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AL Group Limited
利駿集團(香港)有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8360)

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the “**Board**”) of directors (the “**Directors**”) of AL Group Limited (the “**Company**”) is pleased to announce the audited results of the Company and its subsidiaries (together as the “**Group**”) for the year ended 31 December 2021.

This announcement, containing the full text of the annual report 2021 of the Group, complies with the relevant requirements of the Rules Governing the Listing of Securities on the GEM (“**GEM Listing Rules**”) of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in relation to information to accompany preliminary announcements of annual results. Printed version of the annual report 2021 of the Company containing the information required by the GEM Listing Rules will be dispatched to the shareholders of the Company in due course.

The Company’s annual results announcement is published on the website of the Stock Exchange at <http://www.hkgem.com> and the Company’s website at www.AL-Grp.com.

By Order of the Board
AL Group Limited
Kwan Tek Sian

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 30 March 2022

As at the date of this announcement, the executive Directors are Mr. Kwan Tek Sian and Mr. Wong Kin Yeung; and the independent non-executive Directors are Mr. Tse Chi Shing, Mr. Tse Wai Hei and Mr. Tam Chak Chi.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Listed Company Information” page on the GEM website at www.hkgem.com for a minimum period of 7 days from the date of its publication and on the Company’s website at www.AL-Grp.com.

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

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CORPORATE INFORMATION

Executive Directors

Mr. Kwan Tek Sian
(*Chairman & Chief Executive Officer*)
Mr. Wong Kin Yeung

Independent Non-executive Directors

Mr. Tse Chi Shing
Mr. Tse Wai Hei
Mr. Tam Chak Chi

Audit Committee

Mr. Tse Chi Shing (*Chairman*)
Mr. Tse Wai Hei
Mr. Tam Chak Chi

Remuneration Committee

Mr. Tse Chi Shing (*Chairman*)
Mr. Kwan Tek Sian
Mr. Tse Wai Hei

Nomination Committee

Mr. Tse Wai Hei (*Chairman*)
Mr. Tse Chi Shing
Mr. Tam Chak Chi

Company Secretary

Mr. Leung Louis Ho Ming

Authorised Representatives

Mr. Kwan Tek Sian
Mr. Leung Louis Ho Ming

Compliance Officer

Mr. Kwan Tek Sian

Registered Office

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

Principal Place of Business in Hong Kong

Suite 807, 8/F, Harcourt House
39 Gloucester Road
Wan Chai, Hong Kong

Independent Auditors

CCTH CPA Limited

CORPORATE INFORMATION (CONTINUED)

Principal Bankers

Bank of China (Hong Kong) Limited
Bank of Communications (Hong Kong) Limited
Dah Sing Bank
Shanghai Commercial Bank Limited
The Bank of East Asia, Limited
Wing Lung Bank Limited

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Stock Code

8360

Company Website

www.AL-Grp.com

CEO's STATEMENT



CEO's STATEMENT (CONTINUED)

Dear Shareholders,

On behalf of the board of directors (the "Board") of AL Group Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2021 (the "Year").

In 2021, the global economic environment encountered full of challenges and uncertainties, which impacted the overall business conditions and increased volatility in the financial and housing market in Hong Kong. Due to keen competition in the market, decreased revenue amid of the coronavirus disease 2019 ("COVID-19") pandemic, our management had been monitoring cost of the Group. The Group also recorded a decrease in the impairment loss on interests in associates. As a result, the Group reported a decrease in attributable loss for owners of the Company. Looking forward, during this unprecedented time of global chaos due to the COVID-19 pandemic, we will closely monitor potential impact of COVID-19 outbreak on the Group's businesses and will keep evaluating the impact as situation continues to evolve and further information may become available.

Business and Financial Review

For the Year, our total revenue amounted to approximately HK\$109.4 million, which represented a increase of approximately 63.2% over 2020. Excluding projects relating to maintenance and aftersales service, our number of projects for the Year decreased by 10.8% over 2020. As a result, the average revenue per project (excluding projects relating to maintenance and aftersales service) increased by approximately 83.3% over 2020 to approximately HK\$1.87 million. Our gross profit for the Year amounted to approximately HK\$17.6 million, representing an increase of approximately 16.4% over 2020. Gross profit margin in 2021 decreased from approximately 22.6% in 2020 to approximately 16.1%. The decrease in gross profits margin was mainly due to in spite of the unstable economic condition and adverse business environment, and the COVID-19 pandemic. The management of the Group had secured several large projects with contract sum over HK\$5 million and had started to contribute revenue to the Group during the Year. However, in view of the shortage of labour and increase in material cost during COVID-19 pandemic, the gross profits margin had decreased.

The Group recorded a loss attributable to owners of the Company of approximately HK\$32.3 million for the Year represented a decrease of approximately 15.0% over 2020. Besides the effects of the increased revenue and increased operating expenses, the loss for the Year was primarily attributable to decrease in impairment loss on interests in associates, and decrease in finance cost due to the repayment of the promissory note by the Group in 2021.

CEO'S STATEMENT (CONTINUED)

Social Responsibilities and Corporate Branding

On top of business, we believe that returning society through social participation and contribution is a form of showing corporate citizenship. We are delighted that our staffs are inspired towards social concerns and green initiatives in their daily work life. During the year, we are glad that the Group was awarded the "Caring Company" logo by The Hong Kong Council of Social Service and "Happy Company" label granted by the Promoting Happiness Index Foundation.

Future Prospect

Covid safe environments will fuel demand for interior design services.

Given the unforeseen and unprecedented global chaos due to the COVID-19 pandemic, AL Group like most businesses has suffered financially. However, with the development of effective vaccines, the need for interior design services looks promising for the year as workers return back to their offices. The work environment needs to be modified for the new world and the reality for our society is that some covid safe protocols will become a permanent part of our lives. There is a lot of innovation in workplace design occurring all over the world and in a city such as Hong Kong (one of the most highly dense cities) the need to reinvent the work space will be essential. A sense of competitiveness has kicked off between banks, insurance companies and now IT companies that want to adapt to the changing social, corporate and regulatory environment. A key part of our strategy in the coming year will be attracting the best talent coupled with our ongoing commitment towards acquiring covid safe practices and technology. Many of our existing clients and new clients want their workplace environment as a key part of their offer.

Appreciation and Positivity

The Group like many other companies will be severely affected by the resultant meltdown of global markets. The future viability of our company is dependent on our employees and their ability to be agile and dynamic with their changing working conditions. We would like to extend sympathies to any staff members, customers, suppliers and shareholders directly or indirectly affected by COVID-19. Looking forward, we will continue to work on our current projects so that we deliver our services as with the highest standards whilst concurrently exploring new revenue opportunities. We believe that the business disruption of COVID-19 has passed its peak and economic activity will now gradually improve over time.

AL Group Limited

Kwan Tek Sian

Chairman, Chief Executive Officer and executive Director

Hong Kong, 30 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

Since the marches and protests in HK in 2019 and the coronavirus outbreak in 2020, the management believe that in the near future the interior design and fit out industry will be increasingly challenging because of the unstable economic and political environment. In view of the good brand name and good customer experience provided by the Group, the management believes that the revenue of Group will be able to grow once the political environment becomes stable and the economy recovers in view of the reactivation of the revitalisation scheme for industrial buildings and continued trend in flexible workspace over the last couple of years.

As announced by the Chief Executive of Hong Kong Special Administrative Region of the People's Republic of China in her 2018 Policy Address, the revitalisation scheme for industrial buildings is reactivated to provide new incentives to the owners to convert old industrial buildings, and allow the provision of transitional housing within revitalised industrial buildings. On 1 February 2019, the Development Bureau announced that the owners are permitted to put individual units of industrial buildings, for an initial five-year period, to the following five specific non-industrial uses, without any temporary waiver or fee. These include: art studios, office (audio-visual recording studio), office (design and media production), office (used by "specified creative industries"), and research, design and development centre.

In view of the above policies announced by the government, our management remains positive about the interior design and fit out industry in Hong Kong in near future.

Business Overview

AL Group Limited (the "Company") together with its subsidiaries (collectively referred to as the "Group"), are principally engaged in the provision of interior design and fit out solutions as well as overall project management in Hong Kong. The Group's business was established in 1999 under the name of AL Design & Associates Limited ("AL Design"), which is a well-established interior design and fit out solutions provider in Hong Kong. The Group believes that its success is firmly rooted in its extensive experience and portfolio in interior design and fit out works as well as project management. The Group's services can be broadly categorised as (i) design and fit out and (ii) design only. In addition, the Group also provides maintenance and aftersales services which could cater for its customers' different requirements.

Excluding projects relating to maintenance and aftersales service, for the year ended 31 December 2021, the revenue increased by approximately 63.2%, and our number of projects decreased by 10.8% over 2020. As a result, the average revenue per project has increased by approximately 83.3% over 2020 to approximately HK\$1.87 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The tables below summarised the number of on-going and completed projects and revenue, by type of service and customer, and the average revenue per project during the Year respectively and their comparative figures:

In terms of Number of Projects*

	For the year ended 31 December		
	2021	2020	Change
Design and fit out/Design only			
Office	28	41	(31.7)%
Commercial	16	8	100.0%
Residential	14	16	(12.5)%
Total	58	65	(10.8)%

In terms of Revenue*

In HK\$' million	For the year ended 31 December		
	2021	2020	Change
Design and fit out/Design only			
Office	70.7	55.3	27.8%
Commercial	28.4	5.6	407.1%
Residential	9.6	5.7	68.4%
Total	108.7	66.6	63.2%

Average Revenue per Project*

In HK\$' million	For the year ended 31 December		
	2021	2020	Change
Revenue	108.7	66.6	63.2%
Number of projects	58	65	(10.8)%
Average revenue per project	1.87	1.02	83.3%

* excluding those relating to maintenance and aftersales service

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In view of the keen competition in the market, the Group will explore the opportunities for new line of business and expand the core business into different markets. The Group will continue to leverage on our competitive advantages to strengthen the market position, improve the quality of the services and enhance the overall operational performance. The Group will seek for opportunities to sustain the growth and strengthen the corporate reputation to create more long-term values to the shareholders.

Financial Overview

In HK\$' million	For the year ended 31 December	
	2021	2020
Revenue	109.4	67.1
Gross Profit ^(Note 1)	17.6	15.1
Gross Profit Margin	16.1%	22.6%
Adjusted EBITDA ^(Note 2)	(35.4)	(15.6)
Loss for the year attributable to owners of the Company	(32.3)	(38.0)

Note 1: The Group's gross profit represents revenue less subcontracting and materials costs.

Note 2: The Group's adjusted EBITDA represents earnings or losses before finance interest income and cost, other gains/losses, excluding written off and impairment loss on trade receivables, net, impairment loss on contract assets, income tax, depreciation of property, plant and equipment and right-of-use assets and share of profit less loss of associates (2020: earnings or losses before finance interest income and cost, other gains/losses, excluding written off and impairment loss on trade receivables, net, impairment loss on contract assets, income tax, depreciation of property, plant and equipment and right-of-use assets and share of profit less loss of associates). While adjusted EBITDA is commonly used in the interior design industry worldwide as an indicator of operating performance, leverage and liquidity, it is not presented as a measure of operating performance in accordance with Hong Kong Financial Reporting Standards and should not be considered as representing net cash flows from operating activities. The computation of the Group's adjusted EBITDA may not be comparable to similarly-titled measures of other companies.

For the year ended 31 December 2021, the Group had experienced an increase in revenue as compared to 2020. The Group's revenue amounted to approximately HK\$109.4 million, representing an increase of approximately 63.2% over 2020.

The Group's gross profit for the Year amounted to approximately HK\$17.6 million, representing an increase of approximately 16.4% over 2020. Gross profit margin decreased from approximately 22.6% to approximately 16.1%. The decrease in gross profits margin was mainly due to in spite of the unstable economic condition and adverse business environment, and the COVID-19 pandemic, the management of the Group had secured several large projects with contract sum over HK\$5 million and had started to contribute revenue to the Group during the year. However, in view of the shortage of labour and increase in material cost during COVID-19 pandemic, the gross profits margin had decreased.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group's total operating expenses^(Note 3) for the Year were approximately HK\$57.3 million when compared to approximately HK\$36.8 million in 2020, represented an increase of approximately 55.7%. The increase in total operating expenses was mainly due to the combined effect of: (i) increase in advertising cost, (ii) increase in provision of impairment loss on contract assets; and (iii) increase in provision of impairment loss on trade receivables, net.

Note 3: The Group's total operating expenses represented the aggregate of employee benefit expenses, rental expenses, written off and impairment loss on trade receivables, net, impairment loss on contract assets and other expenses as shown in the consolidated statement of profit or loss and other comprehensive income.

For the year ended 31 December 2021, the Group's adjusted EBITDA amounted to approximately HK\$-35.4 million as compared to approximately HK\$-15.6 million for 2020, caused by the increase in total operating expenses for the Group's business.

The Group recorded a loss attributable to owners of the Company of approximately HK\$32.3 million for the Year when compared to approximately HK\$38.0 million for 2020, representing a decrease of approximately 15.0%. Besides the effects of the increase in operating expenses and increase in total turnover mentioned above, the loss for the Year was primarily attributable to the decrease in impairment loss on interests in associates, and decrease in finance cost due to the repayment of the promissory note by the Group during the Year.

Primo Group (BVI) Limited ("Primo") together with its subsidiary (the "Primo Group") is an associate of the Company in which the Company indirectly holds 49% of the entire issued share capital thereof. Primo is an investment holding company and holds 100% of the equity interest of Primocasa Interiors Limited ("Primocasa"), which is principally engaged in the provision of interior design and fit out solutions in Hong Kong. During the year ended 31 December 2020, the Company had recognised an impairment of HK\$17,325,000 (2021: nil) on the investment in Primo (the "Primo Impairment").

Primo Group has been disposed on 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Comparison between Business Objectives and Actual Business Progress

The following is a comparison between the Group's business plans as set out in the prospectus of the Company dated 29 June 2016 (the "Prospectus") and the Group's actual business progress up to 31 December 2021:

Business Plan	Actual Business Progress up to 31 December 2021
<ul style="list-style-type: none"> — Recruiting high caliber talents and enhancing company strength 	<ul style="list-style-type: none"> — The Group had hired several senior management members and general staff members in the departments of sales and marketing, design, project management, finance and administration since 2016 to cope with our business expansion. — The Group continued to offer competitive remuneration packages to retain the best available talents in order to achieve the positive growth of the Company. — The Group had replaced the computer equipment and upgraded the finance and design software.
<ul style="list-style-type: none"> — Developing a new line of business and financing potential business collaboration and/or acquisition of companies 	<ul style="list-style-type: none"> — The Group had hired a senior management member dedicated to the planning and execution of our Group's business expansion. Since 2016, the Group had made a few business trips to pitch for new business opportunities. — On 6 November 2017, the Group acquired 60% interest of ACE as a result ACE is a non-wholly subsidiary of the Group. — On 8 May 2020, the Group completed the acquisition of 100% interest of YTO Limited. — on 15 October 2021, the Group signed a sale and purchase agreement related to acquire 100% of Legacy Infinity Global Asset Management Limited. ("Legacy" formerly known as Treasury International Wealth Management Limited). As at 31 December 2021, the Group holds 85% of shares of Legacy.
<ul style="list-style-type: none"> — Expanding market coverage 	<ul style="list-style-type: none"> — The Group had relocated its office from Quarry Bay to Kwun Tong since 2016 with innovative design to further improve the Group's image and enhance good impression for our customers.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Business Plan	Actual Business Progress up to 31 December 2021
	<ul style="list-style-type: none">— The executive director of the Group had been the professional members of Hong Kong Interior Design Association and International Interior Design Association, as well as the associated member of International Facility Management Association since 2017 in order to expand the reach of potential customers.
<ul style="list-style-type: none">— Capturing larger design and fit out projects	<ul style="list-style-type: none">— Since 2017, the Group had paid out start-up costs to capture new larger design and fit out projects.
<ul style="list-style-type: none">— Increasing the effectiveness of marketing and brand recognition	<ul style="list-style-type: none">— The Group had advertised in interchange subways, office/commercial buildings TV network to increase public awareness. The Group had also made donations to various charitable organisations to enhance its corporate image.— Since 2017, the Group had been awarded numerous corporate awards from World Green Organisation, Hong Kong Management Association and Hong Kong Council of Social Service to promote our brand.

Use of Listing Proceeds

The shares of the Company were listed on GEM of the Stock Exchange on 12 July 2016 (the "Listing Date") for which the Company issued 120,000,000 new shares at HK\$0.64 per share. The net listing proceeds received by the Company, after deducting underwriting fees and other related expenses, are approximately HK\$57.0 million. These proceeds are intended to be applied in the manner as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

The future plan and scheduled use of proceeds as disclosed in the Prospectus were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus, while the proceeds were applied with consideration of the actual development of business and market.

As at 31 December 2021, the Group does not anticipate any change to the plan as to the use of net listing proceeds.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As at 31 December 2021, the net listing proceeds has been applied and utilised as follows:

Use of net proceeds	Planned use of net proceeds (HK\$'000)	Approximate percentage of total net proceeds	Actual use of net proceeds (HK\$'000)	Unused net proceeds (HK\$'000)	Expected timeline for unutilised proceeds
Recruiting high caliber talents and enhancing company strength	15,225	27%	15,225	—	—
Developing a new line of business and financing potential business collaboration and/or acquisition of companies	13,587	24%	13,587	—	—
Expanding market coverage	10,788	19%	10,788	—	—
Capturing larger design and fit out projects	6,840	12%	6,840	—	—
Increasing the effectiveness of marketing and brand recognition	4,860	8%	4,860	—	—
General working capital	5,700	10%	5,700	—	—
Total	57,000	100%	57,000	—	—

Share Consolidation and Change in Board Lot Size

According to the relevant ordinary resolution passed at the extraordinary general meeting of the Company held on 10 August 2021, every ten (10) issued and unissued shares of HK\$0.01 each in the share capital of the Company have been consolidated into one (1) consolidated share of HK\$0.10 each (the "Share Consolidation"). Upon the Share Consolidation becoming effective on 12 August 2021, the authorised share capital of the Company has become HK\$100,000,000 divided into 1,000,000,000 consolidated shares of HK\$0.10 each. Right after the Share Consolidation becoming effective, the board lot size for trading on the Stock Exchange has been changed from 4,000 shares to 6,000 consolidated shares of the Company. Details of the above Share Consolidation and the change in board lot size are set out in the Company's announcements dated 7 June 2021, 5 July 2021 and 11 August 2021, and the Company's circular dated 23 July 2021.

Fundraising Activities of the Group

On 17 August 2020, the Company entered into the placing agreement with All Evergreen Securities Limited ("All Evergreen") pursuant to which All Evergreen has conditionally agreed, as agent of the Company, to procure on a best effort basis to not less than six placees who and whose ultimate beneficial owners shall be independent third parties to subscribe for up to 141,400,000 placing shares at the placing price of HK\$0.037 per placing share. Completion of the said placing took place on 4 September 2020 and 141,400,000 placing shares were placed to not less than six placees at the placing price of HK\$0.037 per placing share.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The net proceeds, after deduction of all relevant expenses (including but not limited to placing commission, legal expenses and disbursements) incidental to the said placing, amounted to approximately HK\$5.2 million, of which all of the net proceeds was utilised for working capital purpose as at 31 December 2021. Details of the said placing are set out in the Company's announcements dated 17 August 2020 and 4 September 2020.

The Company conducted a rights issue on the basis of three rights share for every one consolidated share held on the record date at the subscription price of HK\$0.27 per rights share (the "Rights Issue"). 266,520,000 rights shares have been accepted and applied for, the gross proceeds raised from the Rights Issue are approximately HK\$71.96 million before expenses. Dealings in the rights shares, in their fully-paid form, commenced on the Stock Exchange at 9:00 a.m. on Thursday, 16 September 2021.

Approximately HK\$53.5 million of the net proceeds of the Rights Issue had been utilised for the repayment of the promissory note payable and the interest expenses accrued up to the repayment date. The remaining of the net proceeds which amounted to approximately HK\$16.4 million would be utilised as general working capital purpose. As at 31 December 2021, approximately HK\$5.5 million had been used for general working capital purpose. The remaining of the net proceeds are expected to be utilised before 31 December 2022 and the unutilised net proceeds have been placed in licensed banks in Hong Kong.

Please refer to the announcements of the Company dated 7 June 2021, 9 June 2021, 5 July 2021, 26 July 2021, 10 August 2021, 11 August 2021 and 14 September 2021, the circular of the Company dated 23 July 2021 and the prospectus of the Company dated 24 August 2021 for details.

Liquidity, Financial Resources and Capital Structure

The Group practiced prudent financial management and maintained a fairly stable financial position during the Year. As of 31 December 2021, the Group had cash and cash equivalents of approximately HK\$27.4 million (31 December 2020: approximately HK\$24.6 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 1.1 times as at 31 December 2021 (31 December 2020: approximately 1.3 times).

As at 31 December 2021, the Group had total liabilities of approximately HK\$63.8 million (31 December 2020: approximately HK\$111.6 million) which mainly comprise of trade and other payables, contract liabilities, amount due to non-controlling interest, lease liabilities, current income tax liabilities and borrowings (31 December 2020: trade, deferred income tax liabilities and other payables, contract liabilities, amount due to non-controlling interest, lease liabilities and borrowings) amounting to approximately HK\$63.8 million (31 December 2020: approximately HK\$63.5 million) and promissory note payable of approximately HK\$nil (31 December 2020: HK\$48.1 million).

As at 31 December 2021, the gearing ratio, expressed as a percentage of interest-bearing debt, borrowings (31 December 2020: borrowings and promissory note payable) over total assets was approximately 22.3% (31 December 2020: 75.0%). The decrease in gearing ratio was mainly resulted by the repayment of promissory note payable during the Year. The management will timely monitor the financial position of the Group and deleverage the gearing when appropriate.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The shares of the Company were listed on the GEM Board of the Stock Exchange on 12 July 2016. As at 31 December 2021, the Company's total number of issued shares was 355,360,000 at HK\$0.1 each (31 December 2020: 872,400,000 at HK\$0.01 each). The Company's capital comprises ordinary shares and capital reserves. The Group finances its working capital requirements mainly through a combination of our cash flows generated from operations, borrowings and proceeds from share offer.

Foreign Exchange Exposure

The Group's core business operation is in Hong Kong and its assets are principally in Hong Kong. Hence, the Group is not exposed to any significant foreign exchange risk as the majority of our business transactions are denominated in Hong Kong Dollar (being the functional currency of our Group) and there were only insignificant balances of financial assets that were denominated in foreign currency as at 31 December 2021.

The Group does not have a foreign currency hedging policy and will continue to monitor its foreign exchange exposure. The Group will consider hedging significant foreign currency exposure should the need arises.

Pledge of Assets

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

Contingent Liabilities and Capital Commitments

Certain customers of design and fit out contracts undertaken by the Group require a group entity to issue guarantees for performance of contract works in the form of surety bonds.

As at 31 December 2021, the Group had paid a refundable deposit of HK\$588,000 (31 December 2020: HK\$588,000) and, together with certain directors of a subsidiary, had also given counter indemnities to an insurance company for a surety bond issued in favour of a customer by the insurance company amounted to HK\$1,960,000 (31 December 2020: HK\$1,960,000) which remained outstanding at the end of the reporting period. Where the Group fails to provide satisfactory performance to the customer, the customer may demand the insurance company to pay the sum stipulated in the surety bond and the Group may then become liable to compensate the insurance company accordingly.

Save as disclosed herein, the Group has no other material contingent liabilities (31 December 2020: Nil) and any material capital commitments as at 31 December 2021. (31 December 2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Future Plans for Material Investment and Capital Assets

Save as disclosed in Note 38(a) and 42 of the consolidated financial statements, the Group did not have any other plans for material investment and capital assets as at 31 December 2021.

Significant Investments Held

As at 31 December 2021, the Group held approximately HK\$1.9 million of equity investments which were classified as financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss. Details of the significant listed equity investments are as follows:

	Notes	Place of incorporation	Gain on change in fair value HK\$'000	Market value HK\$'000	Approximate percentage of equity investment %	Approximate percentage to the total asset %	Approximate percentage to the interest in the respective investments as at 31 December 2021 %	Realised loss on investment HK\$'000
HSBC Holdings plc (0005.hk)	1	England	165	1,237	65.3	1.9	<0.01	—
Gain Plus Holdings Limited (9900.hk)	2	Cayman Islands	288	656	34.7	1.0	0.09	—
			453	1,893	100	2.9		—

Notes:

1. HSBC Holdings plc (HSBC) is the banking and financial services company. No dividend was received during the year. According to the latest published annual report of HSBC Holdings plc (HSBC), it had net asset value of approximately US\$206,777 million.
2. Gain Plus Holdings Limited is principally engaged in provision of building construction services and repair, maintenance, addition and alteration (RMAA) services in Hong Kong. No dividend was received during the year. According to the latest published interim report of Gain Plus Holdings Limited, it had an unaudited net asset value of approximately HK\$240,117,000.

In view of the recent volatile in the stock market, the Board will adopt cautious measures to manage the Group's investment portfolio with an aim to provide positive return to the Group in the near future.

On 18 December 2020, Sunny Stage Limited, a direct wholly-owned subsidiary of the Company had entered into an agreement with an independent third party to dispose 49% equity interest in Primo for a consideration of HK\$4.6 million (the "Disposal") which was fully settled as at the date of this report. Completion of the Disposal took place on 31 December 2020. Gain on disposal of Primo amounted to approximately HK\$237,000, being the excess of the proceeds from disposal over the carrying amount of the Group's interest in Primo. For details of the Disposal, please refer to the announcement of the Company dated 18 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Save as disclosed herein and except for investment in subsidiaries, the Group did not have any significant investment in equity interest as at 31 December 2021.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

On 29 April 2020, Fasty Aim Limited ("Fasty Aim"), a direct wholly-owned subsidiary of the Company and Ms. To Kit Yan Yuki (the "Vendor") entered into a sale and purchase agreement (the "Acquisition"), pursuant to which, Fasty Aim has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the entire issued share capital of YTO Limited (the "Target Company") for a total consideration of HK\$4,480,000, which will be fully satisfied by the allotment and issue of 112,000,000 shares (the "Consideration Shares") of the Company, representing approximately 15.84% of the entire issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. Completion of the transaction took place on 8 May 2020. For details of the Acquisition, please refer to the announcement of the Company dated 29 April 2020.

On 30 October 2020, Major Joyful Limited, a direct wholly-owned subsidiary of the Company entered into an agreement to acquired 40% equity interest in Ever Joy Ventures Limited, a company incorporated in Samoa and is principally engaged in investment holding (the "Acquisition"). Ever Joy Ventures Limited directly holds 60% equity interest in MF Living Limited. MF Living Limited is a company incorporated in Hong Kong and is principally engaged in the sale of face masks. Upon completion, Ever Joy Ventures Limited become an associate of the Company. For details, please refer to the announcement of the Company dated 30 October 2020.

On 22 June 2021, the Group had disposed of its entire interests of Ever Joy Ventures Limited at a consideration of HK\$600,000 (the "Disposal of Ever Joy") and recognised a gain of disposal amounted to approximately HK\$101,000. For details of the Disposal of Ever Joy, please refer to note 20a(ii) of the consolidated financial statements.

On 15 October 2021, a wholly-owned subsidiary of the Company, Legend Start Limited ("Legend Start"), entered into a sale and purchase agreement with a third party for the acquisition of 100% equity interest in Legacy Infinity for an aggregate cash consideration of HK\$420,000. Pursuant to the terms of the sale and purchase agreement, Legend Start agreed to acquire 180,000, 330,000 and 120,000 ordinary shares of Legacy Infinity at cash consideration of HK\$126,000, HK\$231,000 and HK\$63,000 on or before 15 October 2021, 1 December 2021 and 30 June 2022 respectively. Completion of the acquisition of 180,000 and 330,000 ordinary shares of Legacy Infinity took place on 15 October 2021 and 1 December 2021 respectively. As at 31 December 2021, the Group held 85% equity interest in Legacy Infinity. Legacy Infinity is principally engaged in the provision of insurance brokerage. The acquisition of Legacy Infinity is to enable the Group to explore new business development services.

On 18 December 2020, Sunny Stage Limited, a direct wholly-owned subsidiary of the Company had entered into an agreement with an independent third party to dispose 49% equity interest in Primo for a consideration of HK\$4.6 million (the "Disposal") which was fully settled as at the date of this report. Completion of the Disposal took place on 31 December 2020. Gain on disposal of Primo amounted to approximately HK\$237,000, being the excess of the proceeds from disposal over the carrying amount of the Group's interest in Primo. For details of the Disposal, please refer to the announcement of the Company dated 18 December 2020.

Save as disclosed herein, the Group did not have any material acquisition and disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Employees and Remuneration Policies

As at 31 December 2021, the Group had 31 employees (31 December 2020: 40 employees), including the Directors. Total staff costs (including Directors' emoluments) were approximately HK\$18.7 million for the Year as compared to approximately HK\$18.5 million for the year ended 31 December 2020. Such increase was mainly due to the adjustment in remuneration because of the increase in revenue.

Remuneration is determined with reference to qualifications, duties, contributions and years of experience and performance of individual employees.

In addition to salaries, our remuneration to employees also include sales commission, provident fund, medical coverage and discretionary bonuses. Level of remuneration is reviewed at least annually.

The Group operates the Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the laws of Hong Kong) for employees employed under the jurisdiction of Hong Kong Employment Ordinance (Chapter 57 of the laws of Hong Kong). The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the Group and the employees are each required to make contributions to the plan at 5% of the employee's relevant income, subject to a cap of monthly relevant income of HK\$30,000 per employee. There are no forfeited contributions for the MPF Scheme as the contributions are fully vested to the employees upon payments to the MPF Scheme.

Significant Event after the Reporting Period

Details of events after the reporting period are set out in Note 46 of the consolidated financial statements. Save as disclosed elsewhere in this annual report, there was no significant event relevant to the business or financial performance of the Group that comes to the attention of the Directors after the year ended 31 December 2021.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT

Executive Directors

Mr. Kwan Tek Sian ("Mr. Kwan"), aged 46, was appointed as the Chief Executive Officer ("CEO") and an executive Director on 4 February 2020 and a Chairman of the Board on 2 August 2021. He is a member of remuneration committee.

Mr. Kwan is the non-executive director and chairman of the board of directors of Bosa Technology Holdings (stock code: 8140) since 18 August 2017.

Since July 2018, Mr. Kwan has been re-designated to an executive director of JMC Technologies Pte. Limited, a Singapore-based company that is principally engaged in providing recruitment services and information technology solutions to multinational technology companies.

Mr. Kwan is a director and an investor of Bionic Vision Technologies Pty. Limited, a privately held Australian based company. It develops visual prostheses to restore vision of the blind, in which Mr. Kwan owns shares through State Path Capital Limited, a joint venture company involved in investing in technology companies.

Mr. Kwan is beneficially interested in approximately 35.5% of the issued shares of PepCap Resources Inc. (Symbol: WAV.V), a capital pool company (as defined under the rules of the TSX Venture Exchange) which indirectly holds mining interests in Indonesia, and which shares are listed on TSX Venture Exchange.

Mr. Kwan obtained a bachelor degree in Science from Victoria University in Australia in May 1998, a master degree in Health Sciences from Victoria University in October 2000 and a graduate diploma in Law and Legal Studies from La Trobe University in October 2004.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT (CONTINUED)

Mr. Wong Kin Yeung (“Mr. Wong”), aged 45, was appointed as an executive Director of the Company on 4 March 2022.

Mr. Wong has extensive experience in the fields of interior design and fit out, tertiary education, computer engineering and information technology.

From February 2019 to September 2021, he served as the Department Head and a professor of the Department of Technology of the Open University of Hong Kong, primarily responsible for the development and supervision for six disciplines and 13 programmes. He served as an associate professor and programme leader of Engineering Sciences in the Open University of Hong Kong from May 2013 to February 2019.

Mr. Wong served as the professor and associate professor of Computing Program in Macau Polytechnic Institute for the period from September 2010 to April 2013 and from February 2003 to September 2010, respectively.

Mr. Wong has served as a senior management member of a private company, responsible for developing and executing business strategies related to property interior design and fit out work.

Mr. Wong holds a PhD degree in Information Technology from City University of Hong Kong and a bachelor’s degree in Information Technology from City University of Hong Kong.

Independent Non-executive Directors

Mr. Tse Chi Shing (“Mr. Tse”), aged 38, was appointed an independent non-executive Director of the Company on 12 January 2017. He is the chairman of the remuneration committee and the audit committee and a member of the nomination committee.

Mr. Tse has over 13 years of experience in accounting and auditing. He is currently the chief financial officer and company secretary of KOALA Financial Group Limited (“KOALA”), a company listed on the GEM of the Stock Exchange (stock code: 8226), where he is responsible for financial planning, financial control and accounting operations and also manages a full spectrum of company secretarial work for KOALA. Prior to joining to KOALA, Mr. Tse was with the audit firms of Mazars CPA Limited, HLB Hodgson Impey Cheng, and Choy Ng and Co. CPA.

Mr. Tse received a Bachelor of Arts degree (with Honours) in Accounting from the Hong Kong Polytechnic University in July 2006. He has been a member of the Hong Kong Institute of Certified Public Accountants (HKICPA) since January 2011.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT (CONTINUED)

Mr. Tse Wai Hei (“Mr. Tse W.H.”), aged 51, was appointed as an independent non-executive Director of the Company on 30 November 2017. He is the Chairman of the nomination committee and a member of audit committee and remuneration committee.

Mr. Tse W.H. has 33 years of experience specialising in mechanical engineering, publishing and printing services. In 2008, Mr. Tse W.H. joined in Komori Hong Kong Limited, a Japanese-based corporation principally engaged in manufacturing printing machines as a manager of the technical service department where over a period of 12 years.

Mr. Tam Chak Chi (“Mr. Tam”), aged 45, was appointed as an independent non-executive Director of the Company on 28 September 2018. He is a member of audit committee and nomination committee.

Mr. Tam has more than 21 years of experience in providing accounting, auditing and financial services and has served various senior positions at various private and listed companies. He is currently an executive director of Ocean Star Technology Group Limited, a company listed on the GEM of the Stock Exchange (stock code: 8297) an independent non-executive director of Wealth Glory Holdings Limited, a company listed on the GEM of the Stock Exchange (stock code: 8269), and an independent non-executive director of Wisdom Wealth Resources Investment Holding Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0007), and a financial consultant of various private companies.

Mr. Tam holds a bachelor’s degree of commerce from the University of Toronto. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Taxation Institute of Hong Kong and a member of the American Institute of Certified Public Accountants.

Senior Management

Mr. Yau Chung Ping (“Mr. Yau”), aged 50, is a co-founder of the Group. He was appointed as the director, Design of AL Design & Associates Limited (“AL Design”), a wholly-owned subsidiary of the Company, since its founding in October 1999.

Mr. Yau has overall responsibilities for client development, new business initiatives and overall design and project management for AL Design’s clients.

Mr. Yau has over 27 years of experience in interior design and project management in Hong Kong and China. In 1999, Mr. Yau co-founded AL Design with Ms. Sz. Over the 22 years at AL Design, Mr. Yau has directed his design team through a variety of projects in the field of interior design and project management covering the commercial, residential and retail sectors that reflect the brand and image of their corporate clients. He is committed to serving the community, contributing to numerous charities; and using environmentally friendly practices and materials wherever possible.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT (CONTINUED)

Mr. Yau received a Diploma in Interior and Environmental Design from the First Institute of Arts and Design in August 1994 and Fellowship from The Canadian Chartered Institute of Business Administration in 2016. He has been a professional member of the Hong Kong Interior Design Association since 2004 and International Interior Design Association in 2016. He is also an associated member of International Facility Management Association since 2017. In 2016, Mr. Yau is awarded "Outstanding Entrepreneur Award 2016" from CAPITAL Entrepreneur magazine.

Ms. Sz Kit ("Ms. Sz"), aged 51, is a co-founder of the Group. She was appointed as the director, Projects of AL Design, a wholly-owned subsidiary of the Company, since its founding in October 1999.

Ms. Sz has overall responsibilities for project management of the Group's business, including the management of opportunities and risks, human resource planning and deployment, quality control, progress of work against cost and deadline, and environmental and safety issues.

Ms. Sz has over 27 years of experience in interior design and project management in Hong Kong covering the residential, office, commercial, hospitality and government sectors. She started her career in 1993, initially as a draftsman and subsequently as an interior designer at Ming Yip Design Limited; and in 1997, joined FCS Interior Design Consultant Limited as an interior designer, with focus on the commercial office sector.

In 1999, Ms. Sz co-founded AL Design with Mr. Yau. Over the 21 years at AL Design, Ms. Sz has worked closely with Mr. Yau in building the business from scratch.

Ms. Sz received a diploma in Architecture and Urban Planning from the department of Architecture at Guangzhou University (China) in July 1991. She has been a professional member of the Hong Kong Interior Design Association since 2004.

Ms. Lau Yee Nga, Angela ("Ms. Lau"), aged 47, joined the Group in November 1999 when AL Design was founded. She is currently the director, Sales & Marketing of AL Design and is responsible for sales & marketing and new business development and achieving the Group's revenue and profit targets.

Ms. Lau started her career in 1996 as a Capacity Management Officer at Maersk Hong Kong Limited. The following year, in 1997, she joined FCS Interior Design Consultant Limited as a Marketing Executive. In 1999, Ms. Lau became a member of the founding team at AL Design, served initially as an Assistant Marketing Manager and subsequently rose through the ranks to become a Senior Manager, Sales & Marketing. Between the period June 2010 and January 2011, and May 2012 and October 2013, Ms. Lau was on a sabbatical leave. In January 2016, she was re-designated as the director, Sales & Marketing.

Ms. Lau received a Bachelor of Science degree (Honors) in Statistics from the Chinese University of Hong Kong in December 1996.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT (CONTINUED)

Ms. Chan Choi Yi (“Ms. Chan”), aged 52, joined the Group in August 2000, less than a year after AL Design was founded. She is currently the associate director, Human Resources & Administration of AL Design and is responsible for human resource planning & deployment and administration.

Ms. Chan started her career in 1989; was a Clerk at Bank of Communications Hong Kong Branch (1989–1992), a junior secretary at Stephen-Bensive Asia Ltd. (1992–1993), a secretary of Ricofield Company Limited (1993–1994), a secretary to Deputy Managing Director at Fuchuen Machinery and Equipment Company Limited (1994–1999), and a Secretary to Director at Hong Kong Darong (International) Co. Ltd. (1999).

Ms. Chan received a certificate in Secretaries from the Hong Kong Management Association in 1992, a certificate in Logistics Management from the School of Continuing Education Hong Kong Baptist University in 2001, and a certificate in Employment Ordinance from the Hong Kong Management Association in 2013.

Mr. Leung Louis Ho Ming (“Mr. Leung”), aged 39, joined the Group in September 2019. He is currently the company secretary and authorised representative of the Company.

Mr. Leung holds a bachelor degree of Science in Quantitative Finance from The Chinese University of Hong Kong in 2004. He has been a member of Hong Kong Institute of Certified Public Accountant since 2008 and has over 10 years of experience in accounting and auditing for Hong Kong listed and private companies.

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors") are pleased to present their annual report together with the audited consolidated financial statements of the Group (the "Consolidated Financial Statements") for the year ended 31 December 2021.

Principal Activities and Business Review

The principal activity of the Group is the provision of integrated interior design and fit out management services in Hong Kong.

The business review of the Group for the Year together the future business development are set out in the section headed "Management Discussion and Analysis" on pages 07 to 18 of this annual report. This discussion form part of the report of directors.

Environmental Policies and Performance

Details of the key laws and regulations that have a significant impact on the Group's business, their keyscope and our compliance measures are outlined as the following table:

Laws and Regulations	Key scope	Compliance measures
Noise Control Ordinance (CAP. 400)	These provisions deal with noise emanating from places such as industrial, commercial, trade or business premises	The Group has signed framework agreement with subcontractors who acknowledged the ultimate responsibilities of laws and regulations compliance relating to their fit out work at our project locations. Our project team will monitor the day-to-day work of subcontractors and provide advice whenever there is potential risk of non-compliance of laws and regulations.
Waste Disposal (Charges for Disposal of Construction Waste) Regulation (CAP. 354N)	Construction waste producers, such as construction contractors, renovation contractors or premises owners, prior to using government waste disposal facilities, need to open a billing account with the Environmental Protection Department and pay for the construction waste disposal charge	

A separate environmental, social and governance report is expected to be published on the website of the Stock Exchange and the Company no later than 5 months after the year-end date.

REPORT OF THE DIRECTORS (CONTINUED)

Compliance with Laws and Regulations

The Group is principally engaged in providing integrated interior design and fit out management services in Hong Kong. Sufficient resources and training have been allocated and provided to ensure the on-going compliance with applicable laws and regulations. During the Year, the Board is not aware of any incidence of non-compliance with the relevant laws and regulations that have a significant impact on the Group's business where the Group is operating.

Relationship with key parties

The success of the Group also depends on the support from key parties which comprise customers, suppliers, employees and shareholders.

Customers

The Group's principal customers comprises business owners and residential property owners/tenants. The Group provides high standard and tailor-made design and fit out management to our customers, as well as strong maintenance and after-sales services to maintain a close relationship with our existing customers to encourage re-engagement and/or referral.

Suppliers

Good relationship with suppliers constitutes one of the essential elements of the Group's success. To achieve positive business growth, the Group maintains close relationship with its suppliers in order that fit out work can be completed with high efficiency and quality so as to further enhance our reputation in the market.

Employees

The Group focuses on the talents of our employees as our most valuable asset and provides a harmonious and professional working environment with flexibility for their creativity to fulfil the interior design projects.

The key objective of our human resource management is to recognise and reward performing staff by providing competitive remuneration packages and implementing an effective performance appraisal system with appropriate incentives, namely equal promotion opportunity.

Shareholders

The principal goal of the Group is to maximise the return to the shareholders of the Company. The Group will focus on our core business for achieving sustainable profit growth and rewarding the shareholders with dividend payouts taking into account the business development needs and financial health of the Group.

REPORT OF THE DIRECTORS (CONTINUED)

Principal Risks and Uncertainties

The business operations and results of the Group may be affected by various factors, some of which are external causes and some are inherent to the business. The Board is aware that the Group is exposed to various risks and the principal risks and uncertainties are summarised below:

- Failure to obtain new contracts could materially affect our financial performance;
- We rely on our management team in operating our business;
- We rely on our ability to successfully meet customers' and end users' preference by delivering our interior design solutions in a timely manner;
- We rely on the performance of our project management staff; and
- We rely on our suppliers to complete certain projects and are subject to risk arising from the non-compliance, late performance or poor performance by such suppliers. Also, there is no assurance that these suppliers will be able to continue to provide services to us at fees acceptable to us.

Results and Appropriations

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 58.

The Directors did not recommend the payment of a final dividend to shareholders of the Company for the Year (2020: Nil).

Five Years Financial Summary

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out on page 148. This summary does not form part of the Consolidated Financial Statements.

Shares Issued in the Year

Details of the shares issued in the year ended 31 December 2021 are set out in note 33 to the Consolidated Financial Statements.

REPORT OF THE DIRECTORS (CONTINUED)

Equity-linked Agreements

On 29 April 2020, Fasty Aim, a direct wholly-owned subsidiary of the Company and Ms. To Kit Yan Yuki (the "Vendor") entered into a sale and purchase agreement (the "Acquisition"), pursuant to which, Fasty Aim has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the entire issued share capital of YTO Limited for a total consideration of HK\$4.48 million, which will be fully satisfied by the allotment and issue of 112 million new shares of the Company. Completion of the transaction took place on 8 May 2020. For details of the Acquisition, please refer to the announcement of the Company dated 29 April 2020.

Save as disclosed herein and the share option scheme of the Company, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Year or subsisted at the end of the Year.

Pre-emptive Rights

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

Purchase, Sale or Redemption of the Company's Listed Securities

The Company has not redeemed any of its shares during the period from the Listing Date to 31 December 2021. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period from the Listing Date to 31 December 2021.

Distributable Reserves

As at 31 December 2021, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to HK\$nil (2020: HK\$nil). Details of the movement in reserve during the Year are set out in note 44 to the Consolidated Financial Statements.

Donations

During the Year, charitable and other donations made by the Group amounted to HK\$3,800 (2020: HK\$6,000).

REPORT OF THE DIRECTORS (CONTINUED)

Major Customers and Suppliers

The percentages of purchases and sales for the Year attributable to the Group's major suppliers and customers are as follows:

Purchases	
— the largest supplier	10.5%
— five largest suppliers in aggregate	28.0%
Sales	
— the largest customer	18.5%
— five largest customers in aggregate	56.3%

To the best knowledge of the directors, neither the directors, their associates, nor any shareholders, who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers or suppliers during the Year.

Directors and Directors' Service Contracts

The directors of the Company who held office during the Year and as at the date of this report were:

Executive Directors:

Mr. Lam Chung Ho, Alastair (*Chairman*) (resigned on 2 August 2021)

Mr. Wong Kang Man (retired on 18 June 2021)

Mr. Kwan Tek Sian (*Chairman & Chief Executive Officer*)

Mr. Wong Kin Yeung (appointed on 4 March 2022)

Independent Non-executive Directors:

Mr. Tse Chi Shing

Mr. Tse Wai Hei

Mr. Tam Chak Chi

Each of the executive Directors and independent non-executive Directors has entered into a service contract and/or letter of appointment with the Company for a fixed term of one year, subject to retirement by rotation and re-election at annual general meeting, and will continue thereafter until terminated in accordance with the terms of the service contract/letter of appointment.

REPORT OF THE DIRECTORS (CONTINUED)

In accordance with the Article 83(3) of Company's Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In accordance with the Article 84(1) of Company's Articles of Association, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation.

Accordingly, Mr. Kwan Tek Sian, Mr. Wong Kin Yeung, Mr. Tse Chi Shing, Mr. Tse Wai Hei, and Mr. Tam Chak Chi being all Directors of the Company, shall retire from office at the forthcoming annual general meeting to be held on 30 June 2022 (the "AGM"). All of the retired directors, being eligible, offer themselves for re-election, at the AGM.

Apart from the foregoing, no Director proposed for re-election at the AGM has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

Biographical Details of Directors and Senior Management

The biographical details of the Directors and senior management of the Group are disclosed in the section headed "Biographical Details of the Directors and Senior Management" on pages 19 to 23 of this annual report.

Changes of Directors' Information under Rule 17.50A(1) of the GEM Listing Rules

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the change of information of Directors since the publication of 2021 interim report of the Company and up to the date of this report was as follows:

On 4 March 2022, Mr. Wong Kin Yeung has been appointed as an executive Director of the Company with an annual Director's fee of HK\$120,000.

Save for the information above, the Company is not aware of any other change in the directors' information which are required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules since the date of the 2021 interim report.

REPORT OF THE DIRECTORS (CONTINUED)

Management Contracts

Save for the service contract, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

Permitted Indemnity Provisions

Pursuant to Article 164 of the Articles of Association of the Company, the Directors, Secretary and other officers and every auditor for the time being of the Company and the liquidator or trustees (if any) for the time being acting in relation to any of the affairs of the Company and everyone of them, and everyone of their heirs, executors and administrators, shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts; and none of them shall be answerable for the acts, receipts, neglects or defaults of the other or others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

Such provision was in force during the Year. In addition, the Company has also maintained Directors and officers liability insurance during the Year.

Directors' Remuneration

The Directors' fees are subject to shareholders' approval at annual general meeting. Other emoluments are determined by the Board of the Company with reference to the recommendations by remuneration committee of the Company, directors' duties, responsibilities and performance and the results of the Group. The remuneration of Directors (including executive Directors and independent non-executive Directors) on named basics are set out in note 36 to the consolidated Financial Statements.

Directors' Material Interests in Transactions, Arrangements and Contracts that are Significant in Relation to the Company's Business

No transactions, arrangements or contracts that is significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had, directly or indirectly, a material interest subsisted at the end of the Year or at any time during the Year.

REPORT OF THE DIRECTORS (CONTINUED)

Connected/Related Parties Transactions

Details of the related parties transactions undertaken in the normal course of business are set out in note 43 to the Consolidated Financial Statements. None of them constitutes a discloseable connected transaction or continuing connected transaction under Chapter 20 of the GEM Listing Rules.

Share Option Scheme

The Company has conditionally adopted the share option scheme ("Share Option Scheme"), which was approved by written resolutions passed by its sole Shareholder on 15 June 2016 and became unconditional on 12 July 2016. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group. The maximum entitlement of each eligible participant under the Share Option Scheme in any 12-month period up to the date of offer to grant shall not exceed 1% of the Shares in issue as at the date of offer to grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The Share Option Scheme is valid and effective for a period of 10 years from 12 July 2016, after which no further options will be granted or offered.

As at 1 January 2020, there was no option outstanding, granted, cancelled, exercised or lapsed.

On 9 October 2020, the Company had granted a total of 48,000,000 share options to 6 eligible participants of which 16,000,000 share options are granted to 2 employees and 32,000,000 share options are granted to 4 consultants to subscribe shares of HK\$0.01 each of the Company under the share option scheme at an exercise price of HK\$0.043 per share. The closing price of the Company's shares immediately before the date of grant is HK\$0.042. Exercise period of the share options granted is 9 October 2020 to 8 October 2030. HK\$1 is paid by each grantees upon acceptance of the share options.

REPORT OF THE DIRECTORS (CONTINUED)

During the year ended 31 December 2020, 24,000,000 of the share options held by the consultants had been exercised. In respect of the share options exercised during the year, the weighted average share price at the date of exercise is HK\$0.065 and the weighted average share price at the dates immediately before the exercise is HK\$0.066.

As at 31 December 2020, 16,000,000 share options held by the employees and the 8,000,000 share options held by the consultant are outstanding.

Details of the principal terms of the Share Option Scheme are set out in paragraph headed "13. Share Option Scheme" in section headed "Statutory and General Information" in Appendix IV to the prospectus dated 29 June 2016.

On 4 February 2021, 8,000,000 of the share options held by employee and 8,000,000 of the share options held by consultant had been exercised. Prior to the Share Consolidation, the weighted average share price at the date of exercise is HK\$0.053 and the weighted average share price at the date immediately before the exercise is HK\$0.051.

As at the date of this annual report, the total number of shares of the Company available for issue under the Scheme was 947,200 shares, representing approximately 0.3% of the number of issued share of the Company.

Apart from the aforesaid Share Option Schemes, at no time during the year ended 31 December 2021 was the Company or any associated corporation a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age 18, had any right to subscribe for the shares in, or debentures of, the Company, or had exercise any such rights.

REPORT OF THE DIRECTORS (CONTINUED)

Directors and Chief Executive's Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Specified Undertaking of the Company or any Other Associated Corporation

As at 31 December 2021, none of the directors and chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the standards of dealing by directors as referred to in Rule 5.48 to 5.67 of the GEM Listing Rules.

Substantial Shareholder's Interests and/or Short Position in Shares and Underlying Shares of the Company

As at 31 December 2021, the Company had not been notified by any persons (other than directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall under the provisions of Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Directors' Interests in Competing Business

During the Year, none of the directors, or any of their respective close associates has engaged in any business that competes or may compete, either directly or indirectly, with the business of the Group or has any other conflict of interests with the Group, save for the followings:

Mr. Wong Kang Man ("Mr. Wong"), an executive Director of the Company, is a director of ACE Architectural and Interior Design Limited ("ACE"), which is a non-wholly owned subsidiary of the Group and ACE is principally engaged in the interior design business in Hong Kong. Such company has been operating independently and the respective board composition of such company is different and separate. In this respect, coupled with the diligence of the Independent Non-executive Directors, the Group was capable of carrying on its business independently of, and at arm's length from, the business of such company. Mr. Wong was retired from the Board of Directors of the Company on 18 June 2021.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company as at the latest practicable date prior to the issue of this report, the Company has maintained the prescribed public float under the GEM Listing Rules of at least 25% of the Company's total number of issued shares which was held by the public.

REPORT OF THE DIRECTORS (CONTINUED)

Corporate Governance Report

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 35 to 50 in this annual report.

Closure of the Register of Members

The Register of Members of the Company will be closed from 27 June 2022 to 30 June 2022 (both days inclusive), during which period no transfers of shares will be registered. To determine the entitlement to attend and vote at the AGM of the Company, all transfer document, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 pm on 24 June 2022.

Auditor

The Consolidated Financial Statements have been audited by CCTH CPA Limited, who retire and, being eligible, offer themselves for re-appointment. A resolution to re-appoint the retiring auditor is to be proposed at the AGM.

By order of the Board
AL Group Limited

Kwan Tek Sian

Chairman, Chief Executive Officer and executive Director

Hong Kong, 30 March 2022

CORPORATE GOVERNANCE REPORT

Corporate Governance Principles and Practices

The Board and the management of the Company are committed to the maintenance of good corporate governance, practices and procedures. The Company believes that good corporate governance provides a solid foundation for the Group to manage business risks and is also one of the key factors leading to the success of the Company so as to balance the interests of shareholders, customers and employees. The Board is devoted to ongoing enhancements and review of the efficiency and effectiveness of such principles and practices to ensure that all of them are in line with corporate governance best practices.

During the Year, the Board considers that the Company has complied with all the corporate governance codes (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules.

The Board of Directors

Composition and Responsibilities

Throughout the Year, the Board comprises six Directors. As at the date of this annual report, there are two executive Directors and three independent non-executive Directors of the Company. The composition of the Board is as follows:

Executive Directors

Mr. Lam Chung Ho, Alastair (*Chairman*) (resigned on 2 August 2021)
Mr. Wong Kang Man (retired on 18 June 2021)
Mr. Kwan Tek Sian (*Chairman & Chief Executive Officer*)
Mr. Wong Kin Yeung (appointed on 4 March 2022)

Independent Non-executive Directors

Mr. Tse Chi Shing
Mr. Tse Wai Hei
Mr. Tam Chak Chi

On 18 June 2021, Mr. Wong Kang Man retired as an executive Director of the Company.

On 2 August 2021, Mr. Lam Chung Ho Alastair resigned as an executive Director and the Chairman of the Board of the Company as he needs to devote more time and dedication on his personal and other business commitments.

On 2 August 2021, the Company announced that Mr. Kwan Tek Sian, an executive Director and Chief Executive Officer of the Company, has been appointed as the Chairman of the Board.

On 4 March 2022, the Company announced that Mr. Wong Kin Yeung has been appointed as an executive Director of the Company.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The biographical details and responsibilities of the Directors as well as the senior management are set out in the section “Biographical Details of the Directors and Senior Management” on pages 19 to 23. The updated list of Directors and their role and function are published at the GEM website and the Company’s website at www.AL-Grp.com.

Save as disclosed in the section headed “Biographical Details of the Directors and Senior Management” to this annual report, the Directors have no other financial, business, family or other material/relevant relationships with each other.

The Board is accountable to shareholders for the Company’s performance and activities. While the Board is primarily overseeing and managing the Company’s affairs, the Chairman of the Board help the Board to provide the Company with effective leadership and ensure the continuing effectiveness of the management team and the high standards of probity within the Company. The executive Directors constituting the senior management of the Company are delegated with responsibilities in the day-to-day management of the Company and make operational and business decisions within the control of and delegation framework of the Company. The independent non-executive Directors contribute valuable views and proposals for the Board’s deliberation and decisions.

The Company has throughout the Year met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one of them possessing appropriate professional qualifications, accounting or related financial management expertise. At all times during the Year, the independent non-executive Directors represent at least one-third of the Board.

Prior to their respective appointment, each of the independent non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. The Company has also received a written confirmation from each of the independent non-executive Directors in respect of their independence for the Year. The Board considers that all independent non-executive Directors are being considered to be independent by reference to the factors stated in the GEM Listing Rules throughout the Year.

During the year ended 31 December 2021, the Board considers that the Company has complied with all the corporate governance codes (the “CG Code”) as set out in Appendix 15 to the GEM Listing Rules with the exception of Code Provisions A.2.1.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The role of the chief executive officer was performed by Mr. Kwan Tek Sian ("Mr. Kwan"), who was also the chairman of the Company. The Board believes that with the support of the management, vesting the roles of both the Chairman and chief executive officer in Mr. Kwan can facilitate the execution of the Group's business strategies and increase effectiveness of its operation. In addition, the Board is also supervised by three independent non-executive Directors. The Board considers that the present structure will not impair the balance of power and authority between the Board and the management of the Group as the Board assumes collective responsibility on the decision-making process of the Company's business strategies and operation. The Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Other matters reserved for the Board include consideration of dividend policy, approval of major investments, maintenance of an adequate system of internal controls and review of the corporate governance practices of the Group. Daily operations and administration are delegated to management teams.

Procedure for Seeking Independent Professional Advice by Directors

The Company has agreed to provide separate independent professional advice and sufficient resources to Directors and all Board Committees to assist them to discharge their duties in compliance with the GEM Listing Rules and CG Code. The Company will consider to develop written procedures to enable Directors and members of all Board Committees, upon reasonable request, to seek and be provided with independent professional advice in appropriate circumstances, at the Company's expense.

The Company has subscribed an insurance policy with an aim to indemnify its Directors and senior management from any losses, damages, liabilities and expenses arising from, including but not limited to, any proceedings brought against them during the performance of their duties pursuant to their respective services agreements entered into with the Company.

Board Meetings

The Board is scheduled to meet regularly at least four times a year at approximately quarterly intervals, to discuss the overall strategy as well as the operational and financial performance of the Company. Other Board meetings will be held when necessary. Such Board meetings involve the active participation, either in person or through other electronic means of communication, of a majority of Directors. The Directors make every effort to contribute to the formulation of policy, decision-making and the development of the Group's business.

For the year ended 31 December 2021, a total of 8 Board meetings were held. Apart from the meetings of the Board, remuneration committee, nomination committee and audit committee, written approval from the Board and Board committees had also been obtained by written resolutions on a number of matters.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Directors' Attendance at Board/Board Committee/General Meetings

Here below are details of all Directors' attendance at the board meetings, board committee meetings and general meetings held during the Year:

	Board Meeting	General Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting
Executive Directors					
Mr. Lam Chung Ho, Alastair ^(note 1)	4/4	1/1	N/A	N/A	1/1
Mr. Wong Kang Man ^(note 2)	3/3	1/1	N/A	N/A	N/A
Mr. Kwan Tek Sian	8/8	2/2	N/A	1/1	N/A
Mr. Wong Kin Yeung ^(note 3)	N/A	N/A	N/A	N/A	N/A
Independent Non-executive Directors					
Mr. Tse Chi Shing	8/8	2/2	5/5	1/1	2/2
Mr. Tse Wai Hei	8/8	2/2	5/5	1/1	1/1
Mr. Tam Chak Chi	8/8	2/2	5/5	N/A	2/2

Note 1: Resigned on 2 August 2021

Note 2: Retired on 18 June 2021

Note 3: Appointed on 4 March 2022

The Company was incorporated in Caymans Islands on 1 February 2016 and registered in Hong Kong on 10 March 2016 under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). At the annual general meeting, the chairman of the Board as well as chairmen of the nomination committee, remuneration committee and audit committee or, in their absence, other members of the respective committees shall attend to answer questions from shareholders at the annual general meeting.

Appropriate notices are given to all Directors in advance for attending regular and other board or board committee meetings. Meeting agendas and other relevant information are provided to the Directors in advance of board or board committee meetings. All Directors are consulted to include additional matters in the agenda for such meetings.

Directors have access to the advice and services of the Company Secretary with a view to ensuring that board procedures, and all applicable rules and regulations, are followed.

Both draft and final versions of the minutes will be sent to all Directors for their comment and records. Minutes of board and board committee meetings are kept by the Company Secretary and such minutes are open for inspection at any reasonable time on reasonable prior notice by any Director.

CORPORATE GOVERNANCE REPORT (CONTINUED)

All directors are also entitled to have access to board papers and related materials. These papers and related materials are in a form and quality sufficient to enable the board to make informed decisions on matters placed before it. Queries raised by directors shall receive a prompt and full response by the management.

Appointment, Re-election and Removal

Each of the executive Directors and independent non-executive Directors has entered into a service contract and/or letter of appointment with the Company for a fixed term of one year and will continue thereafter until terminated in accordance with the terms of the service agreement. The aforesaid service contracts and/or the letters of appointment may be terminated by not less than one month's notice in writing served by either party on the other.

In accordance with the articles of association of the Company, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Such retiring Directors shall be eligible for re-election at the annual general meeting.

Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after their appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Confirmation of Independence

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines throughout the Year.

Code of Conduct for Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company during the Year.

Induction and Continuous Professional Trainings of Directors

Each newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the GEM Listing Rules and relevant statutory requirements.

The Directors have also been informed of the requirement under Code Provision A.6.5 of the CG Code as set out in Appendix 15 to the GEM Listing Rules regarding continuous professional development.

CORPORATE GOVERNANCE REPORT (CONTINUED)

For the year ended 31 December 2021, all directors have participated in continuous professional development, by attending conferences, seminars and inhouse briefing, and reading materials relevant to their duties, responsibilities and the Group's business.

Board Committees

Audit Committee

The Company established an audit committee on 15 June 2016 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and the CG Code as set out in Appendix 15 to the GEM Listing Rules. The terms of reference of the audit committee was amended on 31 December 2018 and are available on the websites of the Company and the Stock Exchange.

The responsibility of the audit committee is to assist the Board in fulfilling its audit duties through the review and supervision of the Company's financial reporting, risk management and internal control principles and procedures, and to provide advice and comments to the Board. The members meet regularly with the external auditor and/or the Company's senior management for the review, supervision and discussion of the Company's financial reporting, risk management and internal control procedures and ensure that the board and the management have discharged their duties to have an effective risk management and internal control systems.

The composition of the audit committee during the Year and up to the date of this report is as follows:

Independent non-executive Directors:

Mr. Tse Chi Shing (*Chairman*)
Mr. Tse Wai Hei
Mr. Tam Chak Chi

None of the members of the audit committee is a former partner of the Company's existing auditing firm. Mr. Tse Chi Shing, who has appropriate professional qualifications and experience in accounting matters, was appointed as the Chairman of the Audit Committee.

During the Year, the audit committee held five meetings. Details of the attendance of the members of the audit committee in the said meetings are set out under the sub-heading "Directors' Attendance at Board/Board Committee/General Meetings" above.

The summary of work of the audit committee during the Year is as follows:

- met with the external auditors, reviewed and made recommendations for the Board's approval on the annual, interim and quarterly reports of the Company;
- recommended the re-appointment of CCTH CPA Limited as auditors, subject to the Shareholders' approval at the annual general meeting;
- reviewed and approved audit fee; and
- reviewed the effectiveness of the Company's risk management and internal control systems.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Remuneration Committee

The Company established the remuneration committee on 15 June 2016 with written terms of reference in compliance with the CG Code as set out in Appendix 15 to the GEM Listing Rules. The written terms of reference of the remuneration committee are available on the websites of the Company and the Stock Exchange.

The remuneration committee is responsible for formulating and making recommendations to the Board on the Company's emolument policy and on the establishment of a formal and transparent procedure for developing such policy. The Board expects the remuneration committee to exercise independent judgment and ensures that executive Directors do not participate in the determination of their own remuneration.

The composition of the remuneration committee during the Year and up to the date of this report is as follows:

Executive Directors:

Mr. Kwan Tek Sian

Independent non-executive Directors:

Mr. Tse Chi Shing (*Chairman*)

Mr. Tse Wai Hei

During the Year, the remuneration committee held one meeting. Details of the attendance of the members of the remuneration committee in the said meeting are set out under the sub-heading "Directors' Attendance at Board/Board Committee/General Meetings" above.

The summary of work of the remuneration committee during the Year is as follows:

- reviewed and recommended to the Board on the Group's remuneration policy and strategy;
- reviewed and recommended to the Board on the remuneration packages of the executive Directors and independent non-executive Directors of the Company; and
- reviewed and recommended to the Board on the remuneration package of the senior management of the Company.

Nomination Committee

The Company established the nomination committee on 15 June 2016 with written terms of reference in compliance with the CG Code as set out in Appendix 15 to the GEM Listing Rules. The written terms of reference of the nomination committee was amended on 31 December 2018 and are available on the websites of the Company and the Stock Exchange.

The primary duties of the nomination committee include reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Directors, assessing the independence of independent non-executive Directors, establishing and reviewing the diversity policy on the Board members, making disclosure of a Summary of the Board Diversity Policy and its review results in the corporate governance report annually and making recommendations to the Board on appointment and re-appointment of Directors.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The composition of the nomination committee is as follows:

Executive Director:

Mr. Lam Chung Ho, Alastair (*Chairman*) (resigned on 2 August 2021)

Independent non-executive Directors:

Mr. Tse Wai Hei (*Chairman*) (appointed on 2 August 2021)

Mr. Tse Chi Shing

Mr. Tam Chak Chi

During the Year, the nomination committee held two meetings. Details of the attendance of the members of the nomination committee in the said meeting are set out under the sub-heading "Directors' Attendance at Board/Board Committee/General Meetings" above.

The summary of work of the nomination committee during the Year is as follows:

- reviewed the existing Board's structure, size and composition;
- reviewed the board diversity policy;
- reviewed and assessed the independence of the independent non-executive Directors; and
- made recommendations on the retiring Directors at the AGM of the Company.

Board Nomination Policy

The Company adopted a nomination policy for the nomination committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors.

The Board, through the delegation of its authority to the nomination committee, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills critical to the Group's business to enable the Board to make sound and well considered decisions. Collectively, they have competencies in areas which are relevant and valuable to the Group.

Nomination Procedure

The nomination committee shall assess whether any vacancy on the Board has been created or is expected on a regular basis or as required.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The nomination committee utilises various methods for identifying director candidates, including recommendations from Board members, management, and professional search firms. All director candidates, including incumbents and candidates nominated by Shareholders are evaluated by the nomination committee based upon the director qualifications. While director candidates will be evaluated on the same criteria through review of resume, personal interview and performance of background checks. The nomination committee retains the discretion to establish the relative weighting of such criteria, which may vary based on the composition, skill sets, age, gender and experiences of the collective Board rather than on the individual candidate for the purpose of diversity perspectives appropriate to the requirement of the Company's business.

Selection Criteria

The nomination committee will take into account whether a candidate has the qualifications, skills, experience and gender diversity that add to and complement the range of skills, experience and background of existing Directors by considering the highest personal and professional ethics and integrity of the director candidates, proven achievement and competence in the nominee's field and the ability to exercise sound business judgment, skills that are complementary to those of the existing Board, the ability to assist and support management and make significant contributions to the Company's success and such other factors as it may deem are in the best interests of the Company and its Shareholders.

The Company shall review and reassess the nomination policy and its effectiveness on a regular basis or as required.

Board diversity policy

The Company recognises the benefits of having diversity in the composition of the Board and adopted its own board diversity policy on 15 June 2016.

The Company noted that people from different backgrounds and with different professional and life experience are likely to approach problems in different ways and accordingly, members of the Board with diverse backgrounds will bring different concerns and questions to the table, and allow the Board to consider a wider range of options and solutions when deciding on corporate issues and formulating policies for the Group. In determining the Board's composition and selection of candidates to the Board, factors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, industry knowledge and length of service will be considered. All Board appointments will be based on meritocracy, and candidates will be considered against the selection criteria, having regard for the benefits of diversity on the Board, the business model and specific needs of the Group. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The nomination committee has monitored the implementation of the board diversity policy since its adoption, and also reviewed it on an annual basis to ensure its effectiveness.

CORPORATE GOVERNANCE REPORT (CONTINUED)

For the purpose of implementation of the board diversity policy, the following measurable objectives were adopted:

1. at least one-third of the members of the Board shall be independent non-executive Directors; and
2. at least one of the members of the Board shall have obtained accounting or other professional qualifications.

The Board has achieved the measurable objectives in the board diversity policy.

As at the date of this Annual Report, the Board comprises six Directors. Three of them are independent non-executive Directors, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

Corporate Governance Function

During the Year, the Board has reviewed the corporate governance practices of the Company with reference to the CG Code as set out in Appendix 15 to the GEM Listing Rules. The summary of their work of is as follows:

- reviewed the Company's policies and practices on corporate governance and make recommendations;
- reviewed and monitored the training and continuous professional development of Directors and senior management of the Group;
- reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;
- developed, reviewed and monitored the code of conduct and compliance manual applicable to employees of the Group and the Directors; and
- reviewed the Company's compliance with CG Code and disclosure in the corporate governance report.

Policy on Payment of Dividends

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Company will declare and/or recommend the payment of dividends to Shareholders after considering the Company's ability to pay dividends, which will depend upon, among other things, its actual and expected financial results, cash flow, general business conditions and strategies, current and future operations, statutory, contractual and regulatory restrictions and so on. The Board has complete discretion on whether to pay a dividend, subject to Shareholders' approval, where applicable. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors of and affecting the Group. The Board may also consider declaring special dividends from time to time, in addition to the interim and/or final dividends.

The Company shall review and reassess the Dividend Policy and its effectiveness on a regular basis or as required.

Remuneration of Directors and Senior Management

Emolument Policy

The remuneration policy of the Group is to ensure the fairness and competitiveness of total remuneration. The emoluments of executive Directors are determined based on the skills, knowledge, individual performance as well as contributions, the scope of responsibility and accountability of such Directors, taking into consideration the Company's performance and prevailing market conditions. The remuneration policy of non-executive Directors and independent non-executive Directors is to ensure that they are adequately compensated for their efforts and time dedicated to the Company's affairs including their participation in respective Board committees. Their emoluments are determined with reference to their skills, experience, knowledge, duties and market trends.

Accountability and Audit

Financial Reporting

The Board acknowledges its responsibility for the preparation of the Consolidated Financial Statements for the year ended 31 December 2021 which give a true and fair view of the state of affairs of the Group in accordance with the statutory requirements and accounting standards and other financial disclosure requirement under the GEM Listing Rules. The financial results of the Group are announced in a timely manner in accordance with statutory and/or regulatory requirements.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement by auditor about their reporting responsibilities is set out in the independent auditor's report on pages 51 to 57 of the Consolidated Financial Statements.

CORPORATE GOVERNANCE REPORT (CONTINUED)

External Auditor's Remuneration

During the Year, the Company engaged CCTH CPA Limited as the external auditor. The fee in respect of audit services and non-audit services provided by CCTH CPA Limited for the year ended 31 December 2021 amounted to HK\$980,000 and HK\$300,000 respectively.

The audit committee has expressed its views to the Board that the level of fees paid/payable to the Company to the Company's external auditor for annual audit services is reasonable.

Risk Management and Internal Control Systems

Responsibility of the Board

The Board is committed to the maintenance of good corporate governance, practices and procedures, and implements an effective risk management and internal control systems of the Group. However, such systems are designed to manage rather than eliminate risk of failure to achieve business objective, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Our Risk Management and Internal Control Framework

Risk Management and Risk Assessment

The Board has the overall responsibilities of the risk management and internal controls systems of the Group. With the support from the Audit Committee, the Board monitors the Group's risk exposures, oversees the actions of management and monitors the overall effectiveness of the risk management system on an ongoing basis.

Management is responsible for setting the appropriate tone from the top, performing risk assessments, and owning the design, implementation and maintenance of internal controls. Essential to the Group's risk management and internal control systems are policies and procedures that are documented and communicated to employees.

To provide sound and effective risk management, the Group has established a risk management system which includes the following key features:

- An organisational structure for different responsible parties with defined authority, responsibilities and risk management roles;
- The Board sets forth the proper risk management culture and risk appetite for the Group, evaluates and determines the level of risk that the Group should take and monitor regularly;
- A Risk Management Policy has been established to provide a framework, which includes a risk assessment process, for the identification, analysis, evaluation, treatment, monitoring and reporting of the Group's key risks to support the achievement of the organisation's overall strategic objectives.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Risk assessment has been performed by management to evaluate the nature and extent of the risks to which the Group is willing to take in achieving its strategic objectives. During the risk assessment process, the Group has identified a number of key risks that may impact the Group's strategic objectives and to respond to the changes in the business and external environment. These risks are prioritised according to the likelihood of their occurrence and the significance of their impact on the business of the Group. Remedial measures are developed to manage these risks to an acceptable level. The results of risk assessment are reported to and discussed with the Board.

Internal Control

The Internal Audit Department is led by the Head of Internal Audit, who reports to the Audit Committee. The Internal Audit Department is primarily responsible for conducting reviews on the key operational processes and the related internal controls to ensure compliance with the Group's risk management and internal control policies and procedures.

An internal control review has been conducted during the year. During the process of the internal control review, the Internal Audit Department identified internal control deficiencies and weakness, proposed recommendations for improvements and remedial actions with management and process owners. No material internal control deficiencies and weaknesses have been identified but improvements in various areas of internal control procedures have been suggested. Management has taken certain immediate remedial actions accordingly and has planned to refine certain internal control procedures in due course. The result of the internal control review and management's remedial actions have also been reported to the Audit Committee.

Review of Risk Management and Internal Control Systems

Through the Audit Committee, the Board has conducted an annual review of the effectiveness of the risk management and internal control systems of the Group and considered the risk management and internal control systems effective and adequate. The review covers all material controls, including financial, operational and compliance controls, and risk management functions. The scope and quality of ongoing monitoring of risks and the internal control systems have been assessed. No significant areas of concern that may affect the Group to achieve strategic goals have been identified.

The Board has also reviewed and is satisfied with the adequacy of resources, qualifications and experience of staff of the Group's accounting, internal audit and financial reporting functions, and their training programmes and budget.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Inside Information

The Group has adopted and implemented its own disclosure policy aiming to provide a general guide to the directors and senior management of the Company in handling of confidential information and/or monitoring of information disclosure pursuant to applicable laws and regulations in compliance with the Listing Rules and Securities and Futures Ordinance ("SFO").

The disclosure policy provides the procedures and internal controls for the handling and dissemination of inside information by publication of the announcement to the websites of the Stock Exchange and the Company on a timely basis to enable the public, namely shareholders, institutional investors, potential investors and other stakeholders of the Company to access the latest information of the Group, unless such information falls within the safe harbours with the SFO. Briefing and training on the implementation of the disclosure policy have been provided to Directors, officers and senior management of the Group. In addition, the relevant policy has been uploaded to the intranet of the Company for easy access by all employees. The Board emphasises that only the authorised representatives registered in the Stock Exchange are authorised to speak on behalf of the Company.

Delegation by the Board

While at all times the Board retains full responsibility for guiding and monitoring the Company in discharging its duties, certain responsibilities are delegated to various board committees which have been established by the Board to deal with different aspects of the Company's affairs. Unless otherwise specified in their respective written terms of reference as approved by the Board, these board committees are governed by the Company's articles of association as well as the Board's policies and practices (in so far as the same are not in conflict with the provisions contained in the articles of association).

With the establishment of the Audit Committee, Remuneration Committee and Nomination Committee, the independent non-executive Directors will be able to effectively devote their time to perform the duties required by the respective board committees.

The Board has also delegated the responsibility of implementing its strategies and the day-to-day operation to the management of the Company under the leadership of the executive Directors. Clear guidance has been made as to the matters that should be reserved to the Board for its decision which include matters on, inter alia, capital, finance and financial reporting, internal controls, communication with shareholders, Board membership, delegation of authority and corporate governance.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Company Secretary

The Company appointed Mr. Leung Louis Ho Ming (“Mr. Leung”), as its company secretary on 13 September 2019.

The biographical details of Mr. Leung are set out under the section headed “Biographical Details of Directors and Senior Management” of this annual report. During the Year, Mr. Leung, undertook over 15 hours’ professional training to update his skill and knowledge in compliance with the CG Code.

Changes in Constitutional Documents

Pursuant to Rule 17.102 of the GEM Listing Rules, the Company has published on the websites of the Company and the Stock Exchange its Memorandum and Articles of Association. During the Year, the shareholder has passed resolution on 15 June 2016 approving the adoption of amended and restated Memorandum and Articles of Association of the Company. Save as the aforesaid, there has been no changes in the constitutional documents of the Company.

Shareholders’ Rights

The Way by Which Shareholders Can Convene Extraordinary General Meeting (“EGM”)/ Put Forward Proposal

According to Article 58 of the Articles of Association of the Company, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Article 85 of the Articles of Association provides that no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Accordingly, if a member of the Company wishes to propose a person other than a Director for election as a Director at the Company's general meeting ("Proposal"), he/she should lodge a written notice setting out the Proposal and his/her contact details to the head office and principal place of business of the Company.

The relevant procedures are set out in the circular to the shareholders which is sent together with this annual report and the Company's website at www.AL-Grp.com.

The Procedures for Sending Enquiries to the Board

Shareholders may send their enquiries and concerns in writing to the Board/company secretary by addressing them to the Company at our principal place of business in Hong Kong or by email through the Company's website.

Communication with Shareholders and Investors

The Company endeavors to maintain effective communications with the shareholders and potential investors of the Company.

Save as mentioned under the sub-heading "The Procedures for Sending Enquiries to the Board" above, in order to provide more relevant information to our shareholders, the Company has published all corporate information about the Group on its website at www.AL-Grp.com. It is a channel of the Company to communicate with the shareholders and potential investors with our latest corporate development. All our corporate communications, such as statutory announcement, circular and financial reports are available on the website for easy access by the shareholders and potential investors. In addition, the Company meets its shareholders at the annual general meeting so as to promote the development of the Company through mutual and efficient communications.

The forthcoming annual general meeting of the Company is scheduled to be held on 30 June 2022. At the annual general meeting, the chairman of the Board as well as chairmen of the nomination committee, remuneration committee and audit committee or, in their absence, other members of the respective committees shall attend to answer questions from shareholders at the annual general meeting. The representatives of the external auditors shall also present and available to answer questions at the meeting.

The notice of annual general meeting and the necessary information on issues to be considered in the annual general meeting will be set out in the circular to be dispatched to the shareholders of the Company in due course.

Hong Kong, 30 March 2022

INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF AL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of AL Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 58 to 147, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 2 to the consolidated financial statements, that the Group incurred net losses amounted to approximately HK\$42,420,000 and HK\$42,211,000 for the years ended 31 December 2021 and 31 December 2020 respectively and the Group's net current assets as at 31 December 2021 amounted to approximately HK\$4,484,000, which decreased by approximately HK\$11,390,000 as compared with those as at 31 December 2020. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. In light of all the measures and arrangements detailed in note 2 to the consolidated financial statements, the directors are of the opinion that the Group will be able to finance its future working capital and financial requirements. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
<p>Recognition of contract revenue</p> <p><i>Refer to note 7 to the consolidated financial statements</i></p> <p>The Group recorded revenue from design and fit out services for the year ended 31 December 2021 of approximately HK\$108.2 million.</p> <p>Revenue are recognised according to the stage of completion of individual contracts, calculated on the proportion of total costs incurred up to the year end date compared to the estimated total costs of the relevant contract, on the basis that the stage of completion and the total costs of the design and fit out work can be measured reliably.</p> <p>We have identified the recognition of contract revenue as key audit matter as management judgment is used to estimate the costs to complete individual design and fit out projects in progress and determine the stage of completion of the projects as at the year end date.</p>	<p>Our procedures in relation to management's recognition of contract revenue included:</p> <ul style="list-style-type: none">• We obtained an understanding of the basis and judgments of management for contract revenue recognition.• We selected, on a sample basis, design and fit out contracts and:<ul style="list-style-type: none">- Checked the terms and conditions of the selected contracts to facilitate our understanding of the respective work nature and contractual relationship with the customers.- Checked correspondences with the customers, including the documents or communication evidence to evaluate the reasonableness of management's estimates on the budgeted total contract sum.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matter	How our audit addressed the key audit matter
	<ul style="list-style-type: none"> - Assessed management's determination of the stage of completion of the selected projects through inquiry with project managers, review of project status reports and, other correspondences with customers and performing site visits. - Considered the reasonableness of forecasted costs to completion and expected margins by comparing them to managements budgets and actual costs incurred for the projects as well as margins of similar projects. Furthermore, we assessed if historical estimates of project revenue and margin in the past years were reasonable based on amounts finally invoiced and settled.

Impairment assessment of trade receivables and contract assets

Refer to notes 22 and 24 to the consolidated financial statements

The Group had trade receivables and contract assets with the carrying amounts of approximately HK\$12.6 million and HK\$9.6 million respectively at 31 December 2021. Impairment loss on trade receivables and contract assets of approximately HK\$3.4 million and HK\$19.3 million respectively were recognised in profit or loss in respect of the current year ended 31 December 2021.

Management has performed impairment assessment of the trade receivables and contract assets based on information including ageing of the trade receivables, past repayment history, subsequent settlement status of receivable balance and contract assets, credit profile of the customers and on-going trading relationship with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances and contract assets in order to estimate the expected credit losses for the impairment assessment.

Our procedures in relation to management's impairment assessment on trade receivables and contract assets as at 31 December 2021 included:

- We obtained an understanding of the key controls that the Group has implemented to manage and monitor its credit risk;

- We made enquiry of management regarding the status of each of the significant trade receivables past due and contract assets which were not yet billed to customers as at year end, the Group's on-going business relationship with the relevant customers and past repayment history of the customers.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matter	How our audit addressed the key audit matter
<p>We focused on this area due to the magnitude of the trade receivables past due as at 31 December 2021 and the impairment assessment of trade receivables and contract assets under the expected credit losses model involved significant management judgments and estimates.</p>	<ul style="list-style-type: none">• We checked, on a sample basis, the ageing analysis of the trade receivables as at 31 December 2021 to the underlying financial records;• We assessed the subsequent settlement of receivable balances and contract assets. Where settlement had not been received subsequent to the year end date, we obtained an understanding of the basis of management's judgments about the recoverability of the outstanding receivables and contract assets and evaluate the allowance for doubtful debts made by management for these individual balances.• We corroborated explanations from management with supporting evidence, such as correspondence with customers, public search of the customers' profiles as we evaluated management's judgments.• We assessed the appropriateness of the expected credit loss positioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit loss.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of 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 HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

CCTH CPA Limited

Certified Public Accountants

Hong Kong, 30 March 2022

Lee Chi Hang

Practising certificate number P01957

Unit 1510-17, 15/F, Tower 2,
Kowloon Commerce Centre,
No. 51 Kwai Cheong Road,
Kwai Chung, New Territories,
Hong Kong

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	109,446	67,076
Other income	8	1,451	2,720
Other gains/(losses), net	9	(22,203)	(26,386)
Subcontracting and materials costs		(91,829)	(51,936)
Employee benefit expenses	10	(18,721)	(18,496)
Rental expenses		-	(20)
Other expenses	11	(15,913)	(9,667)
Operating loss		(37,769)	(36,709)
Finance income	12	1	5
Finance costs	13	(4,675)	(5,065)
Share of loss of associates		(96)	(464)
Loss before income tax		(42,539)	(42,233)
Income tax credit	14	119	22
Loss for the year		(42,420)	(42,211)
Loss for the year attributable to:			
Owners of the Company		(32,319)	(38,038)
Non-controlling interests		(10,101)	(4,173)
Loss for the year		(42,420)	(42,211)
Loss for the year		(42,420)	(42,211)
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss:			
Gain/(loss) on change in fair value of financial assets at fair value through other comprehensive income		165	(533)
Other comprehensive income/(expense) for the year, net of tax		165	(533)
Total comprehensive expense for the year, net of tax		(42,255)	(42,744)
Total comprehensive expense for the year attributable to:			
Owners of the Company		(32,154)	(38,571)
Non-controlling interests		(10,101)	(4,173)
		(42,255)	(42,744)
		2021	2020
		HK\$	HK\$
			(restated)
Loss per share	16		
Basic		(0.19)	(0.51)
Diluted		N/A	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Property, plant and equipment	17	1,688	2,415
Right-of-use assets	18	1,566	1,445
Goodwill	19	1,115	1,115
Interests in associates	20	—	595
Financial assets at fair value through other comprehensive income	21	1,237	1,072
Rental deposits	22	389	100
		5,995	6,742
Current assets			
Trade and other receivables	22	21,021	24,236
Financial assets at fair value through profit or loss	23	656	368
Contract assets	24	9,567	29,228
Amount due from non-controlling interest	25	476	—
Current income tax recoverable		423	423
Cash and bank balances	26	27,363	24,646
		59,506	78,901
Current liabilities			
Trade and other payables	27	32,070	36,519
Contract liabilities	24	11,155	4,498
Amount due to non-controlling interest	28	5,600	5,600
Borrowings	29	6,106	16,200
Current income tax payable		91	91
Deferred income tax liabilities	30	—	119
		55,022	63,027
Net current assets			
		4,484	15,874
Total assets less current liabilities			
		10,479	22,616
Non-current liabilities			
Promissory note payable	31	—	48,055
Borrowings	29	8,500	—
Lease liabilities	32	238	539
		(8,738)	(48,594)
Net assets/(liabilities)			
		1,741	(25,978)
Equity			
Share capital	33	35,536	8,724
Reserves		(12,202)	(23,117)
Equity attributable to owners of the Company		23,334	(14,393)
Non-controlling interests		(21,593)	(11,585)
Total equity			
		1,741	(25,978)

The consolidated financial statements on pages 58 to 147 were approved and authorised for issue by the board of directors on 30 March 2022 and are signed on its behalf by:

Kwan Tek Sian
Director

Wong Kin Yeung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to owners of the Company							Non-controlling interests	Total
	Share capital	Share premium	Other reserve	Investment revaluation reserve	Share option reserve	Accumulated losses	Total		
	HK\$'000	HK\$'000	(Note 34) HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020	5,950	82,012	5,922	(46)	—	(79,427)	14,411	(7,412)	6,999
Loss for the year	—	—	—	—	—	(38,038)	(38,038)	(4,173)	(42,211)
Other comprehensive expense for the year	—	—	—	(533)	—	—	(533)	—	(533)
Total comprehensive expense for the year, net of tax	—	—	—	(533)	—	(38,038)	(38,571)	(4,173)	(42,744)
Recognition of equity-settled share-based payments	—	—	—	—	1,050	—	1,050	—	1,050
Issue of shares:									
- for cash	1,414	3,818	—	—	—	—	5,232	—	5,232
- for acquisition of subsidiary	1,120	1,344	—	—	—	—	2,464	—	2,464
- upon exercise of share options	240	1,354	—	—	(562)	—	1,032	—	1,032
Share issue expenses	—	(11)	—	—	—	—	(11)	—	(11)
At 31 December 2020	8,724	88,517	5,922	(579)	488	(117,465)	(14,393)	(11,585)	(25,978)
At 1 January 2021	8,724	88,517	5,922	(579)	488	(117,465)	(14,393)	(11,585)	(25,978)
Loss for the year	—	—	—	—	—	(32,319)	(32,319)	(10,101)	(42,420)
Other comprehensive income for the year	—	—	—	165	—	—	165	—	165
Total comprehensive income/(expense) for the year, net of tax	—	—	—	165	—	(32,319)	(32,154)	(10,101)	(42,255)
Acquisition of a subsidiary (note 38a)	—	—	—	—	—	—	—	63	63
Issue of shares:									
- upon exercise of share options	160	866	—	—	(338)	—	688	—	688
- upon rights issue	26,652	45,308	—	—	—	—	71,960	—	71,960
Share issue expenses	—	(2,767)	—	—	—	—	(2,767)	—	(2,767)
Capital contribution to a subsidiary from non-controlling interest	—	—	—	—	—	—	—	30	30
At 31 December 2021	35,536	131,924	5,922	(414)	150	(149,784)	23,334	(21,593)	1,741

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021 HK\$'000	2020 HK\$'000
Operating activities		
Loss before income tax	(42,539)	(42,233)
Adjustments for:		
Depreciation of property, plant and equipment	1,285	846
Depreciation of right-of-use assets	1,547	2,575
(Gain)/loss on disposal of property, plant and equipment	(114)	1
(Gain)/loss on disposal of subsidiaries	(53)	9
Gain on disposal of associates	(101)	(237)
(Gain)/loss on change in fair value of financial assets at fair value through profit or loss		
- Net unrealised (gain)/loss on listed securities	(288)	121
- Net realised loss on disposal of listed securities	—	478
Loss on early repayment of promissory note	102	—
Dividend income from equity investment at fair value through other comprehensive income	(45)	—
Finance income	(1)	(5)
Finance costs	4,675	5,065
Share of loss of associates	96	464
Impairment loss on interests in associates	—	17,325
Impairment loss on trade receivables, net	3,357	1,557
Impairment loss on contract assets	19,338	7,245
Reversal of trade receivable written off	(38)	(131)
Equity-settled share-based payments	—	1,050
Operating loss before working capital changes	(12,779)	(5,870)
(Increase)/decrease in trade and other receivables	(4,993)	10,082
Decrease in contract assets	323	7,416
Decrease in amount due from an associate	—	20
Increase/(decrease) in trade and other payables	352	(13,247)
Increase/(decrease) in contract liabilities	6,657	(197)
Cash used in operations	(10,440)	(1,796)
Income tax refunded	—	300
Net cash used in operating activities	(10,440)	(1,496)

The above consolidated statement of comprehensive income should be read in conjunction with the accompany notes.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Investment activities			
Purchase of property, plant and equipment		(1,104)	(1,146)
Proceeds from disposal of property, plant and equipment		660	—
Proceeds from disposal of financial assets at fair value through profit or loss		—	1,012
Interest received		1	5
Dividend income from equity investment at fair value through other comprehensive income		45	—
Acquisition of associates		—	(480)
Disposal of associate	20(a)(ii), (b)(iv)	5,200	—
Acquisition of subsidiaries	38	(297)	480
Disposal of a subsidiary	39	(10)	—
Net cash generated from/(used in) investing activities		4,495	(129)
Financing activities			
Proceeds from borrowings	40	—	700
Repayment of borrowings	40	(1,594)	—
Repayment of promissory note payable	40	(50,778)	—
Finance costs paid	40	(7,311)	(85)
Payment of lease liabilities	40	(1,536)	(2,650)
Issue of shares		72,648	6,264
Share issue expenses		(2,767)	(11)
Net cash generated from financing activities		8,662	4,218
Net increase in cash and cash equivalents		2,717	2,593
Cash and cash equivalents at beginning of the year		24,646	22,053
Cash and cash equivalents at end of the year		27,363	24,646
Analysis of cash and cash equivalent at end of the year			
Cash and bank balances		27,363	24,646

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General Information

AL Group Limited (the "Company") was incorporated in the Cayman Islands on 1 February 2016 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company has established a place of business in Hong Kong located at Suite 807, 8/F, Harcourt House, 39 Gloucester Road, Wan Chai, Hong Kong.

The Company is an investment holding company and, together with its subsidiaries (collectively referred to as the "Group"), are principally engaged in the provision of interior design and fit out solutions services as well as overall project management in Hong Kong.

The shares of the Company (the "Share(s)") are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements are presented in Hong Kong Dollars ("HK\$"), unless otherwise stated.

2 Basis of Preparation of Consolidated Financial Statements

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets which are measured at fair value at the end of each reporting period, as explained in the accounting policies set out in note 4.

Going concern basis

Notwithstanding that the Group incurred net losses approximately HK\$42,420,000 and HK\$42,211,000 for the years ended 31 December 2021 and 2020 respectively and the Group's net current assets as at 31 December 2021 amounted to approximately HK\$4,484,000, which decreased by approximately HK\$11,390,000 as compared with those as at 31 December 2020, the directors of the Company considered it appropriate for the preparation of the consolidated financial statements on a going concern basis for at least twelve months after the end of the reporting period after taking into account the following circumstances and measures:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 Basis of Preparation of Consolidated Financial Statements (Continued)

Going concern basis (Continued)

- (a) The Group is implementing various measures, such as optimising its overall sales network and undergoing effective cost control to improve the profit margin and operating cash flows of its business.
- (b) The Group will also continue to seek for other alternative financing and bank borrowings to finance the settlement of its existing financial obligations and future operating and capital expenditures.

The directors of the Company are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for at least twelve months after 31 December 2021. Accordingly, the consolidated financial statements have been prepared on a going concern basis. Should the Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying amounts of the Group's assets to their net realisable amounts, to provide for further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

3 Application of Amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

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

The application of the amendments to HKFRSs in the current year 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3 Application of Amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

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

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

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all the new and amendments to HKFRSs that are not yet effective will have no material impact on the consolidated financial statements in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3 Application of Amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) (Continued)

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 Definition of Accounting Estimates

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

4 Summary of Significant Accounting Policies

The principal accounting policies adopted by the Group are set out below:

4.1 Consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) *Business combinations or asset acquisitions*

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisition

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4 Summary of Significant Accounting Policies (Continued)

4.1 Consolidation (Continued)

Subsidiaries (Continued)

(a) Business combinations or asset acquisitions (Continued)

Business combinations (Continued)

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4 Summary of Significant Accounting Policies (Continued)

4.1 Consolidation (Continued)

Subsidiaries (Continued)

(b) *Changes in the Group's ownership interests in existing subsidiaries*

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's 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 owners of the Company.

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

4.2 Investments in subsidiaries

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4 Summary of Significant Accounting Policies (Continued)

4.3 Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less cost of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4 Summary of Significant Accounting Policies (Continued)

4.3 Investments in associates (Continued)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When a group entity transacts with an associate of the Group, profit or loss resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

4.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors led by the Group's Chief Executive Officer ("CEO") that makes strategic decisions.

4.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK\$, which is the Company's functional and the Group's presentation currency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4 Summary of Significant Accounting Policies (Continued)

4.5 Foreign currency translation (Continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of profit or loss and other comprehensive income within "finance income or expenses". All other foreign exchange gains and losses are presented in consolidated statement of profit or loss and other comprehensive income within "other gains/(losses), net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing rate at the end of the reporting period;
- (ii) income and expenses are translated at average exchange rates (unless this average rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4 Summary of Significant Accounting Policies (Continued)

4.6 Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation. Cost includes expenditure that is 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 charged to profit or loss for the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to write off the cost of assets to their residual values over their estimated useful lives, as follows:

Computer equipment	3 years
Leasehold improvements	5 years or remaining lease term, whichever is shorter
Office equipment	3 years
Furniture	5 years
Motor vehicles	5 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 4.9).

Gain or loss on disposal of an asset is determined by comparing proceeds with carrying amount of the assets and are recognised within "other gains/(losses), net" (Note 9).

4.7 Intangible assets

Goodwill

Goodwill on acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each CGU or group of CGUs to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4 Summary of Significant Accounting Policies (Continued)

4.7 Intangible assets (Continued)

Goodwill (Continued)

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

4.8 Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

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

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

4 Summary of Significant Accounting Policies (Continued)

4.8 Leases (Continued)

The Group as a lessee (Continued)

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use asset includes:

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4 Summary of Significant Accounting Policies (Continued)

4.8 Leases (Continued)

The Group as a lessee (Continued)

Refundable rental deposits

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

Lease liabilities

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

The lease payments includes:

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

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

4 Summary of Significant Accounting Policies (Continued)

4.8 Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities (Continued)

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

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

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

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

Lease modifications

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

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

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

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4 Summary of Significant Accounting Policies (Continued)

4.8 Leases (Continued)

The Group as a lessee (Continued)

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

4 Summary of Significant Accounting Policies (Continued)

4.9 Impairment of non-financial assets

Non-financial assets (other than goodwill) are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Where an impairment loss subsequent reverses, the carrying amount of the asset or cash-generating unit (other than goodwill) is increased to the revised estimate of its recoverable amounts, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of impairment loss is recognised immediately in profit or loss.

4.10 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

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

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

Interest income is included in the "finance income" line item in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4 Summary of Significant Accounting Policies (Continued)

4.10 Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

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

(i) Amortised cost and interest income

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

4 Summary of Significant Accounting Policies (Continued)

4.10 Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the investment revaluation reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

Impairment of financial assets

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

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

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4 Summary of Significant Accounting Policies (Continued)

4.10 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk

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

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

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

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

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

4 Summary of Significant Accounting Policies (Continued)

4.10 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

(iii) Credit-impaired financial assets

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

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

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

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

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

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

(iv) Write-off policy

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4 Summary of Significant Accounting Policies (Continued)

4.10 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL

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

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

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

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4 Summary of Significant Accounting Policies (Continued)

4.10 Financial instruments (Continued)

Derecognition of financial assets

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

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

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits/accumulated losses.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, amount due to non-controlling interest, borrowings and promissory note payable) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4 Summary of Significant Accounting Policies (Continued)

4.11 Contract assets/contract liabilities

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

4.12 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

4.13 Current and deferred income tax

The income tax expense is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4 Summary of Significant Accounting Policies (Continued)

4.13 Current and deferred income tax (Continued)

Deferred income tax

Deferred income tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4 Summary of Significant Accounting Policies (Continued)

4.14 Employee benefits

(a) Pension obligation

The Group operates a defined contribution plan. The scheme is generally funded through payments to insurance companies or trustee-administered funds.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(c) Employee leave entitlements

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

4 Summary of Significant Accounting Policies (Continued)

4.14 Employee benefits (Continued)

(d) Share-based payments

Equity-settled share-based payments transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve. For share options that vest immediately at the date of grant, the fair value of the shares/share options granted is expensed immediately to profit or loss.

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

Share options granted to non-employees

Equity-settled share-based payments transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4 Summary of Significant Accounting Policies (Continued)

4.15 Provision

Provisions for environment restoration, restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

4.16 Revenue recognition

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents goods or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance 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.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4 Summary of Significant Accounting Policies (Continued)

4.16 Revenue recognition (Continued)

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

The stand-alone selling price of the distinct goods or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised goods or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4 Summary of Significant Accounting Policies (Continued)

4.17 Government grants and subsidies

Grants and subsidies from the government are recognised at their fair value where there is a reasonable assurance that the grant and subsidies will be received and the Group will comply with all attached conditions. Government grants and subsidies are recognised in profit or loss and are included in "other income".

4.18 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

4.19 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5 Financial Instruments

5.1 Financial instruments by category

The financial assets and financial liabilities of the Group can be categorised as follows:

	Financial assets at fair value through profit or loss HK\$'000	Financial assets at fair value through other comprehensive income HK\$'000	Financial assets at amortised cost HK\$'000	Total HK\$'000
Financial assets				
31 December 2021				
Financial assets at fair value through other comprehensive income	—	1,237	—	1,237
Financial assets at fair value through profit or loss	656	—	—	656
Rental deposits	—	—	389	389
Contract assets	—	—	9,567	9,567
Amount due from non-controlling interest	—	—	476	476
Trade and other receivables excluding prepayments	—	—	20,456	20,456
Cash and bank balances	—	—	27,363	27,363
	656	1,237	58,251	60,144
31 December 2020				
Financial assets at fair value through other comprehensive income	—	1,072	—	1,072
Financial assets at fair value through profit or loss	368	—	—	368
Rental deposits	—	—	100	100
Contract assets	—	—	29,228	29,228
Trade and other receivables excluding prepayments	—	—	22,181	22,181
Cash and bank balances	—	—	24,646	24,646
	368	1,072	76,155	77,595

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5 Financial Instruments (Continued)

5.1 Financial instruments by category (Continued)

	Financial liabilities at amortised cost HK\$'000
Financial liabilities	
31 December 2021	
Trade and other payables excluding non-financial liabilities	12,342
Amount due to non-controlling interest	5,600
Borrowings	14,606
Promissory note payable	—
Lease liabilities	1,621
	34,169
31 December 2020	
Trade and other payables excluding non-financial liabilities	10,927
Amount due to non-controlling interest	5,600
Borrowings	16,200
Promissory note payable	48,055
Lease liabilities	1,489
	82,271

5.2 Financial risk management

The Group's risk management is carried out by a central treasury department under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

(a) Foreign exchange risk

Foreign currency risk refers to the risk that movement in foreign currency exchange rate which will affect the Group's financial results and its cash flows.

The management considers that the Group is not exposed to significant foreign currency risk as majority of its transactions are denominated in HK\$ (the functional currency of the respective group entities) and there were only insignificant balances of financial assets and liabilities denominated in foreign currency at the end of the reporting period.

The Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5 Financial Instruments (Continued)

5.2 Financial risk management (Continued)

(b) Price risk

Exposure

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the consolidated statement of financial position either as at fair value through other comprehensive income (Note 21) and at fair value through profit or loss (Note 23).

Sensitivity

The table below summarises the impact of increases/decreases of the share prices of the equity securities on the Group's equity. The analysis is based on the assumption that the share prices of the equity securities had increased or decreased by 5% with all other variables held constant.

Increase in 5% of share prices of equity securities	Increase/(decrease) in loss for the year		Increase in investment revaluation reserve	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Financial assets at fair value through other comprehensive income	—	—	62	54
Financial assets at fair value through profit or loss	(33)	(18)	—	—

The Group's loss for the year would increase by approximately HK\$33,000 (2020: HK\$18,000) as a result of decrease in 5% of the share price of the equity securities classified as at fair value through profit or loss. Investment revaluation reserve would decrease by approximately HK\$62,000 (2020: HK\$54,000) as a result of decrease in 5% of the share price of the equity securities classified as at fair value through other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5 Financial Instruments (Continued)

5.2 Financial risk management (Continued)

(c) Credit risk

The Group is exposed to credit risk and the Group's credit risk exposures are primarily attributable to trade and other receivables, contract assets, amount due from non-controlling interest, rental deposits and cash deposits at banks.

Majority of the Group's bank deposits are placed in certain banks which are independently rated with a high credit rating. Management does not expect any losses from non-performance by this bank as it has no default history in the past.

The Group has large number of customers and has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor/customer;
- significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customer with the Group and changes in the operating results of the customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5 Financial Instruments (Continued)

5.2 Financial risk management (Continued)

(c) Credit risk (Continued)

(i) Amount due from non-controlling interest

The Group uses four categories for the receivable which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group's definition of categories	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 60 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are two years past due and there is no reasonable expectation of recovery	Asset is written off

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

As at 31 December 2021, the internal credit rating of amount due from non-controlling interest was performed. The Group has assessed that the expected credit loss for the receivable is immaterial under 12 months expected losses method. Thus no loss allowance for amount due from non-controlling interest was recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5 Financial Instruments (Continued)

5.2 Financial risk management (Continued)

(c) Credit risk (Continued)

(ii) Trade and other receivables and contract assets

The Group applies the simplified approach to provide for expected credit losses for trade and other receivables and contract assets prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets.

The Group has assessed that the expected loss rate for other receivables was immaterial. Thus no loss allowance for other receivables was recognised.

The loss allowance for trade receivables was determined as follows:

	0-30 days	31-60 days	61-90 days	More than 90 days	Total
31 December 2021					
Expected loss rate	1%	1.6%	15%	20%	
Gross carrying amount (HK\$'000)	8,765	1,676	165	2,611	13,217
Loss allowance (HK\$'000)	88	27	25	522	662
31 December 2020					
Expected loss rate	1%	1.6%	15%	20%	
Gross carrying amount (HK\$'000)	3,977	1,195	171	6,889	12,232
Loss allowance (HK\$'000)	39	19	25	1,378	1,461

During the year ended 31 December 2021, management of the Group assessed that certain customers are in severe financial difficulties and considered it appropriate to make impairment loss on contract assets to be billed to these customers. The loss allowance on contract assets amounted to approximately HK\$19,338,000 was recognised in profit or loss in respect of the current year and was included in other gains/(losses), net (Note 9).

During the year ended 31 December 2020, in view that the settlement of certain contract assets is in dispute and management of the Group considered that such contract assets may not be fully recoverable, accordingly, loss allowance on contract assets amounted to approximately HK\$7,245,000 was recognised in profit or loss in respect of that year and was included in other gain/(losses), net (Note 9).

The above expected credit losses also incorporated forward looking information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5 Financial Instruments (Continued)

5.2 Financial risk management (Continued)

(c) Credit risk (Continued)

(ii) Trade and other receivables and contract assets (Continued)

The credit quality of the debtors is assessed based on their financial positions, past experience and other factors. The Group has policies in place to ensure credit terms are granted to reliable debtors. As at 31 December 2021, the Group had a concentration of credit risk given that the top 5 customers account for 80% (2020: 71%) of the Group's total year end trade receivables balance. However, the Group concludes that the credit risk in relation to these customers is not significant because they have no history of default in recent years. The Group's historical experience in collection of receivables falls within recorded allowance and the directors do not expect any major impairment on trade receivables, and receivables from other counterparties.

(iii) Cash at bank and bank deposits

The table below shows the details of bank deposit balances maintained at the end of the reporting period:

	Rating	2021 HK\$'000	2020 HK\$'000
Cash at banks and bank deposits	AA3-A3	27,358	24,631

The rating represents long-term credit rating of the relevant banks provided by Moody's, an internationally recognised credit rating agency. A rating within the "A" category is judged to be upper-medium grade and are subject to low credit risk under the rating regime of Moody's. Accordingly, management of the Group considers that the credit risk on the bank balances and bank deposits is limited.

(d) Liquidity risk

As referred to in Note 2, the directors of the Company are of the view that the Group can operate as going concern for at least twelve months after the end of the reporting period.

The Group implemented prudent liquidity risk management by maintaining sufficient cash and cash equivalents.

The Group's primary cash requirements have been for additions of property, plant and equipment, and payment for purchases, operating expenses and repayment of borrowings. The Group mainly finances its working capital requirements through borrowings and internal resources. The Group monitors and maintains a level of cash and cash equivalents considered adequate by the directors to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5 Financial Instruments (Continued)

5.2 Financial risk management (Continued)

(d) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The table includes interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at end of the reporting period.

	On demand or within one year HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
At 31 December 2021					
Trade and other payables excluding non-financial liabilities	12,342	—	—	12,342	12,342
Amount due to non-controlling interest	5,600	—	—	5,600	5,600
Borrowings	7,859	9,520	—	17,379	14,606
Promissory note payable	—	—	—	—	—
Lease liabilities	1,426	239	—	1,665	1,621
	27,227	9,759	—	36,986	34,169
At 31 December 2020					
Trade and other payables excluding non-financial liabilities	10,927	—	—	10,927	10,927
Amount due to non-controlling interest	5,600	—	—	5,600	5,600
Borrowings	18,075	—	—	18,075	16,200
Promissory note payable	—	56,309	—	56,309	48,055
Lease liabilities	994	550	—	1,544	1,489
	35,596	56,859	—	92,455	82,271

5.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholders returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

The capital structure of the Group consists of net debts, which includes borrowings less cash and bank balances, and equity attributable to owners of the Company, comprising issued share capital and reserves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5 Financial Instruments (Continued)

5.4 Fair value estimation

The carrying amounts of the Group's financial assets at amortised cost, including rental deposits, trade and other receivables, amount due from non-controlling interest, and cash and bank balances; and financial liabilities at amortised cost, including trade and other payables, amount due to non-controlling interest, borrowings and promissory note payable, approximate their fair values. The fair value of these financial assets and financial liabilities that are not traded in an active market is determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflect the credit risk of counterparties.

The carrying amounts of financial instruments measured at fair value at the end of the reporting period are categorised among the three levels of the fair value hierarchy defined in HKFRS 13 "Fair value measurement", with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- (i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- (ii) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- (iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 31 December 2021				
Financial assets				
Financial assets at fair value through other comprehensive income				
Equity securities listed in Hong Kong	1,237	—	—	1,237
Financial assets at fair value through profit or loss				
Equity securities listed in Hong Kong	656	—	—	656

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5 Financial Instruments (Continued)

5.4 Fair value estimation (Continued)

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 31 December 2020				
Financial assets				
Financial assets at fair value through other comprehensive income				
Equity securities listed in Hong Kong	1,072	—	—	1,072
Financial assets at fair value through profit or loss				
Equity securities listed in Hong Kong	368	—	—	368

There were no transfers between Levels 1, 2 and 3 during the year.

The fair value of the equity securities listed in Hong Kong, which is categorised in Level 1, is based on quoted market prices at the end of the reporting period. The quoted market price used is the current bid price.

5.5 Offsetting financial assets and financial liabilities

No disclosure of the offsetting of financial assets and financial liabilities is made as there are no netting arrangements in place during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6 Critical Accounting Estimates and Judgments

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

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

(a) Recognition of contract revenue

Revenue are recognised according to the stage of completion of individual contracts, calculated on the proportion of total costs at the end of the reporting period compared to the estimated total costs of the relevant contract, on the basis that the stage of contract completion and the total costs of the design and fit out work can be measured reliably.

Management assess the stage of completion of projects through the site visit of the project in progress at the year-end date. The Group reviews and revises the expected margin prepared for each contract as the contract progresses. Expected margins are prepared by the management on the basis of quotations from time to time provided by the major subcontractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgets of contracts by comparing the budgeted costs to complete and the actual amounts incurred for the projects. Such significant estimates may have an impact on the profit and loss recognised in each year.

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

The Group applies the simplified approach to provide for expected credit loss in respect of trade receivables and contract assets. The provision rates are based on groupings of various debtors that have similar loss patterns and the Group's historical default rates (taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort). At every reporting date, the historical observed default rates are reassessed and changes in forward-looking information are considered. In addition, trade receivables and contract assets with significant balances and credit impaired are assessed for expected credit loss individually.

The provision for expected credit loss is sensitive to changes in estimates. Details of the Group's trade receivables and contract assets are disclosed in Notes 22 and 24 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6 Critical Accounting Estimates and Judgments (Continued)

(c) Useful lives and depreciation expenses for property, plant and equipment

Management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Actual economic lives may differ from estimated useful lives. Periodic review could result in changes in useful lives and therefore depreciation expense in future periods.

(d) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of impairment of goodwill recognised are set out in Note 19.

7 Revenue and Segment Information

The executive directors of the Company, being the chief operating decision-makers, review the Group's internal reporting in order to assess performance and allocate resource. The Group focuses on provision of design, fit out and decoration services during the year. Information reported to the chief operating decision makers, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7 Revenue and Segment Information (Continued)

Revenue from major services

The Group's revenue represents income from major services as follows:

	2021 HK\$'000	2020 HK\$'000
Type of services		
Design and fit out	108,210	65,643
Design	444	967
Maintenance and aftersales services	792	466
	109,446	67,076

Revenue from design and fit out services is recognised on over time basis and revenue from design services and maintenance and aftersales services are recognised at point in time basis.

Geographical information

The Group's geographical segments are classified according to the location of its customers. Segment revenue from external customers by location of customers during the year is as follows:

Revenue from external customers

	2021 HK\$'000	2020 HK\$'000
Hong Kong	109,446	67,076

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7 Revenue and Segment Information (Continued)

Geographical information (Continued)

Information about major customers

Revenue from individual customers contributing over 10% of the revenue of the Group is as follows:

	2021 HK\$'000	2020 HK\$'000
Customer A	20,289	N/A*
Customer B	18,618	N/A*
Customer C	11,040	N/A*

* The revenue from customer A, customer B and customer C for the year ended 31 December 2020 did not exceed 10% of the total revenue of the Group for the year.

The Group's geographical segments are also classified by the location of assets. Information about the Group's non-current assets by geographical location are detailed as below:

Non-current assets

	2021 HK\$'000	2020 HK\$'000
Hong Kong	4,369	5,570

Note: Non-current assets excluded financial assets at fair value through other comprehensive income and rental deposits.

8 Other Income

	2021 HK\$'000	2020 HK\$'000
Dividend income from equity investments at fair value through other comprehensive income	45	—
Government grants and subsidies	—	1,997
Sundry income	1,406	723
	1,451	2,720

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9 Other Gains/(Losses), net

	2021 HK\$'000	2020 HK\$'000
Gain/(loss) on change in fair value of financial assets at fair value through profit or loss		
— Net unrealised gain/(loss) on listed securities	288	(121)
— Net realised loss on disposal of listed securities	—	(478)
	288	(599)
Foreign exchange losses	—	(18)
Impairment loss on interests in associates (Note 20)	—	(17,325)
Impairment loss on trade receivables, net (Note 22(a))	(3,357)	(1,557)
Impairment loss on contract assets (Notes 5.2(c)(ii) and 24)	(19,338)	(7,245)
Reversal of trade receivables written off	38	131
Loss on early repayment of promissory note (Note 31)	(102)	—
Gain/(loss) on disposal of subsidiaries (Note 39)	53	(9)
Gain/(loss) on disposal of property, plant and equipment	114	(1)
Gain on disposal of associates (Note 20(a)(ii) and (b)(iv))	101	237
Other losses, net	(22,203)	(26,386)

10 Employee Benefit Expenses

	2021 HK\$'000	2020 HK\$'000
Employee benefit expenses, including directors' remuneration		
Salaries and allowances	17,455	17,321
Pension costs — defined contribution plans	569	650
Equity-settled share-based payments	—	300
Welfare and benefits	697	225
	18,721	18,496

(a) Pensions — defined contribution plans

The Group maintains one defined contribution pension scheme for its employees in Hong Kong under the Mandatory Provident Fund ("MPF"). The assets of this scheme are held separately from those of the Group under independently administered funds.

Under the MPF Scheme, each of the Group and its employees make monthly contributions to the scheme at 5% of the employee's relevant income, as defined in the Hong Kong Mandatory Provident Fund Scheme Ordinance. Both the Group's and the employee's contributions are subject to a cap of HK\$1,500 per month. The contributions are fully and immediately vested for the employees. There were no forfeited contributions at the end of the reporting period which are available to offset future contributions.

For the year ended 31 December 2021, the aggregate amounts of the Group's contributions to the aforementioned pension scheme is HK\$569,000 (2020: HK\$650,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10 Employee Benefit Expenses (Continued)

(b) Five highest paid individuals

The Group's five highest paid individuals for the year ended 31 December 2021 do not include any director of the Company. For the year ended 31 December 2020, the Group's five highest paid individuals included one director of the Company, whose emolument is reflected in the analysis shown in note 36. The emoluments paid/payable to the five (2020: remaining four) highest paid individuals for the year are as follows:

	2021 HK\$'000	2020 HK\$'000
Basic salaries and other employee benefit	5,987	4,595
Bonus	252	380
Pension costs — defined contribution plan	119	104
	6,358	5,079

The emoluments fell within the following band:

	2021 Number of individuals	2020 Number of individuals
HK\$1,000,001-HK\$1,500,000	4	4
HK\$1,500,001-HK\$2,000,000	1	—
	5	4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11 Other Expenses

	2021 HK\$'000	2020 HK\$'000
Advertising costs	7,823	567
Auditor's remuneration		
— Audit services	980	970
— Non audit services	180	150
Building management fee	154	202
Equity-settled share-based payments to consultants	—	750
Depreciation of property, plant and equipment	1,285	846
Depreciation of right-of-use assets	1,547	2,575
Donations	4	6
Legal and professional fees	1,151	1,235
Travelling and entertainment	1,302	1,149
Other operating expenses	1,487	1,217
	15,913	9,667

12 Finance Income

	2021 HK\$'000	2020 HK\$'000
Interest income on bank deposits	1	5

13 Finance Costs

	2021 HK\$'000	2020 HK\$'000
Interest on promissory note payable (Note 31)	2,621	3,042
Interest on borrowings	1,959	1,938
Interest on lease liabilities	95	85
	4,675	5,065

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14 Income Tax Credit

	2021 HK\$'000	2020 HK\$'000
Current tax		
Hong Kong profits tax	—	—
Over provision in prior years	—	(20)
Current tax credit	—	(20)
Deferred income tax credit (Note 30)	(119)	(2)
Income tax credit	(119)	(22)

No provision for Hong Kong profits tax for the years ended 31 December 2021 and 31 December 2020 has been made in the consolidated financial statements as the Group has no assessable profit both of these years.

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

	2021 HK\$'000	2020 HK\$'000
Loss before income tax	(42,539)	(42,233)
Tax calculated at Hong Kong profits tax rate of 16.5% (2020: 16.5%)	(7,019)	(6,968)
Income not subject to tax	(1,582)	(807)
Expenses not deductible for tax purposes	1,971	6,169
Tax losses not recognised	6,511	1,604
Over provision in prior years	—	(20)
Income tax credit	(119)	(22)

15 Dividends

The Board of Directors does not recommend the payment of a dividend in respect of the year (2020: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Loss Per Share

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

	2021	2020
Loss for the year attributable to owners of the Company (in HK\$'000)	(32,319)	(38,038)
Weighted average number of ordinary shares ('000) (Note)	170,422	74,893
Basic loss per share (in HK\$) (Note)	(0.19)	(0.51)

Note: The weighted average number of ordinary shares for the prior year ended 31 December 2020 has been adjusted for the consolidation of shares and rights issue of shares implemented during the year. The basic loss per share for the year ended 31 December 2020 has been restated accordingly.

(b) Diluted loss per share

The calculation of diluted loss per share is based on the loss attributable to equity shareholders of the Company and the weighted average number of ordinary shares, as follows:

(i) Loss

	2021 HK\$'000	2020 HK\$'000
Loss for the purpose of basic loss per share	(32,319)	(38,038)
Adjustments for the calculation of diluted loss per share	—	—
Loss for the purpose of diluted loss per share	N/A	N/A

(ii) Weighted average number of ordinary shares

	2021 '000	2020 '000
Weighted average number of ordinary shares for the purpose of basic loss per share	170,422	74,893
Effect of exercise of share options	108	281
Weighted average number of ordinary shares for the purpose of diluted loss per share	N/A	N/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 Loss Per Share (Continued)

(b) Diluted loss per share (Continued)

Diluted loss per share for the years ended 31 December 2021 and 31 December 2020 are not presented as the effects arising from exercise of the Company's share options granted are anti-dilutive.

17 Property, Plant and Equipment

	Computer equipment HK\$'000	Leasehold improvements HK\$'000	Office equipment HK\$'000	Furniture HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost						
At 1 January 2020	2,218	2,532	391	608	—	5,749
Acquisition of subsidiary (note 38(b))	—	—	—	10	1,134	1,144
Additions	7	394	150	—	595	1,146
Disposals	(296)	(2,057)	—	—	—	(2,353)
Disposal of subsidiary (note 39)	—	(10)	—	—	—	(10)
At 31 December 2020 and 1 January 2021	1,929	859	541	618	1,729	5,676
Additions	141	866	14	83	—	1,104
Disposals	(99)	(465)	—	(134)	(571)	(1,269)
At 31 December 2021	1,971	1,260	555	567	1,158	5,511
Accumulated depreciation						
At 1 January 2020	2,013	1,948	391	425	—	4,777
Depreciation charged for the year	172	503	8	79	84	846
Eliminated on disposals	(296)	(2,056)	—	—	—	(2,352)
Disposal of subsidiary (note 39)	—	(10)	—	—	—	(10)
At 31 December 2020 and 1 January 2021	1,889	385	399	504	84	3,261
Depreciation charged for the year	73	383	52	48	729	1,285
Eliminated on disposals	(99)	(436)	—	(65)	(123)	(723)
At 31 December 2021	1,863	332	451	487	690	3,823
Carrying amounts						
At 31 December 2021	108	928	104	80	468	1,688
At 31 December 2020	40	474	142	114	1,645	2,415

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18 Right-of-use Assets

	Leased properties HK\$'000
Cost	
At 1 January 2020	5,137
Additions	1,143
Disposals	(2,942)
Disposal of a subsidiary (note 39)	(98)
At 31 December 2020 and 1 January 2021	3,240
Additions	1,668
Disposals	(2,097)
At 31 December 2021	2,811
Accumulated depreciation	
At 1 January 2020	2,227
Depreciation charged for the year	2,575
Eliminated on disposals	(2,942)
Disposal of a subsidiary (note 39)	(65)
At 31 December 2020 and 1 January 2021	1,795
Depreciation charged for the year	1,547
Eliminated on disposals	(2,097)
At 31 December 2021	1,245
Carrying amount	
At 31 December 2021	1,566
At 31 December 2020	1,445

As at 31 December 2021, the Group leases office under non-cancellable operating lease for its operations. Lease contracts are entered into for fixed terms of two years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19 Goodwill

	2021 HK\$'000	2020 HK\$'000
Cost		
At 1 January	3,551	2,918
Arising from acquisition of subsidiary (Note 38(b))	—	1,115
Disposal of a subsidiary (Note 39)	—	(482)
At 31 December	3,551	3,551
Accumulated impairment losses		
At 1 January	2,436	2,918
Derecognised on disposal of a subsidiary (Note 39)	—	(482)
At 31 December	2,436	2,436
Carrying Amount		
At 31 December	1,115	1,115

An analysis of goodwill attributable to the relevant cash-generating units ("CGUs") is as follows:

	Design and fit out CGU HK\$'000
Carrying amount at 1 January 2020	—
Goodwill arising from acquisition of subsidiary (note 38(b)(i))	1,115
Carrying amount at 31 December 2020 and 31 December 2021	1,115

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19 Goodwill (Continued)

Design and fit out CGU

The recoverable amount of the design and fit out CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management.

Key assumptions adopted in the preparation of cash flow projections used for value in use calculation were as follows:

	31 December 2021	31 December 2020
Compound annual growth rate of revenue in		
– First year	10%	10%
– Second year	10%	10%
– Third to fifth year	5%	5%
Annual growth rate beyond the five-year period	2.5%	2.5%
Discount rate	12.7%	12.7%

The budget gross margin used for the preparation of the cash flow projections is based on the average gross margin achieved in the two prior years, with adjustments on Hong Kong inflation rate and industry reference.

The annual revenue growth rate for the first year is estimated by management based on projects carried forward from the current year and forecast projects expected to be secured by the Group subsequent to the reporting period, and past performance, industry forecast and its expectation of market development. The discount rate used is before tax and reflects specific risks relating to this CGU.

The values assigned to the key assumptions on inflation of materials price and discount rate are consistent with external information sources.

The directors believe that any reasonably change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the design and fit out CGU to exceed its recoverable amount, accordingly impairment loss on goodwill attributable to the related CGU is not required to be made in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20 Interests in Associates

	2021 HK\$'000	2020 HK\$'000
Unlisted associates		
Cost of investment	—	480
Share of post-acquisition profit and other comprehensive expense	—	115
	—	595

Movements during the year are as follows:

	2021 HK\$'000	2020 HK\$'000
At 1 January	595	22,267
Acquisition of associates	—	480
Share of post-acquisition loss for the year	(96)	(464)
Impairment loss recognised (Note 9)	—	(17,325)
Disposal of associates	(499)	(4,363)
At 31 December	—	595

Particulars of the associates of the Group are as follows:

Name	Place of establishment/ registration and operations	Proportion equity interest held by the Group		Proportion of voting rights held by the Group		Principal activities
		2021	2020	2021	2020	
Ever Joy Ventures Limited (Note a)	Samoa	—	40%	—	40%	Investment holding
MF Living Limited (Note a)	Hong Kong	—	24%	—	24%	Retailing of face masks
Primo Group (BVI) Limited (Note b)	BVI	—	—	—	—	Investment holding
Primocasa Interiors Limited (Note b)	Hong Kong	—	—	—	—	Provision of interior design and fit out solutions

All of these associates are accounted for using the equity method in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20 Interests in Associates (Continued)

Notes:

- (a) Ever Joy Ventures Limited and its subsidiary, MF Living Limited
- (i) On 30 October 2020, Major Joyful Limited, a wholly-owned subsidiary of the Company, entered into an agreement with an independent third party to acquire 40% of the issued shares in Ever Joy Ventures Limited ("Ever Joy") at the consideration of HK\$480,000. Ever Joy is an investment holding company and holds 60% equity interest in MF Living Limited ("MF Living"), which is principally engaged in retailing of face masks. Completion of the acquisition of 40% equity interest in Ever Joy took place on 2 November 2020.
- Ever Joy and MF Living are not regarded as material associates of the Group and the financial information of these associates is not presented in the consolidated financial statements.
- (ii) On 22 June 2021, a wholly-owned subsidiary of the Company entered into an agreement with the major shareholder of Ever Joy to dispose of 40% equity interest in Ever Joy for a cash consideration of HK\$600,000. Completion of the disposal of Ever Joy took place on 22 June 2021. Gain on disposal of Ever Joy amounted to HK\$101,000, being the excess of the proceeds from disposal over the carrying amount of the Group's interest in Ever Joy, was recognised in profit or loss and included in other gains/(losses), net (note 9).
- (b) Primo Group (BVI) Limited and its subsidiary, Primocasa Interiors Limited
- (i) On 15 December 2017, a wholly-owned subsidiary of the Company entered into an agreement with an independent third party, under which the Group has agreed to acquire 49% equity interest in Primo Group (BVI) Limited ("Primo"), Primo is an investment holding company and holds 100% equity interest in Primocasa Interiors Limited ("Primocasa"), which is principally engaged in the provision of interior design and fit out solutions. Pursuant to the acquisition agreement, the aggregate consideration for the acquisition is HK\$75,000,000, which is to be satisfied by (i) allotment and issue of 115,000,000 new ordinary shares of Company of HK\$0.01 each, credited as fully paid, at an issue price of HK\$0.153 per share and (ii) issue by the Company of promissory note with the principal amount of HK\$57,405,000. Completion of the acquisition of 49% equity interest in Primo took place on 20 June 2018.
- (ii) The cost of acquisition of 49% equity interest in Primo was estimated to be HK\$73,847,000 at date of acquisition, which includes (i) the fair value of the shares issued for the acquisition estimated to be HK\$17,825,000 by reference to the closing market price of the Company's ordinary shares of HK\$0.155 per share at the date of completion of acquisition; (ii) the fair value of the promissory note at the date of its issue estimated to be HK\$54,910,000 as valued by an external valuer using the effective interest rate of 5.26% per annum; (iii) other costs of acquisition amounted to HK\$752,000. Impairment loss amounted to HK\$34,362,000 was recognised on the cost of investment in Primo as at 31 December 2019.
- (iii) For the prior year ended 31 December 2020, management of the Group conducted a review of the profitability of the business undertaken by Primo and its subsidiary, Primocasa, and was of the view that it was appropriate to make additional impairment loss on the cost of investment in Primo amounted to HK\$17,325,000 for that year, which is calculated based on the recoverable amount of the investment in Primo on value in use basis, as determined by reference to the valuation conducted by an external valuer. The impairment loss of HK\$17,325,000, which was led by the revision of the future profitability of the business undertaken by Primo and Primocasa arising from the continuous slowdown of luxury residential market, was recognised in profit or loss in respect of the prior year ended 31 December 2020.
- (iv) During the prior year ended 31 December 2020, a wholly-owned subsidiary entered into an agreement on 18 December 2020 with an independent third party to dispose of 49% equity interest in Primo for a cash consideration of HK\$4,600,000. Completion of the disposal of Primo took place on 31 December 2020 and the Group had not retained equity interest in Primo after the disposal. Gain on disposal of Primo amounted to HK\$237,000, being the excess of the proceeds from disposal over the carrying amount of the Group's interest in Primo, was recognised in profit or loss in respect of the prior year and included in other gains/(losses), net (note 9). The proceeds from disposal of the associate of HK\$4,600,000, which were not yet received by the Group up to 31 December 2020 and are included in other receivables as at that date, was settled and received by the Group during the current year. (note 22).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21 Financial Assets at Fair Value Through Other Comprehensive Income

	2021 HK\$'000	2020 HK\$'000
Listed securities:		
Equity securities listed in Hong Kong	1,237	1,072

Movements of the financial assets at fair value through other comprehensive income during the year are as follows:

	2021 HK\$'000	2020 HK\$'000
As at 1 January	1,072	1,605
Gain/(loss) on change in fair value recognised in other comprehensive income	165	(533)
As at 31 December	1,237	1,072

22 Trade and Other Receivables

	2021 HK\$'000	2020 HK\$'000
Trade receivables	13,217	24,928
Less: Provision for impairment of trade receivables	(662)	(9,208)
Trade receivables, net (Note a)	12,555	15,720
Prepayments, deposits and other receivables (Note b)	8,855	8,616
	21,410	24,336
Less: non-current portion: rental deposit	(389)	(100)
Current portion	21,021	24,236

Notes:

(a) Trade receivables

The carrying amounts of trade receivables are denominated in HK\$.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22 Trade and Other Receivables (Continued)

(a) Trade receivables (Continued)

The Group does not grant credit term to customers. At 31 December 2021 and 2020, the ageing analysis of the trade receivables (after impairment loss recognised) based on invoice date were as follows:

	2021 HK\$'000	2020 HK\$'000
1-30 days	8,677	3,938
31-60 days	1,649	1,176
61-90 days	140	146
More than 90 days	2,089	10,460
	12,555	15,720

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which presents the use of the lifetime expected loss provision for trade receivables. To measure the expected credit losses, these receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. Further information about expected credit loss provision is set out in Note 5.2(c)(ii).

As of 31 December 2021, trade receivables of HK\$12,555,000 (2020: HK\$15,720,000) were past due but not considered to be impaired because management closely monitors the credit quality of these customers and is of the view that the customers are of good credit quality and there is no recent history of default regarding the relevant customers.

An analysis of the Group's allowance for impairment of trade receivables at the end of the reporting period is as follows:

	2021 HK\$'000	2020 HK\$'000
Provision for expected credit loss based on lifetime simplified approach (note 5.2c(ii))	662	1,461
Additional provision against receivable from a customer which is in dispute	—	7,747
Impairment loss on trade receivables recognised	662	9,208

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22 Trade and Other Receivables (Continued)

(a) Trade receivables (Continued)

Movements on the Group's allowance for impairment of trade receivables are as follows:

	2021 HK\$'000	2020 HK\$'000
At 1 January	9,208	9,059
Provision for impairment recognised for the year, net (Note 9)	3,357	1,557
Arising from trade receivables written off	(11,903)	(1,408)
At 31 December	662	9,208

Provision for impaired receivables has been included in other gains/(losses), net (Note 9). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

(b) Prepayments, deposits and other receivables

	2021 HK\$'000	2020 HK\$'000
Prepayments	954	2,055
Deposits and other receivables	7,901	6,561
	8,855	8,616

Included in deposits and other receivables are deposit paid to an insurance company amounted to HK\$588,000 (2020: HK\$588,000) for surety bonds issued in favour of the Group (Note 37) and a refundable deposit paid to a third party amounted to HK\$6,000,000 (2020: nil) for seeking and tendering design, fit out and decoration projects for the Group in the PRC during the period from 1 January 2021 to 31 December 2022.

Included in deposits and other receivables as at 31 December 2020 are proceeds receivable from disposal of an associate amounted to HK\$4,600,000 (Note 20(b)(iv)). During the current year, the proceeds receivable of HK\$4,600,000 were fully received by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23 Financial Assets at Fair Value Through Profit or Loss

	2021 HK\$'000	2020 HK\$'000
Listed securities:		
Equity securities listed in Hong Kong	656	368

Financial assets at fair value through profit or loss, representing equity securities listed in Hong Kong, are all held for trading.

Gain on change in fair value of trading equity securities listed in Hong Kong amounted to HK\$288,000 (2020: loss of HK\$599,000) is included in other gains/losses, net (Note 9).

Information about the Group's exposure to price risk is set out in Note 5.2(b). Details about the methods and assumptions used in determining fair value are set out in Note 5.4.

24 Contract Assets and Contract Liabilities

	2021 HK\$'000	2020 HK\$'000
Contract assets		
Design and fit out services	9,349	36,428
Design services	218	45
	9,567	36,473
Less: Impairment loss on contract assets recognised	—	(7,245)
	9,567	29,228

	2021 HK\$'000	2020 HK\$'000
Contract liabilities		
Design and fit out services	11,155	4,498
	11,155	4,498

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance of projects works satisfactorily passing inspection.

The contract liabilities represent the payments received by the Group in advance of the performance of project works under the relevant contracts.

Included in contract assets and contract liabilities are retentions held by customers for contract work amounted to HK\$4,131,000 (2020: HK\$7,371,000). Retention money is unsecured, interest free and expected to be received within the Group's normal operating cycle.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24 Contract Assets and Contract Liabilities (Continued)

(a) Contract assets

As of 31 December 2021, contract assets with the carrying amount of HK\$9,567,000 (2020: HK\$29,228,000) were not considered to be impaired because there is no recent history of default regarding the relevant customers. Based on past experience, management of the Group are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which represents the use of the lifetime expected loss provision for contract assets. The expected credit losses on these contract assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the customers and an assessment of both the current and forecast general economic conditions at the reporting date. Expected credit loss provision on contract assets amounted to approximately HK\$19,338,000 (2020: HK\$7,245,000) was made for the current year. Further information about the expected credit loss provision is set out in Note 5.2(c)(ii).

Movements on the Group's allowance for impairment of contract assets are as follows:

	2021 HK\$'000	2020 HK\$'000
At 1 January	7,245	—
Provision for impairment recognised (Note 9)	19,338	7,245
Arising from contract assets written off	(26,583)	—
At 31 December	—	7,245

Having considered that several customers of the Group are in severe financial difficulties and it is likely that the Group is unable to recover the related contract assets amounted to HK\$26,583,000 to be billed to the customers, management of the Group considered it appropriate to write off such contract assets for the year under review.

(b) Contract liabilities

The following table shows the amount of the revenue recognised in the current reporting period which relates to contract liability balance at the beginning of the year:

	2021 HK\$'000	2020 HK\$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	4,216	1,264

As all the contracts are with an original expected duration of the year or less or are billed based on time incurred, as permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25 Amount due from Non-controlling Interest

The amount due from non-controlling interest is unsecured, interest free and repayable on demand.

26 Cash and Bank Balances

	2021 HK\$'000	2020 HK\$'000
Cash at bank and in hand	27,363	24,646

The Group's cash and bank balances are denominated in the following currencies:

	2021 HK\$'000	2020 HK\$'000
HK\$	27,363	24,646

27 Trade and Other Payables

	2021 HK\$'000	2020 HK\$'000
Trade payables	12,087	10,927
Accrued employee benefit expenses	1,367	1,288
Accrued interest on borrowings	674	3,162
Accrued interest on promissory note (Note 31)	—	2,769
Other accruals and payables	16,559	17,423
Lease liabilities (Note 32)	1,383	950
	32,070	36,519

The ageing analysis of the trade payables based on invoice date was as follows:

	2021 HK\$'000	2020 HK\$'000
Within 1 month	4,897	2,918
1 to 2 months	578	790
2 to 3 months	410	113
Over 3 months	6,202	7,106
	12,087	10,927

The trade payables are non-interest-bearing and are normally settled on terms of within 90 days.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28 Amount due to Non-Controlling Interest

The amount due to non-controlling interest is unsecured, interest free and repayable on demand.

29 Borrowings

	2021 HK\$'000	2020 HK\$'000
Borrowings repayable:		
– on demand or within one year	6,106	16,200
– in the second year	8,500	—
Total borrowings	14,606	16,200
Analysed for reporting purpose:		
Non-current liabilities	8,500	—
Current liabilities	6,106	16,200
	14,606	16,200

The Group's borrowings carried interest at 12% (2020: 12%) per annum. These borrowings are unsecured except that borrowing to the extent of HK\$6,106,000 (2020: HK\$7,000,000) are secured by personal guarantee from a director of a subsidiary of the Company.

30 Deferred Income Tax Liabilities

The analysis of deferred tax liabilities is as follows:

	2021 HK\$'000	2020 HK\$'000
Accelerated tax depreciation	—	119

Movement of deferred income tax liabilities is as follows:

	2021 HK\$'000	2020 HK\$'000
At 1 January	119	—
Acquisition of a subsidiary (Note 38(b)(ii))	—	121
Credited for the year (Note 14)	(119)	(2)
At 31 December	—	119

Deferred income tax assets have not been recognised in respect of unused tax losses amounting to HK\$76,216,000 (2020: HK\$34,404,000) due to unpredictability of future profit stream. These tax losses may be offset against future profits and may be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 Promissory Note Payable

	2021 HK\$'000	2020 HK\$'000
Promissory note payable in the second to fifth years	—	48,055

Movements of the Company's promissory note payable are as follows:

	2021 HK\$'000	2020 HK\$'000
At 1 January	48,055	47,782
Interest charge recognised for the year (Note 13)	2,621	3,042
Promissory note repaid during the year	(50,778)	—
Loss on early repayment of promissory note (Note 9)	102	—
Interest payable included in other payables (Note 27)	—	(2,769)
At 31 December	—	48,055

On 20 June 2018, the Company issued the promissory note with the principal amount of HK\$57,405,000 as part of the consideration for the acquisition of 49% equity interest in Primo Group (BVI) Limited (Note 20(b)).

Pursuant to the terms of the promissory note, (i) the note is unsecured, carries interest at 3% per annum and is payable on 19 June 2020 (the "Initial Maturity Date"); (ii) at the sole discretion of the Company, the maturity may be extended to 19 June 2022 (the "Extended Maturity Date") and the promissory note carries interest at 8% per annum from the date following the Initial Maturity Date to the Extended Maturity Date; and (iii) the Company is also entitled to redeem, before the maturity dates, in full or in part with interest on the redeemed amount accrued up to the date of redemption by serving 3 days prior written notice.

The fair value of the promissory note at the issue date was estimated to be HK\$54,910,000, as valued by an external valuer, using the effective interest rate of 5.26% and on the basis that the promissory note was payable by the Company at the Initial Maturity Date of 19 June 2020.

During the prior year ended 31 December 2018, the Company redeemed part of the promissory note with the principal amount of HK\$11,250,000 for cash consideration of HK\$11,250,000. As at 31 December 2018, the promissory note with the principal amount of HK\$46,155,000 remained outstanding.

On 30 November 2019, it was agreed between the Company and the promissory note holder that the maturity date of the promissory note changed to the Extended Maturity Date and interest is charged at 8% per annum with effect from 31 December 2019.

During the prior year ended 31 December 2020, the Company had not redeemed any of the promissory note and the promissory note with the principal amount of HK\$46,155,000 remained outstanding as at that date.

During the current year ended 31 December 2021, the Company repaid the remaining portion of the promissory note with the principal amount of HK\$46,155,000 together with accrued interests for cash consideration of HK\$50,778,000, which resulted in a loss on early repayment of HK\$102,000 (2020: Nil) recognised in profit or loss in respect of the year. As at 31 December 2021, the Company had no promissory note remained outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32 Lease Liabilities

	2021 HK\$'000	2020 HK\$'000
Lease liabilities payable:		
Within one year	1,383	950
Within a period of more than one year but not more than two years	238	539
Total lease liabilities payable	1,621	1,489
Less: Amount due for settlement within twelve months included in trade and other payables (Note 27)	(1,383)	(950)
Amount due for settlement after twelve months shown under non-current liabilities	238	539

33 Share Capital

	Par value HK\$	Number of ordinary shares '000	Nominal amount of ordinary shares HK\$'000
Authorised:			
At 1 January 2020 and 31 December 2020	0.01	10,000,000	100,000
Share consolidation (note e)		(9,000,000)	—
At 31 December 2021	0.1	1,000,000	100,000

	Par value HK\$	Number of ordinary share '000	Nominal amount of ordinary shares HK\$'000
Issued and fully paid:			
At 1 January 2020	0.01	595,000	5,950
Issue of shares on acquisition of a subsidiary (note a)	0.01	112,000	1,120
Issue of shares on placement of shares (note b)	0.01	141,400	1,414
Issue of shares on exercise of share options (note c)	0.01	24,000	240
At 31 December 2020	0.01	872,400	8,724
Issue of shares on exercise share options (note d)	0.01	16,000	160
Share consolidation (note e)		(799,560)	—
Issue of shares on rights issue (note f)	0.1	266,520	26,652
At 31 December 2021	0.1	355,360	35,536

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33 Share Capital (Continued)

Notes:

- (a) On 8 May 2020, a wholly-owned subsidiary of the Company completed the acquisition of 100% of the issued share capital of YTO Limited. The consideration for the acquisition was satisfied by the allotment and issue of 112,000,000 ordinary shares in issue of the Company, details of which are set out in note 38(b)(i).
- (b) On 4 September 2020, the Company issued 141,400,000 ordinary shares at HK\$0.037 per share for a total cash consideration of approximately HK\$5,232,000 to provide additional working capital of the Company.
- (c) On 20 November 2020 and 16 December 2020, the Company issued 16,000,000 and 8,000,000 shares upon the exercise of share options granted at the exercise price of HK\$0.043 per share, giving rise to a gross proceed of HK\$1,032,000.
- (d) On 4 February 2021, the Company issued 16,000,000 shares upon the exercise of share options granted at the exercise price of HK\$0.043 per share, giving rise to a gross proceed of HK\$688,000.
- (e) On 7 June 2021, the Company proposed to implement the share consolidation of every ten issued and unissued shares of par value of HK\$0.01 each into one consolidated share of HK\$0.10 each ("Consolidated Share"). The share consolidation was effected on 12 August 2021.
- (f) On 7 June 2021, the Company announced to implement a rights issue of new shares of the Company at the subscription price of HK\$0.27 per rights share on the basis three rights shares for every one Consolidated Share held. In September 2021, 266,520,000 new shares of HK\$0.1 each were issued by the Company pursuant to the terms of the rights issue, giving rise to gross proceeds of approximately HK\$71,960,000 before expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34 Other Reserve

The Group

Other reserve of HK\$5,922,000 (2020: HK\$5,922,000) represented the excess of the combined capital of group subsidiaries acquired over the nominal value of the ordinary shares of the Company issued in exchange thereof in June 2016.

The Company

Other reserve of HK\$20,465,000 (2020: HK\$20,465,000) (note 44) represents the excess of the net assets value of group subsidiaries acquired over the nominal value of ordinary shares of the Company issued in exchange thereof in June 2016.

35 Share Option Scheme

The Company's share option scheme (the "Scheme") was conditionally adopted pursuant to a resolution passed by its sole shareholder on 15 June 2016 and become unconditional on 12 July 2016 for the purpose of attracting and retaining the best available personnel, to provide additional incentive to selected participants, including directors and eligible employees of the Group to promote the success of the business of the Group. The scheme adopted and became effective on 15 June 2016 for a period of 10 years.

The subscription price of the options granted is the highest of (i) the closing price of the Company's shares on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date offer of grant; (iii) the nominal value of the share.

The maximum number of shares of the Company which may be issued upon exercise of all options granted under the Scheme or other schemes adopted by the Company must not in aggregate exceed 30% of its issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option scheme of the Company must not exceed 10% of the shares in issue upon the date on which the shares are listed and permitted to be dealt in the Stock Exchange.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35 Share Option Scheme (Continued)

On 9 October 2020, options to subscribe 48,000,000 shares at the exercise price of HK\$0.043 per share were granted and accepted by the grantees. These share options granted are fully exercisable at the date of acceptance.

Movements in the number of share options during the years ended 31 December 2021 and 31 December 2020 are as follows:

	Weighted average exercise price HK\$	Number of share options		
		Employees '000	Others '000	Total '000
At 1 January 2020	—	—	—	—
Granted during the year	0.043	16,000	32,000	48,000
Exercised during the year	0.043	—	(24,000)	(24,000)
At 31 December 2020	0.043	16,000	8,000	24,000
Exercised during the year	0.043	(8,000)	(8,000)	(16,000)
Adjustment made for the share consolidation (note a)		(7,200)	—	(7,200)
Adjustment made for the rights issue (note b)		147	—	147
At 31 December 2021	0.363	947	—	947
Exercisable at 31 December 2021	0.363	947	—	947
Exercisable at 31 December 2020	0.043	16,000	8,000	24,000

Note:

- (a) Upon effective of the share consolidation as referred to note 33, the exercise price of the outstanding share options and the number of shares to be allotted and issued upon full exercise of subscription rights attaching to the outstanding share options were adjusted to HK\$0.430 per share and 800,000 shares respectively.
- (b) Upon completion of the rights issue of shares as referred to in note 33, the exercise price of the outstanding share options and the number of shares to be allotted and issued upon full exercise of subscription rights attaching to the outstanding share options were adjusted to HK\$0.363 per share and 947,000 shares respectively with effect from 15 September 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35 Share Option Scheme (Continued)

The exercise price and exercise period of the share options outstanding as at the end of the reporting period are as follows:

2020 Number of options '000	Exercise price per share HK\$	Exercise period
24,000	0.043	9 October 2020 to 8 October 2030

2021 Number of options '000	Exercise price per share HK\$	Exercise period
947	0.363	9 October 2020 to 8 October 2030

The fair value of the share options at the date of grant during the year ended 31 December 2020 is estimated to be HK\$1,050,000 using the binomial option pricing model. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Inputs into the model	Options granted on 9 October 2020
Risk-free rate	0.48%
Expected volatility	80.3%
Dividend yield	Nil
Expected life of options (year)	10
Share price of the Company's shares (HK\$ per share)	0.042

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

Equity-settled share-based payments amounted to HK\$1,050,000 has been recognised in profit or loss in respect of the current year regarding to share options granted by the Company.

At the end of the reporting period, the Company had approximately 947,000 (2020: 24,000,000) share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of approximately 947,000 (2020: 24,000,000) additional ordinary shares of the Company which would give rise to the total proceeds of approximately HK\$344,000 (2020: HK\$1,032,000).

Up to the date of approval of these consolidated financial statements, the Company had 947,000 share options outstanding under the Scheme, which represents approximately 0.27% of the Company's shares in issue as at that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36 Benefits and Interests of Directors

(a) Directors' emoluments

The remuneration of the directors for the year ended 31 December 2021 is set out below:

	Fees HK\$'000	Salaries HK\$'000	Discretionary bonus HK\$'000	Housing allowance HK\$'000	Contribution to retirement benefit scheme HK\$'000	Total HK\$'000
Executive directors						
Mr. Lam Chung Ho, Alastair (Note 1)	—	—	—	—	—	—
Mr. Wong Kang Man (Note 2)	—	461	—	—	9	470
Mr. Kwan Tek Sian (Note 3)	—	—	—	—	—	—
Independent non-executive directors						
Mr. Tse Chi Shing	156	—	—	—	—	156
Mr. Tse Wai Hei	156	—	—	—	—	156
Mr. Tam Chak Chi	156	—	—	—	—	156
	468	461	—	—	9	938

The remuneration of the directors for the year ended 31 December 2020 is set out below:

	Fees HK\$'000	Salaries HK\$'000	Discretionary bonus HK\$'000	Housing allowance HK\$'000	Contribution to retirement benefit scheme HK\$'000	Total HK\$'000
Executive directors						
Mr. Yau Chung Ping (Note 4)	—	132	—	—	3	135
Mr. Lam Chung Ho, Alastair (Note 1)	—	66	—	—	9	75
Mr. Wong Kang Man (Note 2)	—	887	—	—	28	915
Mr. Kwan Tek Sian (Note 3)	—	44	—	—	8	52
Independent non-executive directors						
Mr. Tse Chi Shing	177	—	—	—	—	177
Mr. Tse Wai Hei	177	—	—	—	—	177
Mr. Tam Chak Chi	177	—	—	—	—	177
	531	1,129	—	—	48	1,708

Note 1: Mr. Lam Chung Ho, Alastair resigned as executive director of the Company on 2 August 2021.

Note 2: Mr. Wong Kang Man retired as executive director of the Company on 18 June 2021.

Note 3: Mr. Kwan Tek Sian was appointed executive director of the Company on 4 February 2020.

Note 4: Mr. Yau Chung Ping resigned as executive director of the Company on 4 February 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36 Benefits and Interests of Directors (Continued)

(b) Directors' retirement benefits and termination benefits

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

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

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

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

As at 31 December 2021, there are no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and controlled entities with such directors (2020: Nil).

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

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the financial year (2020: Nil).

37 Surety Bond

Certain customers of design and fit out contracts undertaken by the Group require a group entity to issue guarantees for performance of contract works in the form of surety bonds.

During the current year, the Group had paid a refundable deposit of HK\$588,000 (2020: HK\$588,000) (Note 22(b)) and, together with certain directors of a subsidiary, had also given counter indemnities to an insurance company for a surety bond issued in favour of a customer by the insurance company amounted to approximately HK\$1,960,000 (2020: HK\$1,960,000) which remained outstanding at the end of the reporting period. Where the Group fails to provide satisfactory performance to the customer, the customer may demand the insurance company to pay the sum stipulated in the surety bond and the Group may then become liable to compensate the insurance company accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Acquisition of Subsidiaries

	2021 HK\$'000	2020 HK\$'000
Net cash (outflow)/inflow arising from acquisition of		
— Legacy Infinity Global Asset Management Limited (Note (a))	(297)	—
— YTO Limited (Note (b)(i))	—	1,436
— Overseas Travel Science and Technology Limited (Note (b)(ii))	—	(956)
Net cash (outflow)/inflow from acquisition of subsidiaries	(297)	480

Notes:

(a) Acquisition during the year ended 31 December 2021

Acquisition of Legacy Infinity Global Asset Management Limited ("Legacy Infinity") (formerly known as Treasury International Wealth Management Limited)

On 15 October 2021, a wholly-owned subsidiary, Legend Start Limited ("Legend Start"), entered into a sale and purchase agreement with a third party for the acquisition of 100% equity interest in Legacy Infinity for an aggregate cash consideration of HK\$420,000. Pursuant to the terms of the sale and purchase agreement, Legend Start agreed to acquire 180,000, 330,000 and 120,000 ordinary shares of Legacy Infinity at cash consideration of HK\$126,000, HK\$231,000 and HK\$63,000 on or before 15 October 2021, 1 December 2021 and 30 June 2022 respectively.

Completion of the acquisition of 180,000 and 330,000 ordinary shares of Legacy Infinity took place on 15 October 2021 and 1 December 2021 respectively. As at 31 December 2021, the Group held 85% equity interest in Legacy Infinity. Legacy Infinity is principally engaged in the provision of insurance brokerage. The acquisition of Legacy Infinity is to enable the Group to explore new business development.

The acquisition of Legacy Infinity has been accounted for as acquisition of business using the acquisition method.

The effect of the acquisition is summarised as follows:

	HK\$'000
Cash consideration paid	357

The acquisition-related costs are insignificant and are included in other expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Acquisition of Subsidiaries (Continued)

Notes: (Continued)

(a) Acquisition during the year ended 31 December 2021 (Continued)

	HK\$'000
Assets acquired and liabilities recognised at the date of acquisition	
Amount due from shareholder	446
Cash and bank balances	60
Other payables	(86)
Total identifiable net asset acquired	420

The amount due from shareholder had gross contractual amount of HK\$446,000. No contractual cash flows from these receivables are not to be collected.

Goodwill arising on acquisition

	HK\$'000
Consideration paid	357
Plus: non-controlling interest	63
Less: recognised amounts of net assets acquired	(420)
Goodwill arising on acquisition	—

An analysis of cash flows in respect of the acquisition of Legacy Infinity is as follows:

	HK\$'000
Cash consideration paid	(357)
Cash and bank balances acquired	60
Net outflow of cash and cash equivalents	(297)

Had the acquisition been completed on 1 January 2021, revenue for the year of the Group would have been HK\$109,446,000 and loss for the year of the Group would have been HK\$42,651,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would be achieved had the acquisition been completed on 1 January 2021, nor is it intended to be a projection of those results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Acquisition of Subsidiaries (Continued)

Notes: (Continued)

(b) Acquisitions during the year ended 31 December 2020

(i) Acquisition of YTO Limited

On 29 April 2020, a wholly-owned subsidiary, Fasty Aim Limited ("Fasty Aim"), entered into a sale and purchase agreement with a third party for the acquisition of 100% equity interest in YTO Limited ("YTO") for a consideration of HK\$4,480,000. Completion of the acquisition took place on 8 May 2020 and the consideration for the acquisition was satisfied by the issue of 112,000,000 new shares of the Company. The fair value of the shares issued is estimated to HK\$2,464,000 at the date of issue, which is calculated based on the closing market price of the Company's share at the issue date.

YTO is principally engaged in provision of interior design and fit out solutions services in Hong Kong. The acquisition of YTO would allow the Group to expand its interior design and fit-out solution business.

The acquisition of YTO has been accounted for as acquisition of business using the acquisition method.

Acquisition related costs amounted HK\$202,000 have been recognised as expense in the current year, within the "other expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

The effect of the acquisition is summarised as follows:

Consideration transferred:

	HK\$'000
Shares of the Company issued for acquisition, at fair value	2,464

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Acquisition of Subsidiaries (Continued)

Notes: (Continued)

(b) Acquisitions during the year ended 31 December 2020 (Continued)

(i) Acquisition of YTO Limited (Continued)

	HK\$'000
Assets acquired and liabilities recognised at the date of acquisition	
Property, plant and equipment	65
Trade and other receivables	4,114
Cash and bank balances	1,436
Trade and other payables	(1,792)
Contract liabilities	(2,383)
Current income tax payable	(91)
Total identifiable net assets acquired	1,349

The trade and other receivables acquired had gross contractual amount of HK\$4,114,000. No contractual cash flows from the receivables are expected not to be collected.

Goodwill arising on acquisition

	HK\$'000
Consideration transferred	2,464
Net assets acquired	(1,349)
Goodwill arising on acquisition	1,115

Goodwill arose on the acquisition of YTO because the acquisition may give prospective customers to the Group. These potential benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The goodwill arising on the acquisition is expected to be deductible for tax purposes.

An analysis of cash flows in respect of the acquisition of YTO is as follows:

	HK\$'000
Cash and bank balances acquired	1,436
Net inflow of cash and cash equivalents	1,436

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Acquisition of Subsidiaries (Continued)

Notes: (Continued)

(b) Acquisitions during the year ended 31 December 2020 (Continued)

(i) Acquisition of YTO Limited (Continued)

Had the acquisition been completed on 1 January 2020, revenue for the year of the Group would have been HK\$69,265,000 and loss for the year of the Group would have been HK\$42,376,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would be achieved had the acquisition been completed on 1 January 2020, nor is it intended to be a projection of those results.

In determining the 'pro-forma' revenue and profit/loss of the Group had YTO been acquired at the beginning of the current year, the directors of the Company have:

- Calculated depreciation of plant and equipment acquired on the basis of the fair value arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and
- Determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38 Acquisition of Subsidiaries (Continued)

Note: (Continued)

(b) Acquisitions during the year ended 31 December 2020 (Continued)

(ii) Acquisition of Overseas Travel Science and Technology Limited

On 18 December 2020, Major Joyful Limited ("Major Joyful"), a wholly owned subsidiary, entered into a deed of assignment (the "Assignment") with an independent third party (the "Assignor"). Pursuant to the terms of the Assignment, the Assignor has agreed to assign and transfer to Major Joyful, and Major Joyful has agreed to acquire from the Assignor, all of the Assignor's rights, interest, benefits and title in and to the debt amounted to approximately HK\$2,946,000 owed by Overseas Travel Science and Technology Limited ("Overseas Travel") at the cash consideration of approximately HK\$956,000.

At the same date of the Assignment, the 100% equity interest in Overseas Travel was transferred from the Assignor to Major Joyful for a consideration of HK\$1. The principal assets of Overseas Travel are motor vehicles.

The acquisition of Overseas Travel has been accounted for as acquisition of assets.

The effect of the acquisition is summarised as follows:

	HK\$'000
Cash consideration paid	956

The acquisition-related costs are insignificant and are included in other expenses.

	HK\$'000
Assets acquired and liabilities recognised at the date of acquisition	
Property, plant and equipment (motor vehicles)	1,079
Other receivables	2
Other payables	(4)
Deferred tax liabilities	(121)
	956

The other receivables acquired had gross contractual amount of HK\$2,000. No contractual cash flows from the receivables are expected not to be collected.

Net cash outflow arising on acquisition

	HK\$'000
Cash consideration paid	(956)
Cash and bank balances	—
Net outflow of cash and cash equivalents	(956)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39 Disposal of Subsidiaries

Disposal during the year ended 31 December 2021

On 8 June 2021, the Company disposed of 100% equity interest in a subsidiary, Legend One Contracting Limited, for a cash consideration of HK\$1. Legend One Contracting Limited was inactive.

An analysis of assets and liabilities over which control was lost:

	HK\$'000
Cash and bank balances	10
Other payables	(63)
Net liabilities disposed of	(53)

Gain on of disposal of a subsidiary

	HK\$'000
Cash consideration (less than HK\$1,000)	—
Net liabilities disposed of	53
Gain on disposal of subsidiary (Note 9)	53

An analysis of cash flows from the disposal of a subsidiary is as follows:

	HK\$'000
Cash consideration received (less than HK\$1,000)	—
Cash and bank balances disposed of	(10)
Net cash outflows from disposal of subsidiaries	(10)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39 Disposal of Subsidiaries (Continued)

Disposal during the year ended 31 December 2020

On 1 June 2020, the Company disposed of 100% equity interest in a subsidiary, Earn Action Limited, for an aggregate cash consideration of US\$4 (equivalent to HK\$32). Earn Action Limited was engaged in investment holding and its subsidiary is inactive and holds a money lender licence.

An analysis of assets and liabilities over which control was lost:

	HK\$'000
Property, plant and equipment	—
Right-of-use assets	33
Goodwill	—
Trade and other receivables	10
Lease liabilities	(34)
Net assets disposed of	9

Loss on disposal of subsidiaries

	HK\$'000
Cash consideration (less than HK\$1,000)	—
Net assets disposed of	(9)
Loss on disposal of subsidiaries (Note 9)	(9)

An analysis of cash flows from the disposal of subsidiaries is as follows:

	HK\$'000
Cash consideration received (less than HK\$1,000)	—
Cash and bank balances disposed of	—
Net cash flows from disposal of subsidiaries	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40 Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's statement of cash flows as cash flows from financing activities.

	Interest payable (included in other payables) HK\$'000	Borrowings HK\$'000	Promissory note payable HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
At 1 January 2020	1,224	15,500	47,782	3,030	67,536
Financing cash inflows	—	700	—	—	700
Financing cash outflows	(85)	—	—	(2,650)	(2,735)
Interest charges for the year	2,023	—	3,042	—	5,065
Finance costs accrued	2,769	—	(2,769)	—	—
Arising from disposal of subsidiary	—	—	—	(34)	(34)
Addition of lease liabilities arising from right-of-use assets	—	—	—	1,143	1,143
At 31 December 2020 and 1 January 2021	5,931	16,200	48,055	1,489	71,675
Financing cash inflows	—	—	—	—	—
Financing cash outflows	(7,311)	(1,594)	(50,778)	(1,536)	(61,219)
Loss on early repayment of promissory note	—	—	102	—	102
Interest charges for the year	2,054	—	2,621	—	4,675
Finance costs accrued	—	—	—	—	—
Arising from disposal of subsidiary	—	—	—	—	—
Addition of lease liabilities arising from right-of-use assets	—	—	—	1,668	1,668
At 31 December 2021	674	14,606	—	1,621	16,901

41 Major Non-cash Transactions

During the year ended 31 December 2020, the Group acquired a subsidiary for a consideration which was satisfied by the issue of 112,000,000 new ordinary shares of the Company, details of which are set out in Note 38(b)(i).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42 Capital Commitments

The Group had the following commitments at the end of the reporting period:

	2021 HK\$'000	2020 HK\$'000
Contracted, but not provided for:		
Acquisition of additional equity interest in a subsidiary (Note 38(a))	63	—

43 Related Party Transactions

In addition to transactions and balances with certain related parties disclosed elsewhere in the consolidated financial statements, the Group had the following related party transactions:

Key management compensation

Key management includes directors and senior management. The compensation paid or payable to key management is shown below:

	2021 HK\$'000	2020 HK\$'000
Basic salaries and bonuses	7,463	7,353
Pension costs — defined contribution plan	161	186
	7,624	7,539

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Statement of Financial Position of the Company

	2021 HK\$'000	2020 HK\$'000
Non-current assets		
Investments in subsidiaries	20,777	20,699
	20,777	20,699
Current assets		
Financial asset at fair value through profit or loss	656	368
Prepayments and other receivables	137	654
Amounts due from subsidiaries	18,420	34,926
Cash and bank balances	5,738	1,602
	24,951	37,550
Current liabilities		
Accrued charges	1,725	3,874
Amounts due to subsidiaries	2,527	1,600
	4,252	5,474
Net current assets	20,699	32,076
Total assets less current liabilities	41,476	52,775
Non-current liabilities		
Promissory note payable	—	48,055
Net assets	41,476	4,720
Equity		
Share capital	35,536	8,724
Reserves	5,940	(4,004)
Total equity	41,476	4,720

The Company's statement of financial position was approved and authorised for issue by the board of directors on 30 March 2022 and is signed on its behalf by:

Kwan Tek Sian
Director

Wong Kin Yeung
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Statement of Financial Position of the Company (Continued)

Movements of the Company's reserves are as follows:

	Share premium HK\$'000	Other reserve HK\$'000 (Note 34)	Share option reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance at 1 January 2020	82,012	20,465	—	(85,101)	17,376
Loss for the year	—	—	—	(28,373)	(28,373)
Recognition of equity-settled share-based payments	—	—	1,050	—	1,050
Issue of shares:					
– for cash	3,818	—	—	—	3,818
– for acquisition of subsidiary	1,344	—	—	—	1,344
– upon exercise of share options	1,354	—	(562)	—	792
Share issue expenses	(11)	—	—	—	(11)
Balance at 31 December 2020 and 1 January 2021	88,517	20,465	488	(113,474)	(4,004)
Loss for the year	—	—	—	(33,125)	(33,125)
Issue of shares:					
– upon exercise of share options	866	—	(338)	—	528
– upon rights issue	45,308	—	—	—	45,308
Share issue expenses	(2,767)	—	—	—	(2,767)
Balance at 31 December 2021	131,924	20,465	150	(146,599)	5,940

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45 Subsidiaries

The principal subsidiaries of the Company at 31 December 2021, which, in the opinion of the directors of the Company, principally affected the results or assets of the Group, are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group.

Name of the entity	Place of incorporation and type of legal entity	Principal activities/ place of operations	Particulars of issued share capital	Ownership interest held by the Group		Ownership interest held by the non-controlling interests	
				2021 (%)	2020 (%)	2021 (%)	2020 (%)
AL Group International Limited	BVI, limited liability company	Investment holding/ Hong Kong	1 ordinary share of US\$1	100%	100%	—	—
AL Design & Associates Limited	Hong Kong, limited liability company	Provision of interior design and fit out solutions and overall project management/ Hong Kong	15,000 ordinary shares with no par value	100%	100%	—	—
Benefit Focus Limited	BVI, limited liability company	Investment holding/ Hong Kong	10,000 ordinary shares of US\$1 each	100%	100%	—	—
Sunny Stage Limited	BVI, limited liability company	Investment holding/ Hong Kong	10,000 ordinary shares of US\$1 each	100%	100%	—	—
Fasty Aim Limited	BVI, limited liability company	Investment holding/ Hong Kong	10,000 ordinary shares of US\$1 each	100%	100%	—	—
Major Joyful Limited	BVI, limited liability company	Investment holding/ Hong Kong	10,000 ordinary shares of US\$1 each	100%	100%	—	—
ACE Architectural and Interior Design Limited	Hong Kong, limited liability company	Provision of interior design and fit out solutions and overall project management/ Hong Kong	10,000 ordinary shares with no par value	60%	60%	40%	40%
YTO Limited	Hong Kong limited liability company	Provision of interior design and fit out solution/ Hong Kong	2,000,000 ordinary shares with no par value	100%	100%	—	—
Overseas Travel Science and Technology Limited	Hong Kong limited liability company	Investment holding/ Hong Kong	1,000,000 ordinary shares with no par value	100%	100%	—	—
Legend Start Limited	BVI, limited liability company	Investment holding/ Hong Kong	10,000 ordinary shares of US\$1 each	100%	—	—	—
Legacy Infinity Global Asset Management Limited (formerly known as Treasury International Wealth Management Limited)	Hong Kong, limited liability company	Insurance brokerage	800,000 ordinary shares with no par value	85%	—	15%	—

Note: None of the subsidiaries had issued any debt securities during the year and at the end of the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45 Subsidiaries (Continued)

Details of non-wholly owned subsidiary that has material non-controlling interests

The table below shows details of non-wholly owned subsidiary of the Group that has material non-controlling interests.

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interest		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2021	2020	2021	2020	2021	2020
		%	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ACE Architectural and Interior Design Limited ("ACE")	Hong Kong	40	40	(10,093)	(4,173)	(21,678)	(11,585)

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

ACE	31 December 2021 HK\$'000	31 December 2020 HK\$'000
Current assets	14,355	25,428
Non-current assets	1,478	577
Current liabilities	(61,290)	(54,968)
Non-current liabilities	(8,738)	—
Equity attributable to owners of the Company	(32,517)	(17,378)
Non-controlling interests	(21,678)	(11,585)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45 Subsidiaries (Continued)

Details of non-wholly owned subsidiary that has material non-controlling interest (Continued)

	Year ended 31 December 2021 HK\$'000	Year ended 31 December 2020 HK\$'000
Revenue	17,815	3,921
Other income	852	1,495
Subcontracting and materials costs	(14,734)	(2,758)
Other expenses	(29,166)	(13,091)
Loss for the year	(25,233)	(10,433)
Loss attributable to:		
— owners of the Company	(15,140)	(6,260)
— non-controlling interests	(10,093)	(4,173)
Loss for the year	(25,233)	(10,433)
Net cash inflow/(outflows) from operating activities	276	(3,471)
Net cash outflows from investing activities	(185)	—
Net cash inflows from financing activities	7,774	995
Net cash inflow/(outflow)	7,865	(2,476)

46 Events subsequent to the end of the reporting period

On 15 March 2022, the Company made announcement for the proposed refreshment of scheme mandate limit of the share option scheme, in which the maximum number of shares of the Company under options that can be granted by the Company be revised to be 35,536,000 shares, representing 10% of the Company's shares in issue. The refreshment of the scheme mandate is subject to shareholders' approval at the extraordinary general meeting of the Company to be held on 6 April 2022.

FIVE YEARS FINANCIAL SUMMARY

Results

	Year ended 31 December 2021 HK\$'000	Year ended 31 December 2020 HK\$'000	Year ended 31 December 2019 HK\$'000	Year ended 31 December 2018 HK\$'000	Year ended 31 December 2017 HK\$'000
Revenue	109,446	67,076	142,729	162,434	118,688
(Loss)/profit before income tax	(42,539)	(42,233)	(60,334)	(38,045)	3,488
Income tax credit/(expense)	119	22	(431)	60	(1,268)
(Loss)/profit attributable to the owners of the Company for the year	(32,319)	(38,038)	(56,433)	(35,158)	2,450
Total comprehensive (expenses)/income attributable to the owners of the Company for the year	(32,154)	(38,571)	(56,533)	(35,525)	2,849

Assets and Liabilities

	Year ended 31 December 2021 HK\$'000	Year ended 31 December 2020 HK\$'000	Year ended 31 December 2019 HK\$'000	Year ended 31 December 2018 HK\$'000	Year ended 31 December 2017 HK\$'000
Total assets	65,501	85,643	123,536	173,120	129,024
Total liabilities	63,760	111,621	116,537	105,256	40,633
Net assets/(liabilities)	1,741	(25,978)	6,999	67,864	88,391
Non-controlling interests	(21,593)	(11,585)	(7,412)	(3,080)	(253)
Equity attributable to owners of the Company for the year	23,334	(14,393)	14,411	70,944	88,644