of right-of-use assets. The administrative expenses for the year ended 31 December 2021 were approximately HK\$51,070,000 (2020: HK\$45,325,000), increased by 12.7%. In 2021, we continued to adopt certain cost-cutting measures to reduce our operation costs. Certain administrative expenses registered decreases for the period. As a percentage of revenue, administrative expenses decreased to 36.5% for the year ended 31 December 2021 from 39.6% for the year ended 31 December 2020.

## **FINANCE COSTS**

Finance costs were approximately HK\$366,000 (2020: HK\$315,000), increased by 16.2%. Finance costs were the imputed interests on lease liabilities.

## **LOSS FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE COMPANY**

The loss attributable to owners of the Company for the year ended 31 December 2021 was approximately HK\$46,271,000 (2020: HK\$68,115,000), representing a decrease in loss attributable to the owners of the Company of 32.1%. As previously discussed, the revenue increased for the year due to rebound in demand in our major market, and no impairment loss on goodwill (2020: HK\$22,734,000) incurred for the year, were primarily contributed to the decrease in loss attributable to the owners of the Company.

## **GOODWILL**

Goodwill arose on the acquisition of our money lending operation in November 2016, which was the fair value of consideration exceeding the fair value of the net identifiable assets of the acquiree. Goodwill is subject to impairment review periodically.

There was no impairment loss on goodwill incurred in 2021 (2020: HK\$ HK\$22,734,000).

## **INVENTORY**

The Group's inventories decreased by 49.7%, from approximately HK\$11,971,000 as at 31 December 2020 to approximately HK\$6,016,000 as at 31 December 2021. The inventory turnover day decreased from 49 days as at 31 December 2020 to 22 days as at 31 December 2021. In 2021, certain obsolete inventories of approximately HK\$521,000 (2020: HK\$2,634,000) were impaired.

## **TRADE RECEIVABLES**

The Group's trade receivables increased by 43.6%, from approximately HK\$19,136,000 as at 31 December 2020 to approximately HK\$27,486,000 as at 31 December 2021. The trade receivables turnover day increased from 61 days as at 31 December 2020 to 72 days as at 31 December 2021, primarily because there were more orders in 2021 derived from customers who requested for longer credit period.

## **LOANS AND INTEREST RECEIVABLES**

The Group's loans and interest receivables increased by 5.4%, from HK\$108,762,000 as at 31 December 2020 to approximately HK\$114,667,000 as at 31 December 2021. The loans receivables as at 31 December 2021 were mainly comprised of mortgage loans receivables, corporate loans receivables and personal loans receivables.

## **DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

The Group's deposits, prepayments and other receivables decreased by approximately 56.1%, from approximately HK\$12,594,000 as at 31 December 2020 to approximately HK\$5,534,000 as at 31 December 2021, primarily because lesser trade deposits were placed to our suppliers to purchase raw materials and finished goods.

## **FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

The portfolio of the Group's financial assets at fair value through profit or loss business consisted of investments in listed securities of approximately HK\$15,681,000 that were held for trading as at 31 December 2021.

No dividend income was received by the Group from its investments in listed securities (2020: Nil). Resulting from the volatile conditions of the Hong Kong stock market during the year and the financial performance of the respective investee companies, a net fair value loss on financial assets at fair value through profit or loss of approximately HK\$2,679,000 (2020: nil) was recognised from the Group's securities investments.

The objective of the Group's investments in the listed securities in Hong Kong is to achieve profit from the appreciation of the market value of its invested securities and to receive dividend income. The Directors expect that the stock market in Hong Kong will remain volatile which may affect the performance of the Group's securities investments. The Board believes that the performance of the securities investments of the Group will be dependent on the financial and operating performance of the investee companies and the market sentiment, which are affected by factors, such as interest rate movements and performance of the macro economy. The Group will continue to adopt a conservative investment approach in its trading of listed securities in the Hong Kong stock market and closely monitor the performance of its securities investment portfolio.

## **TRADE PAYABLES**

The Group's trade payables decreased by 22.4%, from approximately HK\$24,651,000 as at 31 December 2020 to approximately HK\$19,124,000 as at 31 December 2021. The trade payables turnover day decreased from 101 days as at 31 December 2020 to 69 days as at 31 December 2021, primarily due to more payments were made to suppliers during the year.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2021, cash and bank balances amounted to approximately HK\$15,348,000 (2020: HK\$78,547,000). Total borrowing and lease liabilities of the Group as at 31 December 2021 was approximately HK\$7,954,000 (2020: HK\$4,975,000), of which approximately HK\$7,022,000 (2020: HK\$3,654,000) would be repayable within one year and all the remaining lease liabilities of approximately HK\$932,000 (2020: HK\$1,321,000) would be repayable after one year.

The current ratio of the Group was approximately 4.87 as at 31 December 2020 (2020: 5.27).

## **GEARING RATIO**

The gearing ratio of the Group, calculated as total borrowing and lease liabilities over total equity was approximately 4.1% as at 31 December 2021 (2020: 2.1%).

## **CHARGE ON ASSETS**

As at 31 December 2021, the Group's financial assets at fair value through profit or loss of approximately HK\$15,681,000 were pledged as securities for the Group's other borrowings. The Group did not have any pledge or charge on assets as at 31 December 2020.

## **CONTINGENT LIABILITIES**

As at 31 December 2021, the Group did not have any material contingent liabilities (2020: nil).

## **TREASURY POLICY**

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period under review. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

## **FOREIGN EXCHANGE EXPOSURE**

The Group derives the majority of its revenue in US\$ while substantial portion of our costs are denominated in Renminbi ("RMB"). Appreciation of RMB against US\$ will therefore directly decrease the profit margin of the Group if the Group is unable to increase the selling prices of its products accordingly. If the Group increases the selling prices of its products as a result of the appreciation of RMB, it may in turn affect the Group's competitiveness against its other business competitors. To the extent that the Company needs to convert future financing into RMB for the Group's operations, appreciation of the RMB against the relevant foreign currencies would have an adverse effect on the purchasing power of the RMB amount that the Company would receive from the conversion.

The exchange rates between RMB and US\$ are subject to changes in the PRC Government's policies and global political and economic conditions.

## **MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

There was no material acquisition or disposal of subsidiaries and affiliated companies during the years ended 31 December 2021 and 2020.

## **CAPITAL COMMITMENTS**

As at 31 December 2021, the Group did not have any significant capital commitment (2020: nil).

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 December 2021, the Group had a total of 181 employees (2021: 208 employees). Total staff costs (including Directors' emoluments) for the year ended 31 December 2021 were approximately HK\$42,708,000, as compared to approximately HK\$45,291,000 for the year ended 31 December 2020. Remuneration is determined with reference to market norms as well as individual employees' performance, qualification and experience.

The Company adopted a share option scheme (the "Scheme") on 22 November 2013 whereby the Board was authorised, at its absolute discretion and subject to terms of the Scheme, to grant options to subscribe for the shares of the Company to any full-time or part-time employee of the Company or any member of the Group (the "Eligible Participant"). On 8 December 2021, the Company granted options under the Scheme to Eligible Participants to enable the Eligible Participants to subscribe for an aggregate of 60,000,000 new shares of the Company. Details of the share options granted and outstanding during the year are set out in the annual report.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

There was no specific plan for material investments or capital assets as at 31 December 2021 (31 December 2020: nil).

## **PLACING OF CONVERTIBLE BONDS UNDER GENERAL MANDATE**

On 13 December 2021, the Company entered into a convertible bonds placing agreement ("CB Placing Agreement") with an placing agent, pursuant to which the Company proposed to offer for subscription, and the placing agent agreed to procure subscriptions for, the convertible bonds on a best effort basis on the terms and subject to the conditions set out in the CB Placing Agreement. The placing agent shall procure not less than six placees to subscribe for the convertible bonds in the principal amount of up to HK\$35,000,000.

The placing of the convertible bonds was completed on 6 January 2022. The net proceeds from the placing of the convertible bonds, after the deduction of fees, commissions and expenses payable, are approximately HK\$34,125,000.

Please refer to Company's announcements dated 13 December 2021 and 6 January 2022 respectively for details.

## **FINAL DIVIDEND**

The Board of Directors did not recommend any payment of final dividend for the year ended 31 December 2021.

## **EVENTS AFTER THE REPORTING DATE**

### **i. Entering Into a Cooperation Agreement**

On 10 January 2022, the Company entered into a cooperation agreement (the “Cooperation Agreement”) with Qingdao Weiding Sports Supplies Company Limited\* (青島威鼎體育用品有限公司) (“Qingdao Weiding”) for the purpose of, inter alia, establishing the strategic cooperation relationship with each other in the trendy apparel market. Qingdao Weiding is a company established in the PRC and is principally engaged in the research and development, production and sales of trendy and sports apparels and accessories products.

Please refer to Company’s announcement dated 10 January 2022 for details.

### **ii. Entering Into a License Agreement**

On 18 January 2022, the Company entered into a licensing agreement with Chengdu Dreamtoys Cultural Creativity Company Limited (“Chengdu Dreamtoys”)\* (成都創夢潮玩文化創意有限公司) pursuant to which Chengdu Dreamtoys grants the exclusive right of use of the intellectual property right of four animated characters (the “IP Characters”) worldwide to a wholly owned subsidiary of the Company (the “Licensee”) for the development, production and sales of apparel of the IP Characters for the period from 19 January 2022 to 18 January 2023. Furthermore, the Licensee has the right to sublicense the IP Characters to third parties upon obtaining consent from Chengdu Dreamtoys.

Please refer to Company’s announcement dated 18 January 2022 for details.

*\* for identification purpose only*



### **iii. Acquisition of the Entire Issued Share Capital of Chengdu Dreamtoys**

On 25 January 2022, the Company entered into an acquisition agreement, pursuant to which the Company conditionally agreed to acquire the entire issued share capital of Dreamtoys Inc. which holds 100% equity interests in Chengdu Dreamtoys through its wholly-owned subsidiary. The Initial Consideration for the Acquisition is HK\$44.0 million (subject to adjustment), of which HK\$4.4 million shall be paid by the Company in cash and the remaining consideration shall be satisfied by the allotment and issue of the shares of the Company at the issue price of HK\$0.22 per share of the Company under the specific mandate to be sought by the Company at an extraordinary general meeting to be held.

Chengdu Dreamtoys, being the major operating subsidiary of Dreamtoys Inc., has various proprietary and licenced IP rights that could be utilized in the production of trendy cultural products while Chengdu Dreamtoys has developed close relationship with some renowned gaming platforms with popular games and large user base.

Please refer to Company's announcement dated 25 January 2022 for details.

### **iv. Acquisition of art pieces and the relevant NFTs from Leblon-Delienne**

On 17 March 2022, the Group entered into a sale and purchase agreement (the "SPA") with Leblon-Delienne ("LD") to purchase eight sets of art collections designed by French designer Mr. José Lévy and the relevant digital creation for Non-Fungible Token ("NFT") for market sale. The Directors are of the view that the entering into of the SPA signifies the Group's first-step in cooperating with world-renowned brands, artists and designers to build up the Group's self-developed brand image and the Group would continue to explore the cross-over collaboration of the Group's brand with world-renowned artists and designers in developing the Group's apparel and apparel related products. The Directors believe that the collaboration with LD and Mr. José Lévy will further increase the variety and reputation of the Group's self-developed brand name and products.

Please refer to Company's announcement dated 23 March 2022 for details.

## **FUTURE PROSPECTS**

Over the past two years, the COVID-19 pandemic has brought tremendous challenges to people around the world. We believe 2022 will still be another challenging year. Although COVID-19 vaccination has been rolled out globally, some regions, including Hong Kong, are still facing significant outbreaks and many regions operate under various restrictive measures at different extent. All of these may have a negative impact on social and economic development.

Geopolitics is another major challenge for global economic development in 2022. The recent tensions in the Russian-Ukrainian war has added uncertainty and panic to the already-volatile market sentiment; and under the influence of factors such as the trade war, the sanctions in the high-end technology field and the Taiwan issue, Sino-US relations have not improved after the reshuffle of the US government. Compared with the current situation in Russia and Ukraine, the hidden danger brought by the continuous tension between China and the United States may have a more serious impact on the global economic development and Hong Kong, as an international financial center closely connected with China, will also be greatly affected. As a company listed in Hong Kong, we must fully assess the risks that may arise from geopolitics and take swift action with a holistic approach when considering the future development strategies and business focus of the Group.

Looking ahead, we expect the global economy will continue to recover in 2022, but probably at a more moderate pace under the current threat of the COVID-19 variants that may drag back the economic recovery if the restrictive measures persist for an extended period.

The Mainland economy remained strong and stable in the past two years despite the persistence of the COVID-19 pandemic. We believe that China will remain a major driver of global economic growth in the foreseeable future, as it contributed over the past few decades. The fundamentals of China's economy remain strong and resilient. And to promote high-quality economic development, the Chinese government has implemented a series of reform measures. Coupled with prudent fiscal measures and monetary policy, those measures would support the Mainland's economy to sustain solid growth in 2022.

The rapid rise in global inflation in 2021 reversed the low inflation trend of the past two decades. The Group's export products, shipping logistics and other aspects are facing the pressure of rising cost. Considering that the Group's apparel business in the United States accounts for a large proportion of the Group's revenue, and the uncertainties of future international trade, the Group will be cautious in developing strategies of the existing business. And at the same time, we will allocate more resources in expanding the more diverse market in China and explore business opportunities with higher growth potential.

As mentioned above, in January 2022, the Group has entered into a cooperation agreement with Qingdao Weiding, a sizeable apparel manufacturer for the long-term collaboration on apparel product development and production with a vision to develop trendy apparel products. The entering into of the Licensing Agreement with Chengdu Dreamtoys in January 2022 will also provide the Group with IP Characters for the production of apparels which would increase the variety of the Group's products while the exclusive right of use of the IP Characters could complement the Company's design of the apparel targeted for the younger generation. The Group will on one hand adjust its major market of women's clothing business from the U.S. to China, on the other hand, it will diversify from the Group's current focus on women's clothing business to open up markets on sportswear, children's wear and other markets. With the Group's recent acquisition of the art pieces and NFTs from world-renowned brand, the Group would continue to explore the cross-over collaboration of the Group's brand with world-renowned artists and designers in developing the Group's apparel and apparel related products. The Group will seize the opportunity and plan to expand its business into the trendy cultural products closely related to apparel so as to seize the huge opportunities brought about by the economic development of the Mainland and diversify the Group's business income.

## **OTHER INFORMATION**

### **PURCHASE, REDEMPTION OR SALE 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.

### **CORPORATE GOVERNANCE CODE**

The Company has complied with the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year except for the deviations as disclosed in the annual report. The Board will keep reviewing and updating such practices from time to time to ensure compliance with legal and commercial standards.

## AUDIT COMMITTEE

The audit committee of the Company has reviewed the audited consolidated annual results of the Company for the year ended 31 December 2021 and considered that the Company had complied with all applicable accounting standards and requirements and had made adequate disclosure.

## AUDITOR'S PROCEDURES PERFORMED ON THIS RESULTS ANNOUNCEMENT

The figures in respect of the announcement of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

By order of the Board

**CEFC Hong Kong Financial Investment Company Limited**

**Li Yang**

*Chairman & Executive Director*

Hong Kong, 28 March 2022

*As at the date of this announcement, the executive Directors of the Company are Mr. Li Yang, Ms. Tin Yat Yu Carol, Mr. Cheung Ka Lung, Mr. Chan Ming Leung Terence and Mr. Gong Xiaohan; and the independent non-executive Directors of the Company are Mr. Tang Shu Pui Simon, Mr. Hon Ming Sang and Ms. Lo Wing Sze JP.*