# Annual Report **2021**

Miji Joy in the kitchen

Miji Design Germany

**Miji International Holdings Limited**
米技國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code : 1715

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Madam Maeck Can Yue
*(Chairperson and Chief Executive Officer)*
Mr. Walter Ludwig Michel
Mr. Wu Huizhang

### Independent Non-executive Directors

Mr. Wang Shih-fang
Mr. Yan Chi Ming
Mr. Hooi Hing Lee
Mr. Gu Qing
Mr. Li Wei

## COMMITTEES OF THE BOARD

### Audit Committee

Mr. Hooi Hing Lee *(Chairperson)*
Mr. Wang Shih-fang
Mr. Yan Chi Ming
Mr. Gu Qing
Mr. Li Wei

### Remuneration Committee

Mr. Yan Chi Ming (*Chairperson)*
Mr. Wang Shih-fang
Mr. Hooi Hing Lee
Mr. Gu Qing

### Nomination Committee

Madam Maeck Can Yue *(Chairperson)*
Mr. Wang Shih-fang
Mr. Hooi Hing Lee
Mr. Gu Qing

## COMPANY SECRETARY

Ms. Ho Wing Yan *(ACG, HKACG (PE))*

## AUTHORISED REPRESENTATIVES

Madam Maeck Can Yue
Ms. Ho Wing Yan *(ACG, HKACG (PE))*

## COMPLIANCE ADVISER

Dakin Capital Limited
Suite 3509
35/F, Tower 2, Lippo Centre
89 Queensway
Hong Kong

## AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central
Hong Kong

## REGISTERED OFFICE IN CAYMAN ISLANDS

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

## HEAD OFFICE IN THE PRC

West Building No. 2
3585 Sanlu Road
Pujiang Industrial Zone
Caohejing Hi-tech Park
Shanghai
China

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 2703
27/F Shui On Centre
No. 6–8 Harbour Road
Wan Chai
Hong Kong

## PRINCIPAL BANKS

Bank of China
Bank of Shanghai
Shanghai Rural Commercial Bank
China Construction Bank Corporation
DBS Bank (Hong Kong) Limited

## SHARE REGISTRARS AND TRANSFER OFFICES

### Hong Kong

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

### Cayman Islands

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

## STOCK NAME

MIJI INTL HLDGS

## STOCK CODE

1715

## WEBSITE

www.mijiholdings.com

# FIVE-YEAR FINANCIAL SUMMARY

## RESULTS

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2021** | 2020 | 2019 | 2018 | 2017 |
| | **RMB'000** | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Revenue | **143,873** | 189,380 | 246,302 | 281,690 | 255,384 |
| Cost of sales | **(78,603)** | (94,394) | (112,656) | (131,890) | (118,879) |
| Gross profit | **65,270** | 94,986 | 133,646 | 149,800 | 136,505 |
| (Loss)/profit before income tax | **(43,720)** | (19,671) | 22,274 | 28,424 | 26,815 |
| Net (loss)/profit for the year | **(43,894)** | (19,950) | 19,897 | 23,687 | 21,081 |
| Attributable to: | | | | | |
| – Owners of the Company | **(44,353)** | (21,128) | 18,761 | 22,404 | 20,394 |
| – Non-controlling interests | **459** | 1,178 | 1,136 | 1,283 | 687 |
| | **(43,894)** | (19,950) | 19,897 | 23,687 | 21,081 |

## ASSETS AND LIABILITIES

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| | **2021** | 2020 | 2019 | 2018 | 2017 |
| | **RMB'000** | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Total assets | **190,723** | 246,342 | 304,295 | 268,069 | 181,653 |
| Total liabilities | **(66,575)** | (73,391) | (109,453) | (93,316) | (113,143) |
| | **124,148** | 172,951 | 194,842 | 174,753 | 68,510 |
| Equity attributable to owners of the Company | **124,268** | 168,749 | 189,854 | 171,008 | 63,863 |
| Non-controlling interests | **(120)** | 4,202 | 4,988 | 3,745 | 4,647 |
| | **124,148** | 172,951 | 194,842 | 174,753 | 68,510 |

The summary above does not form part of the audited consolidated financial statements.

# CHAIRPERSON'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Miji International Holdings Limited (the "Company"), I hereby present the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2021 (the "Reporting Period") to the shareholders of the Company.

## BUSINESS REVIEW

2021 is a meaningful year to the Group as it marks the 20th anniversary for its business presence in China. While the global economy and consumer confidence was gradually recovering from the outbreak of the novel coronavirus, the Group concentrated on marketing events and expanding its sales channels. In March 2021, the Group participated in China's top home appliances show, namely the Appliance & Electronics World Expo (the "AWE") in Shanghai, where the Group and other famous brands of home appliances showcased their latest products and demonstrated how digital technologies were incorporated into their products to enhance the quality of life of consumers. The Group's new products in 2021 are built on the new Chinese kitchen concept composing of five major elements: "healthy", "safe", "technology", "intelligent" and "joy". These products are customized to suit the cooking style of Chinese consumers and they are equipped with the latest technologies that can promote a healthy lifestyle and make cooking easier and more enjoyable. The Group received positive response to its new products, and it received the AWE innovation award for its Star 3 hybrid hob. The favorable market response provided incentives for the Group to work even harder to develop better products for consumers.

In November 2021, the Group also participated in the fourth China International Import Expo, which is an important annual event intended to strengthen the economic cooperation and trade among enterprises in China and other countries of the world. In this event, the Group's products attracted the interest of many potential customers and the Group believes that it will be beneficial for its long-term business development.

During the Reporting Period, the Group has been expanding both offline and online sales channels to reach more consumers and attract consumer awareness of its brands and products. The Group used to rely on consignment stores in department stores and distributors to sell its products offline. To expand its offline sales channels, the Group set up new mega retail stores and membership stores. For the expansion of online sales channels, the Group increased the use of social media platforms to promote and sell its products. The strategy to expand both offline and online sales channels led to higher sales revenue from consignment stores, physical sales locations and online platforms as compared with 2020. However, sales revenue from television platforms significantly declined as consumers spent more time outdoors following the relaxation of quarantine measures and social media is becoming a more popular channel to attract consumers. In the second half of 2021, the Group was suffering from the negative impact of surging raw material prices, which reduced the Group's gross profit margin. Overall, the Group's revenue for the Reporting Period decreased by 24.0% to RMB143.9 million as compared with RMB189.4 million for the year ended 31 December 2020. The Group's net loss for the Reporting Period increased to RMB43.9 million from RMB20.0 million for the year ended 31 December 2020, primarily attributable to the decrease in sales revenue from television platforms and gross profit margin.

To deal with the above situation, the Group optimised its distribution network by allocating more resources to the sales channels that have greater development potential and higher profit margin, such as Tiktok and Wechat social media stores. The optimisation of distribution network is showing a positive effect, which enables the Group to further stabilize the business in the market.

Highlights of the audited results of the Group for the Reporting Period, as compared to 2020, are shown in the following table:

| | Year ended 31 December | |
|---|---|---|
| | **2021 (Audited)** | 2020 (Audited) |
| Revenue (RMB'000) | **143,873** | 189,380 |
| Net loss for the year (RMB'000) | **(43,894)** | (19,950) |
| Loss per share | | |
| – Basic (RMB cents) | **(2.96)** | (1.41) |
| – Diluted (RMB cents) | **(2.96)** | (1.41) |

## OUTLOOK AND STRATEGY

Product quality and brand awareness are essential to the Group's long-term success and the Group can keep this in a quite stable high level. The Group will continue to devote more time and effort to diversify product style and functionality with an aim to create better products to suit the needs of customers. At the same time, the Group will be active in marketing to promote its brands and products through different channels and take effort to expand the new sales channels. The Group will also explore the possibilities to expand the sales of its products to other geographical regions that can generate attractive returns for the shareholders.

Looking ahead, the Group will remain prudent on business development and continue to implement appropriate measures to improve sales performance and reduce costs of business operations.

## GRATITUDE

On behalf of the Company, I would like to express my sincere gratitude to our valued shareholders, customers, suppliers, banks and to our management and employees for their continuous trust and support to the Group. The coming year will be full of opportunities and challenges and we will strive our best to create greater value for our shareholders and investors.

By order of the Board
**Madam Maeck Can Yue**
*Chairperson*

Hong Kong, 30 March 2022

# MANAGEMENT DISCUSSION & ANALYSIS

## BUSINESS OVERVIEW AND BUSINESS STRATEGY

During the Reporting Period, the Group continues to develop, manufacture and sell premium kitchen appliances with a major focus on the PRC market. The Group distributes its products across the PRC through various sales channels comprising mainly of distributors, consignment sales, television platforms, online platforms and corporate clients.

During the Reporting Period, the Group has been expanding both offline and online sales channels to reach more consumers and attract consumer awareness of its brands and products. The Group used to rely on consignment stores in department stores and distributors to sell its products offline. To expand its offline sales channels, the Group set up new mega retail stores and membership stores. For the expansion of online sales channels, the Group increased the use of social media platforms to promote and sell its products. The strategy to expand both offline and online sales channels led to higher sales revenue from consignment stores, physical sales locations and online platforms as compared with 2020. However, sales revenue from television platforms significantly declined as consumers spent more time outdoors following the relaxation of quarantine measures and social media is becoming a more popular channel to attract consumers. In the second half of 2021, the Group was suffering from the negative impact of surging raw material prices, which reduced the Group's gross profit margin. Overall, the Group's revenue for the Reporting Period decreased by 24.0% to RMB143.9 million as compared with RMB189.4 million for the year ended 31 December 2020. The Group's net loss for the Reporting Period increased to RMB43.9 million from RMB20.0 million for the year ended 31 December 2020, primarily attributable to the decrease in sales revenue from television platforms and gross profit margin.

To deal with the above situation, the Group optimised its distribution network by allocating more resources to the sales channels that have greater development potential and higher profit margin, such as Tiktok and Wechat social media stores. The optimisation of distribution network is showing a positive effect, which enables the Group to further stabilize the business in the market.

Product quality and brand awareness are essential to the Group's long-term success and the Group can keep this in a quite stable high level. The Group will continue to devote more time and effort to diversify product style and functionality with an aim to create better products to suit the needs of customers. At the same time, the Group will be active in marketing to promote its brands and products through different channels and take effort to expand the new sales channels. The Group will also explore the possibilities to expand the sales of its products to other geographical regions that can generate attractive returns for the shareholders.

Looking ahead, the Group will remain prudent on business development and continue to implement appropriate measures to improve sales performance and reduce costs of business operations.

## FINANCIAL REVIEW

### Revenue

#### *Revenue by product categories*

The Group derives its revenue from the sales of (i) radiant hobs and stoves; (ii) induction hobs and stoves; (iii) pots and pans; and (iv) other small kitchen appliances and kitchen cabinets. Radiant hobs and stoves is the Group's major product type, contributing 79.3% of our total revenue for the Reporting Period. The Group's total revenue for the Reporting Period amounted to approximately RMB143.9 million.

Set out below is a breakdown of revenue by product categories for the Reporting Period:

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | **2021** | | 2020 | |
| | **RMB'000** | **% of total revenue** | RMB'000 | % of total revenue |
| Hobs and stoves (Radiant) | **114,034** | **79.3** | 150,313 | 79.4 |
| Hobs and stoves (Induction) | **6,592** | **4.6** | 10,277 | 5.4 |
| Pots and pans | **7,073** | **4.9** | 9,664 | 5.1 |
| Others (Note) | **16,174** | **11.2** | 19,126 | 10.1 |
| Total | **143,873** | **100.0** | 189,380 | 100.0 |

Note: Others include small kitchen appliances such as hoods, kettles, bakery ovens and kitchen cabinets.

#### *Revenue by geographical regions*

During the Reporting Period, the Group's revenue was substantially derived in the PRC.

### *Revenue by sales channels*

The Group sells its products through various channels, mainly including its consignment stores, sales to corporate clients, sales from television platforms and online platforms and physical sales locations operated by the Group's distributors. Set out below is a breakdown of revenue by sales channels for the Reporting Period:

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | **2021** | | 2020 | |
| | **RMB'000** | **% of total revenue** | RMB'000 | % of total revenue |
| **Direct Sales** | | | | |
| Consignment stores | **34,605** | **24.1** | 29,353 | 15.5 |
| Corporate clients | **1,956** | **1.4** | 2,238 | 1.2 |
| Television platforms | **54,871** | **38.1** | 121,589 | 64.2 |
| Subtotal | **91,432** | **63.6** | 153,180 | 80.9 |
| **Distributors** | | | | |
| Online platforms | **34,660** | **24.1** | 25,753 | 13.6 |
| Physical sales locations | **17,781** | **12.3** | 10,447 | 5.5 |
| Subtotal | **52,441** | **36.4** | 36,200 | 19.1 |
| Total | **143,873** | **100.0** | 189,380 | 100.0 |

### *Consignment stores*

During the Reporting Period, the Group's direct sales revenue from consignment stores increased by 17.7% to RMB34.6 million from RMB29.4 million for the year ended 31 December 2020. After the relaxation of quarantine measures implemented by the PRC government, business operations of the consignment stores resumed normal and the number of customers that purchased the Group's products from consignment stores increased during the Reporting Period. The Group also expanded its offline sales channels by setting up consignment stores and counters in shopping malls, mega retail stores and membership stores, which further increased the sales revenue from consignment stores.

### *Corporate clients*

During the Reporting Period, the Group's sales revenue from corporate clients decreased by 9.1% to RMB2.0 million from RMB2.2 million for the year ended 31 December 2020. The decrease in sales revenue from corporate clients was because the Group had fewer purchase orders from property developers.

### *Television platforms*

During the Reporting Period, the Group's direct sales revenue from television platforms decreased by 54.9% to RMB54.9 million from RMB121.6 million for the year ended 31 December 2020, as consumers spent more time outdoors following the relaxation of quarantine measures and social media platform is becoming a more popular sales and marketing platform.

### *Online platforms*

During the Reporting Period, the Group's sales revenue from online platforms operated by the Group's distributors increased by 34.5% to RMB34.7 million from RMB25.8 million for the year ended 31 December 2020. The increase in sales revenue from online platforms operated by the Group's distributors was attributable to the gradual improvement in global economy and the increase in personal expenditure of consumers. The Group also increased the use of social media platforms to promote its products, which further increased the sales revenue from online platforms.

### *Physical sales locations*

During the Reporting Period, the Group's sales revenue from physical sales locations increased by 71.2% to RMB17.8 million from RMB10.4 million for the year ended 31 December 2020. After the relaxation of quarantine measures implemented by the PRC government, business operations of the physical sales locations resumed normal and the number of customers that purchased the Group's products from physical sales locations increased during the Reporting Period.

## Gross profit and gross profit margin

The Group's gross profit margin decreased to 45.4% for the Reporting Period as compared with 50.2% for the year ended 31 December 2020 because the prices of raw materials have been increasing in the second half of 2021. Set out below is a breakdown of gross profit and gross profit margin by product categories for the Reporting Period:

| | **Year ended 31 December** | | | |
|---|---|---|---|---|
| | **2021** | | 2020 | |
| | **Gross profit RMB'000** | **Gross profit margin %** | Gross profit RMB'000 | Gross profit margin % |
| Hobs and stoves (Radiant) | **52,904** | **46.4** | 75,821 | 50.4 |
| Hobs and stoves (Induction) | **2,901** | **44.0** | 5,079 | 49.4 |
| Pots and pans | **3,002** | **42.4** | 4,677 | 48.4 |
| Others (Note) | **6,463** | **40.0** | 9,409 | 49.2 |
| Total | **65,270** | **45.4** | 94,986 | 50.2 |

Note: Others include small kitchen appliances such as hoods, kettles, bakery ovens and kitchen cabinets.

## Other income

Other income mainly includes government grant, licensing and management fee income from an associate and sundry income. The Group's other income for the Reporting Period increased by 11.1% to RMB4.8 million for the Reporting Period from RMB5.4 million for the year ended 31 December 2020. Such decrease was primarily attributable to the decrease in government grant and licensing income from an associate.

## Other (losses)/gains, net

Other (losses)/gains, net mainly comprised gain on partial disposal of investment in an associate, net exchange loss and loss on disposal of property, plant and equipment. The Group recorded other loss of RMB0.8 million for the Reporting Period as opposed to other gain of RMB3.3 million for the year ended 31 December 2020. During the Reporting Period, the Group recognised an exchange loss of RMB1.0 million (2020: RMB2.6 million) and it did not have any gain on disposal of an associate (2020: RMB5.8 million).

### Selling and distribution expenses

Selling and distribution expenses mainly represent consignment fee for the Group's direct sales through consignment stores and television platforms, sundry expenses of consignment stores, employee benefits expenses of sales and marketing staff, business travelling and entertainment expenses, advertising and promotion expenses, rental expenses and transportation expenses for delivery of products to customers. Selling and distribution expenses for the Reporting Period decreased by 22.0% to RMB73.0 million as compared with RMB93.6 million for the year ended 31 December 2020. This was primarily attributable to the decrease in consignment fees along with the decreased proportion of sales through television platform.

### Administrative expenses

Administrative expenses mainly represent salaries and benefits of our administrative and management staff, general office expenses, rental expenses, legal and professional fees, depreciation of property, plant and equipment, depreciation and amortisation of land use rights and intangible assets and other miscellaneous administrative expenses. Administrative expenses for the Reporting Period increased by 33.5% to RMB27.1 million from RMB20.3 million for the year ended 31 December 2020. The increase in administrative expenses for the Reporting Period was primarily attributable to the increase in employee benefit expenses and donation.

### Research and development expenses

Research and development expenses for the Reporting Period remained relatively stable at RMB10.5 million as compared with RMB10.7 million for the year ended 31 December 2020.

### Finance income

For the Reporting Period, the Group's finance income decreased by 80.0% to RMB0.1 million from RMB0.5 million for the year ended 31 December 2020, mainly attributable to the decrease in funds put in term deposits.

### Finance costs

For the Reporting Period, the Group's finance costs decreased by 40.0% to RMB1.5 million as compared with RMB2.5 million for the year ended 31 December 2020, primarily attributable to the decrease in borrowings.

### Share of net (loss)/profit of associates

For the Reporting Period, the Group's share of net loss of associates amounted to RMB0.7 million as opposed to a share of net profit of associates of RMB4.7 million for the year ended 31 December 2020, primarily due to the increase in the loss contributed from an associate.

### Income tax expenses

The Group's income tax expenses for the Reporting Period amounted to RMB0.2 million as compared with RMB0.3 million for the year ended 31 December 2020. The decrease in income tax expenses was primarily attributable to the decrease in assessable profits during the Reporting Period.

### Net loss

As a result of the above factors, the Group's net loss for the Reporting Period increased to RMB43.9 million from RMB20.0 million for the year ended 31 December 2020. The Group's net loss margin for the Reporting Period also increased to 30.5% from 10.5% for the year ended 31 December 2020.

### Dividend

The Board does not recommend the payment of a final dividend for the Reporting Period (31 December 2020: nil).

## CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING

The Company's shares were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 July 2018. There has been no change in the capital structure of the Group since then.

The Group funds its business and working capital requirements by using a balanced mix of internal resources and bank. The funding mix will be adjusted depending on the costs of funding and the actual needs of the Group.

As at 31 December 2021, the Group had net current assets of RMB90.6 million (31 December 2020: RMB129.1 million), bank deposits and cash and cash equivalents amounted to RMB32.3 million (31 December 2020: RMB48.2 million) and borrowings amounted to RMB28.7 million (31 December 2020: RMB33.0 million). The Group's cash and cash equivalents as at 31 December 2021 were mainly denominated in RMB and HKD. As at 31 December 2021, the Group's borrowings (denominated in RMB) amounting to RMB28.7 million and nil (31 December 2020: RMB32.3 million and 0.7 million) carried interest at floating rate and fixed rate respectively. The weighted average interest rates are 5.1% (2020: 5.0%) per annum.

As at 31 December 2021, the Group had a current ratio of 2.5 times (31 December 2020: 3.0 times) and gearing ratio of 0.2 (calculated by dividing total debt by total equity) (31 December 2020: 0.2).

As at 31 December 2021, the Group did not have any available unutilised banking facilities (31 December 2020: nil).

## RESTRICTED BANK DEPOSIT

As at 31 December 2021, the Group had restricted bank deposit of RMB0.2 million (31 December 2020: nil).

## CAPITAL COMMITMENTS

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

## CONTINGENT LIABILITIES

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

## PLEDGE OF ASSETS

As at 31 December 2021, the Group pledged land use rights and buildings with carrying amount of RMB17.8 million to secure its borrowings of RMB28.7 million.

## MATERIAL ACQUISITIONS AND DISPOSALS OF ASSETS, SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 22 October 2021 (after trading hours), Miji Electronics and Appliances (Shanghai) Ltd. ("Miji Shanghai"), an indirect wholly-owned subsidiary of the Company, and 上海甬興塑膠有限公司 (Shanghai Yongxing Plastic Company Limited*) (the "Vendor") entered into a sale and purchase agreement, pursuant to which Miji Shanghai agreed to acquire, and the Vendor agreed to sell 49% equity interest held by the Vendor in 上海米技甬興電器有限公司(Shanghai Miji Yongxing Electrical Appliances Company Limited*) ("Miji Yongxing"), at the consideration of RMB2,450,000. This transaction was completed on 22 December 2021 and Miji Yongxing became an indirect wholly-owned subsidiary of the Company upon completion. For details of this transaction, please refer to the Company's announcements dated 22 October 2021 and 22 December 2021.

On 31 December 2021 (after trading hours), Miji Shanghai and two individual purchasers entered into a disposal agreement, pursuant to which Miji Shanghai conditionally agreed to sell, and those two individual purchasers conditionally agreed to acquire, in aggregate 40% equity interest held by Miji Shanghai in 米技炫尚智能家用電器（上海）有限公司 (Miji Xuanshang Intelligence Home Appliances (Shanghai) Company Limited*), at the consideration of RMB12,000,000. This transaction was completed in February 2022. For details of this transaction, please refer to the Company's announcement dated 31 December 2021.

Saved as disclosed herein, during the Reporting Period, the Group did not have any material acquisitions and disposals of assets, subsidiaries, associates or joint ventures.

## SIGNIFICANT INVESTMENTS HELD BY THE GROUP

Saved as disclosed in this report, during the Reporting Period, the Group did not make any significant investments.

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Saved as disclosed herein, as at 31 December 2021, the Group does not have any future plans for material investments and capital assets.

## FOREIGN EXCHANGE RISKS

Our Group's foreign exchange risk mainly relates to fluctuations in exchange rates of RMB against our assets and liabilities in currencies other than RMB, and these may affect our operation results. Our Group does not have a hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## EMPLOYEES, REMUNERATION POLICY AND TRAINING

As at 31 December 2021, the Group had a total of 248 staff (31 December 2020: 227 employees), whose remunerations and benefits are determined based on market rates, government policies and individual performance. The Group provides comprehensive training and development opportunities to its employees on a regular basis. The trainings are arranged according to needs of employees, which were identified annually by individual departments.

The China employees of the Group are required to participate in a central pension scheme (the "Defined Contribution Schemes") operated by the local municipal government, which these subsidiaries are required to contribute a certain percentage, which was pre-determined by the local municipal government, of the sum of basic salary and allowance of employees to the Defined Contribution Schemes. The contributions by the Group for the Defined Contribution Schemes are charged to the statement of profit or loss as they become payable in accordance with the relevant rules of the respective schemes.

* For identification purposes only

The Group's contributions to the Defined Contribution Schemes vest fully and immediately with the employees. Accordingly, (i) for each of the two years ended 31 December 2020 and 31 December 2021, there was no forfeiture of contributions under the Defined Contribution Schemes; and (ii) there were no forfeited contributions available for the Group to reduce its existing level of contributions to the Defined Contribution Schemes as at 31 December 2020 and 31 December 2021.

For each of the two years ended 31 December 2020 and 2021, the Group did not have any defined benefit plan.

## USE OF PROCEEDS FROM IPO

The Shares were listed on the Main Board of the Stock Exchange on 16 July 2018. The net proceeds from the initial public offering, net of underwriting commissions and other relevant expenses, amounted to approximately HK$76.2 million (the "Net Proceeds"). On 6 August 2020, the Company made an announcement (the "Announcement") and the Board resolved to change the use of unutilised Net Proceeds in the sum of HK$12.6 million, which was originally intended for the establishment of showrooms in major cities of the PRC. The outbreak of the COVID-19 had significant adverse impact on the global economy and consumer confidence. Under the existing economic conditions, the Board considers that it would be in the best interests of the Company and its shareholders to stop opening new retail stores and showrooms as they may not be able to generate sufficient revenue to cover operating costs, such as rental expenses and labour costs. Instead, it would be more appropriate to adjust the initial business development plan and re-allocate the unutilised Net Proceeds for the (i) repayment of borrowings; (ii) expansion and strengthening of sales and marketing capacities; and (iii) development and diversification of product portfolio of hobs and stoves. Please refer to the Announcement for details of the change in the use of unutilised Net Proceeds.

As at 31 December 2021, the Company utilised HK$76.2 million or 100.0% of the Net Proceeds. Set out below is the breakdown of the use of the Net Proceeds up to 31 December 2021:

| **Intended use of Net Proceeds** | **Original allocation of Net Proceeds** (approximately) | **Revised allocation of Net Proceeds (as disclosed in the Announcement)** (approximately) | **Utilised amount of Net Proceeds up to 31 December 2021** (approximately) | **Unutilised amount of Net Proceeds up to 31 December 2021** (approximately) | **Expected timeline for fully utilising the unutilised Net Proceeds after the revised allocation** |
|---|---|---|---|---|---|
| Establish showrooms in major cities of the PRC | HK$24.5 million | HK$11.9 million | HK$11.9 million | – | N/A |
| Repayment of bank loans | HK$18.2 million | HK$23.2 million | HK$23.2 million | – | N/A |
| Expand and strengthen sales and marketing capacities | HK$18.1 million | HK$21.7 million | HK$21.7 million | – | N/A |
| Develop and diversify product portfolio of hobs and stoves | HK$2.7 million | HK$6.7 million | HK$6.7 million | – | N/A |
| Conduct project of 米技電爐具智能化服務平台建設(Establishment of Smart Service Platform for Miji Electric Stoves*) | HK$5.3 million | HK$5.3 million | HK$5.3 million | – | N/A |
| General working capital | HK$7.4 million | HK$7.4 million | HK$7.4 million | – | N/A |
| **Total** | **HK$76.2 million** | **HK$76.2 million** | **HK$76.2 million** | **–** | |

* For identification purposes only

# DIRECTORS AND SENIOR MANAGEMENT PROFILE

## EXECUTIVE DIRECTORS

**Madam Maeck Can Yue (alias Mäck GEB., Ji Can Yue and Ji Can Yue) ("Madam Maeck")**, aged 55, is a Founder, and was appointed as an Executive Director, Chairperson, Chief Executive Officer and Chairperson of the Nomination Committee of the Company on 16 May 2017. She is responsible for the Group's overall corporate management and business development strategies. Madam Maeck has been appointed as a Director of all the subsidiaries of the Company. Madam Maeck is the spouse of Mr. Walter Ludwig Michel.

Madam Maeck has over 20 years of experience in kitchenware industry. Prior to her establishment of Miji GmbH in June 2000 and Miji Electronics and Appliances (Shanghai) Ltd. in October 2001, Madam Maeck had worked for OBI GmbH & Co. Deutschland KG, a company principally engaged in the business of home improvement supplies retailing as a Director of marketing and development, where she was mainly responsible for marketing and development, from May 1998 to April 2000; and for Leica Microsystems Ltd., a company principally engaged in the business of manufacturing optical microscopes, equipment for the preparation of microscopic specimens and related products, from January 1996 to March 1998.

Madam Maeck obtained a Diploma of Enterprise Management in May 1996 from the Fachhochschule für Wirtschaft Berlin.

In 2001, Madam Maeck was recognised by the Shanghai Municipal Personnel Bureau, the Predecessor of Human Resources and Social Security（人力資源和社會保障局）as one of the scholars studied abroad who was eligible for preferential treatment for investment in Shanghai, China. She was conferred the title of Adjunct Professor on 1 September 2015 and appointed as Advisor for Master of International Business for the period from April 2017 to March 2020 by Shanghai University of International Business and Economics. She was also selected as one of the Leading Talents of Minhang District（閔行領軍人士）, Shanghai, China by the Shanghai Minhang District Human Resource and Social Security Bureau（上海閔行區人力資源和社會保障局）in 2013. Madam Maeck also received several awards in recognition of her entrepreneurship, including the 5th Shanghai Science and Technology Entrepreneur (Women Entrepreneur) Innovation Award（第五屆上海科技企業家（女企業家）創新獎）in 2010, and Shanghai Business Outstanding Entrepreneur（上海商業優秀企業家）for 2016.

Madam Maeck was a Supervisor of Beijing Miji Electronic and Appliances Ltd.（北京米技電子電器有限公司）, a company incorporated in China on 16 April 2004. Beijing Miji Electronic and Appliances Ltd.（北京米技電子電器有限公司）was dissolved due to cessation of business on 19 September 2006.

**Mr. Walter Ludwig Michel (alias Walter Michel) ("Mr. Michel")**, aged 72, was appointed as an Executive Director of the Company on 19 October 2017. Mr. Michel has worked in Miji Electronics and Appliances (Shanghai) Ltd. as a Deputy Chairman since 2001. He is also a Director of certain members of the Group. Mr. Michel is the spouse of Madam Maeck Can Yue.

Mr. Michel has over 30 years of experience in the electrical appliance industry. He had been working as a Managing Director ever since he joined Feinwerktechnik Wetzlar GmbH, a company principally engaged in the business of development, manufacture and distribution of fine mechanical optical metal and plastic components in December 1989 where he was mainly responsible for the development and production of technology, and had been working there till December 1994. From June 1994 to June 1999, Mr. Michel worked in Shanghai Leica Microsystems Ltd where he was mainly responsible for the general performance of the company. From 1999 to June 2013, Mr. Michel acted as a Director and General Manager of EGO Electrical Components (Shanghai) Co. Ltd.（益技歐電子器件（上海）有限公司）, a company principally engaged in the business of manufacturing of parts and components of electrical cooking and washing appliances. Between September 2012 and August 2014, where he acted as the General Manager of EGO between 2012 and 2014, where he was mainly responsible for the performance of the company.

Mr. Michel obtained Certificates in Precision Engineering from State Technical School, Weilburg in June 1974 and Planning and Management from REFA Institute in March 1980.

**Mr. Wu Huizhang ("Mr. Wu")**, aged 43, was appointed as an Executive Director on 25 January 2021. He graduated from Jimei University (集美大學) with a Diploma in Port Administration. Mr. Wu has over 20 years of experience in export trading and enterprise management. Mr. Wu has been working as the General Manager of Xiamen Hezhong Zhiyuan Enterprise Management Co., Ltd.* (廈門合眾致遠企業管理有限公司) (a company principally engaged in the provision of business consultancy services) since June 2017; and the Supervisor of Fuzhou Sihui Trading Co., Ltd.* (福州斯惠貿易有限公司) ("Fuzhou Sihui") (an export trading company) since May 2017. Mr. Wu also worked as the Deputy General Manager of Fuzhou Sihui from March 2010 to June 2016; and the Manager of Operation Department of Xiamen China Trade International Freight Forwarding Co., Ltd.* (廈門中貿國際貨運代理有限公司) from September 2000 to January 2010. Mr. Wu was responsible for operation, strategic planning, financial and risk management of the aforesaid companies.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Wang Shih-fang ("Mr. Wang")**, aged 52, was appointed as an Independent Non-Executive Director, a member of each of the Audit Committee, Nomination Committee and Remuneration Committee of the Company on 23 June 2018. He has over 17 years of experience in the finance industry. Between July 2014 and December 2016, Mr. Wang was the Managing Director of Haitong International Securities Group Limited. He was also acted as a first Vice President in business planning and support department of Fubon Asset Management Co., Ltd (富邦證券投資信託股份有限公司) between March 2010 and February 2014. Prior to that, he was appointed as an Associate Director of SinoPac Securities (Asia) Limited between November 2008 to April 2010. From August 2006 to October 2008, he served Pinebridge Investments Management Taiwan Limited (柏瑞證券投資信託股份有限公司), formerly known as AIG Investment Management Corporation (Taiwan) Ltd. (友邦證券投資信託股份有限公司) as an Assistant Vice President and Head of Direct Sales. From October 2002 to July 2006, he served Eastspring Securities Investment Trust Co., Ltd (瀚亞證券投資信託股份有限公司), formerly known as PCA Securities Investment Trust Co., Ltd. (保誠證券投資信託股份有限公司) as a Manager of the Financial Business Department.

In April 2001, Mr. Wang was awarded the Certificate of Securities Investment Trust and Consulting by Securities Investment Trust and Consulting Association of the ROC in Taiwan. In 2002, Mr. Wang was awarded the Certificate of Broker License by Securities and Futures Institute in Taiwan. Mr. Wang was also a Licensed Representative under the Securities and Futures Ordinance from January 2009 to April 2010.

Mr. Wang graduated from Fu-Jen Catholic University in Taiwan with a Bachelor's Degree in Philosophy in June 1992 and a Master's Degree in Arts in June 1995. Mr. Wang also obtained his Master's Degree in Business Administration from the National Chengchi University in Taiwan in January 2012. Mr. Wang has also conducted Lectures at Fu-Jen Catholic University.

**Mr. Yan Chi Ming ("Mr. Yan")**, aged 67, was appointed as an Independent Non-Executive Director, Chairperson of the Remuneration Committee and a member of the Audit Committee of the Company on 23 June 2018. He has over 23 years of experience in construction, property development and investment in Hong Kong and mainland China. He has been the Chief Executive Officer of Gateway Development & Investment Limited since June 2011. Prior to that, Mr. Yan held senior positions of a number of companies listed on the main board of the Stock Exchange, including MTR Corporation Limited (from 2004 to 2011 with his last position as a Chief Development Manager – Shenzhen), COSCO International Land Limited, a wholly owned subsidiary of COSCO International Holdings Limited (from 1997 to 1998 as a General Manager) and the group of Shui On Holdings Limited (from 1999 to 2003, with his last position as an Assistant General Manager). Mr. Yan was an Executive Director and the Chairman of the Board of Directors of Kong Shum Union Property Management (Holding) Limited (a company listed on the GEM of the Stock Exchange, Stock code: 08181) between December 2015 and July 2016.

* For identification purposes only

Mr. Yan was admitted as a member of the Institution of Civil Engineers of the United Kingdom (the "UK") in June 1980. He was elected as a member of the Institution of Structural Engineers of the UK in November 1982.

Further, Mr. Yan was elected as a fellow member of the Hong Kong Institute of Real Estate Administration in April 1999. He was also admitted as a fellow member of the Hong Kong Institute of Directors in December 2011.

Mr. Yan obtained a Bachelor Degree of Science in Engineering and a Master Degree of Business Administration from the University of Hong Kong in Hong Kong, China in November 1976 and November 1985 respectively. Mr. Yan also obtained a Master Degree of Science in Economics from the University of London in the UK in September 1989.

Mr. Yan was previously a Director or Legal Representative or Responsible Person of the companies shown in the table below at the time of their respective dissolution:

| Company | Place of incorporation/ establishment | Position | Date of dissolution | Means and reasons of dissolution |
|---|---|---|---|---|
| Apex Link Limited （高領有限公司） | Hong Kong | Director | 21 February 2003 | Striking off due to cessation of business |
| Global Elegant Development Limited （高雅發展有限公司） | Hong Kong | Director | 6 March 2015 | Deregistration due to cessation of business |
| Kentwin Development Limited （堅昌發展有限公司） | Hong Kong | Director | 22 September 2006 | Deregistration due to cessation of business |
| Max Elegant International Limited （宏豐浩國際有限公司） | Hong Kong | Director | 6 September 2002 | Striking off due to cessation of business |
| Pacific Cross Trading Company Limited | Hong Kong | Director | 3 February 2006 | Striking off due to cessation of business |
| Top Wealth Property Limited （富益置業有限公司） | Hong Kong | Director | 22 September 2006 | Deregistration due to cessation of business |
| World Choice Development Limited （威昌發展有限公司） | Hong Kong | Director | 4 July 2008 | Deregistration due to cessation of business |

**Mr. Hooi Hing Lee ("Mr. Hooi")**, aged 55, was appointed as an Independent Non-Executive Director, Chairperson of the Audit Committee and a member of each of the Nomination Committee and Remuneration Committee of the Company on 23 June 2018. He has over 30 years of experience in the finance industry. Mr. Hooi was employed by National Australia Bank Limited in a variety of roles in Australia and Hong Kong from January 1988 to June 2006 with his last position as the Head of Corporate Banking, North Asia. He also served as Chief Operating Officer in Cushman & Wakefield Capital Asia Limited from July 2006 to October 2008. For the period between 5 March 2008 to 6 October 2008, Mr. Hooi was a responsible officer for regulated activities Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of Cushman & Wakefield Capital Asia (HK) Limited. He also served as a Country Chief Risk Officer of Standard Chartered Bank (Taiwan) Limited from August 2010 to June 2013. In the year of 2013, Mr. Hooi founded a private investment company, pH Capital Limited, where he currently acts as the director.

Mr. Hooi is currently an Independent Non-Executive Director of Frontier Services Group Limited (Stock code: 00500). Mr. Hooi was appointed as the Lead Independent Non-Executive Director of Cityneon Holdings Limited, a company listed on the Mainboard of the Singapore Stock Exchange (Stock code: 5HJ), in August 2017 and which was privatised and delisted from Singapore Stock Exchange on 1 February 2019. Mr. Hooi has been and is still appointed as a Non-Executive Director of Efficacious ELK Capital Corp., a company listed on the TSX Venture Exchange (Stock code: EECC.P).

Mr. Hooi obtained his Bachelor of Commerce degree from the University of Western Australia in April 1990. He was admitted as a member of the Certified Practicing Accountants of Australia in July 1990 and a fellow of the Hong Kong Institute of Directors in March 2006.

Mr. Hooi was previously a Director or Legal Representative or Responsible Person of the companies shown in the table below at the time of their respective dissolution:

| Company | Place of incorporation/ establishment | Position | Date of dissolution | Means reasons of dissolution |
|---|---|---|---|---|
| Sino Express Investment Limited （中貫投資有限公司） | Hong Kong | Director | 1 April 2010 | Deregistration due to cessation of business |
| Crown Charm Investment Limited （冠倡投資有限公司） | Hong Kong | Director | 24 July 2009 | Deregistration due to cessation of business |

**Mr. Gu Qing ("Mr. Gu")**, aged 58, was appointed as an Independent Non-Executive Director, a member of each of the Audit Committee, Remuneration Committee and Nomination Committee of the Company on 21 May 2020. He holds a Bachelor's Degree in Chinese Language and Literature from Zhejiang Open University（浙江廣播電視大學）. Mr. Gu has worked in a number of companies in the PRC and overseas. He served as the Deputy Director of General Office of Hainan Sanya Yalong Bay Development Co., Ltd.（海南三亞亞龍灣開發股份有限公司）from 1993 to 1997 and the Director and General Manager of Natural (Cambodia) Garment Co., Ltd.（天然（柬埔寨）製衣有限公司）in Phnom Penh, Kingdom of Cambodia from 1997 to 2001. From 2003 to 2008, Mr. Gu worked for Sinochem International Corporation（中化國際（控股）股份有限公司）, a listed subsidiary of Sinochem Group, the world's top 500 companies, and successively held the positions of Deputy General Manager of Sinochem International (Taicang) Industrial Development Co., Ltd.（中化國際（太倉）興業開發公司）and Director of the General Manager Office of Sinochem International Corporation. From 2008 to 2014, Mr. Gu worked as a Partner in Beijing H&J Vanguard Research and Consulting Co., Ltd.（北京和君創業管理諮詢有限公司）. Since 2014, Mr. Gu has been appointed as a President of Shanghai Liheng Investment Group Co., Ltd.（上海力恆投資集團有限公司）.

**Mr. Li Wei ("Mr. Li")**, aged 40, was appointed as the Independent Non-Executive Director, a member of the Audit Committee of the Company on 25 January 2021. He graduated from Jiujiang University（九江學院）with a Diploma in Marketing. Mr. Li has over 13 years of marketing and business management experience. Mr. Li has been working as a General Manager of Xiamen Xinyuanhuan Advertising Co., Ltd.*（廈門鑫源洹廣告有限公司）(an advertising company); and Xiamen Orange Elephant Information Technology Co., Ltd.*（廈門橙象資訊科技有限公司）(an information technology company) where he is responsible for the operations, strategic planning and management of these companies. From March 2016 to October 2019, Mr. Li also worked as a General Manager of Fujian Xinbaocan Investment Co., Ltd.*（福建省鑫寶燦投資有限公司）(an investment consultancy company) where he was responsible for the provision of investment consultancy services and business management.

* For identification purposes only

## SENIOR MANAGEMENT

**Ms. Li Hongyu ("Ms. Li")**, aged 37, is a Financial Controller of our Group. She joined our Group in May 2017 and is responsible for overseeing financial management of our Group.

Ms. Li has over 10 years of experience in the accounting industry. Prior to joining our Group, she had worked as a Manager in audit and assurance department of Deloitte Touche Tohmatsu Certified Public Accountants LLP Dalian Branch (formerly known as Deloitte Touche Tohmatsu CPA Ltd. Dalian Branch) from September 2010 to April 2017.

Ms. Li was admitted as a Certified Public Accountant in the State of Iowa in the United States of America in 2016. She obtained a Bachelor's Degree in Accounting from Hebei University (河北大學) in 2007. She also obtained a Master's Degree in Accounting from Dongbei University of Finance and Economics (東北財經大學) in 2009.

**Mr. Fang Zongda ("Mr. Fang")**, aged 65, is our Research and Development Director and is responsible for overseeing our research and development and quality control functions. Mr. Fang joined our Group in 2010 and has over 17 years of experience in electric engineering. In the earlier years of his career, he had worked for various universities and institutes including his last position as the Dean of the Electric Engineering Department, at the University of Shanghai for Science and Technology in Shanghai. From 2002 to 2017 Mr. Fang was the Dean of the Electric Engineering Institute and the Dean of Shanghai Hamburg International Engineering College in Shanghai.

Mr. Fang graduated from the China Textile University, Shanghai, in July 1986 with a Bachelor's Degree in Electric Automation Engineering and the Shanghai Mechanical College, Shanghai, in December 1980 with professional qualification in electronic automation. He was also granted the title of Senior Engineer by Shanghai Expertise Qualification Review Committee* (上海市高等學校教師職務評審委員會) in July 1993.

* For identification purposes only

The Company is committed to the establishment of good corporate governance practices and procedures with a view to be a transparent and responsible organization which is open and accountable to the shareholders of the Company. The Board strives to adhere to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all shareholders of the Company to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more value for the shareholders of the Company. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return.

## ADOPTION AND COMPLIANCE OF CORPORATE GOVERNANCE PRACTICES

The Board adopted a set of corporate governance practices which aligns with or is more restrictive than the requirements set out in the Corporate Governance Code (the "CG Code"), contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange. Except for code provision C.2.1, the Board is of the view that the Company has complied with the code provisions set out in the CG Code for the year ended 31 December 2021.

Code provision C.2.1 of the CG Code states that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Under the current organisation structure of the Company, Madam Maeck is our chairperson and chief executive officer. With her extensive experience in the industry, the Directors believe that vesting the roles of both chairperson and chief executive officer in the same person provides the Company with strong and consistent leadership, allowing effective and efficient planning and implementation of business decisions and strategies, and is beneficial to the business prospects and management of the Group. Although Madam Maeck performs both the roles of chairperson and chief executive officer, the division of responsibilities between the chairperson and chief executive officer is clearly established. In general, the chairperson is responsible for supervising the functions and performance of the Board, while the chief executive officer is responsible for the management of the business of the Group. The two roles are performed by Madam Maeck distinctly. Further, the current structure does not impair the balance of power and authority between the Board and management of the Company given the appropriate delegation of the power of the Board and the effective functions of the independent non-executive Directors.

## DIRECTORS' AND RELEVANT EMPLOYEES' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct governing securities transactions by the Directors.

Specific enquiry has been made to all Directors and all Directors have confirmed that they had fully complied with the required standard set out in the Model Code for the year ended 31 December 2021.

Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with written guidelines on no less exacting terms than those in the Model Code.

No incident of non-compliance with these guidelines by the relevant employees was noted by the Company for the year ended 31 December 2021.

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS

As at 31 December 2021, the Board comprises eight Directors, consisting of three executive Directors, namely Madam Maeck Can Yue, Mr. Walter Ludwig Michel and Mr. Wu Huizhang; and five independent non-executive Directors, namely Mr. Wang Shih-fang, Mr. Yan Chi Ming, Mr. Hooi Hing Lee, Mr. Gu Qing and Mr. Li Wei.

Biographical information of the Directors and the details of the composition of the Board are set out below and in the Corporate Information, Directors and Senior Management Profile and Directors' Report respectively of this annual report.

The Board delegates day-to-day operations of the Group to the management. Both the Board and the management have clearly defined authorities and responsibilities under various internal control and check-and-balance mechanisms.

The Board monitors the development and financial performance and sets strategic directions of the Group's business.

Matters including material investment decisions, approving financial statements, declaration of dividend, are reserved to the Board. The management implements the Board's decisions, makes business proposals and reports to the Board on the overall performance of the Group. Daily operations and administration of the business are delegated to the executive Directors and the management of the Company.

The Board will make arrangements for holding at least four regular Board Meetings during each financial year.

At least 14 days' notice of a regular Board meeting is given to all Directors to provide them with an opportunity to attend and all Directors are given an opportunity to include matters in the agenda for a regular meeting. Board papers are dispatched to the Directors at least three days before the meeting to ensure that they have sufficient time to review the papers and be adequately prepared for the meeting.

The Chairperson conducts the proceedings of the Board at all Board meetings. She ensures that sufficient time is allocated for discussion and consideration of each item on the agenda and that equal opportunities are given to the Directors to speak and express their views and share their concerns. All Directors have access to the company secretary of the Company (the "Company Secretary"), who is responsible for ensuring that the Board procedures are complied with and for advising the Board on compliance matters.

For the year ended 31 December 2021, 4 Board meetings were held. The respective attendances of the Directors at the above Board meetings are set out in the table below:

| **Name of Directors** | **Attendance Board Meetings** |
|---|---|
| **Executive Directors** | |
| Madam Maeck Can Yue | 4/4 |
| Mr. Walter Ludwig Michel | 4/4 |
| Mr. Wu Huizhang | 4/4 |
| **Independent Non-executive Directors** | |
| Mr. Wang Shih-fang | 4/4 |
| Mr. Yan Chi Ming | 4/4 |
| Mr. Hooi Hing Lee | 4/4 |
| Mr. Gu Qing | 4/4 |
| Mr. Li Wei | 4/4 |

For the year ended 31 December 2021, 1 annual general meeting was held. The respective attendances of the Directors at the above Board meetings are set out in the table below:

| **Name of Directors** | **Attendance Annual General Meeting** |
|---|---|
| **Executive Directors** | |
| Madam Maeck Can Yue | 1/1 |
| Mr. Walter Ludwig Michel | 1/1 |
| Mr. Wu Huizhang | 1/1 |
| **Independent Non-executive Directors** | |
| Mr. Wang Shih-fang | 1/1 |
| Mr. Yan Chi Ming | 1/1 |
| Mr. Hooi Hing Lee | 1/1 |
| Mr. Gu Qing | 1/1 |
| Mr. Li Wei | 1/1 |

The Company has received confirmations of independence from all independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. All of them meet the independence criteria set out in Rule 3.13 of the Listing Rules. Thus, the Board considers that they are independent.

The Company has also received confirmations from all Directors that they have given sufficient time and attention to the affairs of the Company for the Reporting Period. Directors have disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organizations and other significant commitments, with the identity of the public companies or organizations and an indication of the time involved.

Except for the family relationship between Madam Maeck Can Yue and Mr. Walter Ludwig Michel as disclosed in Directors and Senior Management Profile on pages 14 to 18 of this report, there is no financial, business, family or other material or relevant relationship between Board members.

## DIRECTORS' TRAINING

For the year ended 31 December 2021, the Directors participated in the following continuous professional development:

| Name of Directors | Training organized by professional organization | Reading materials updating on new rules and regulations |
|---|---|---|
| **Executive Directors** | | |
| Madam Maeck Can Yue | ✓ | ✓ |
| Mr. Walter Ludwig Michel | ✓ | ✓ |
| Mr. Wu Huizhang | ✓ | ✓ |
| **Independent Non-executive Directors** | | |
| Mr. Wang Shih-fang | ✓ | ✓ |
| Mr. Yan Chi Ming | ✓ | ✓ |
| Mr. Hooi Hing Lee | ✓ | ✓ |
| Mr. Gu Qing | ✓ | ✓ |
| Mr. Li Wei | ✓ | ✓ |

Note: The Company received from each of the Directors the confirmations on taking continuous professional training.

## NON-EXECUTIVE DIRECTORS

Three of the independent non-executive Directors, namely Mr. Wang Shih-fang, Mr. Yan Chi Ming and Mr. Hooi Hing Lee, have entered into a service agreement with the Company pursuant to which each of them is appointed for service with the Company for a term of one year commencing on 24 June 2021. One of the independent non-executive Directors, namely Mr. Gu Qing has entered into a service agreement with the Company pursuant to which he is appointed for service with the Company for a term of one year commencing on 21 May 2021. One of the independent non-executive Directors, namely Mr. Li Wei has entered into a service agreement with the Company pursuant to which he is appointed for service with the Company for a term of one year commencing on 25 January 2022. Their terms of appointment shall be subject to the rotational retirement provision of the articles of association of the Company.

## BOARD COMMITTEES

To assist the Board in the execution of its duties and to facilitate effective management, certain functions of the Board have been delegated by the Board to various Board committees, which review and make recommendations to the Board on specific areas. The Board has established a total of three Board committees, and details of which are set out below.

Each committee consists of Directors and has its terms of reference. The terms of reference of the Board committees setting out their roles and the authority delegated to them by the Board have been posted on the designated website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.mijiholdings.com.

## AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management over the financial reporting system and internal control systems of the Group. The Audit Committee comprises Mr. Hooi Hing Lee (Chairperson), Mr. Wang Shih-fang, Mr. Yan Chi Ming, Mr. Gu Qing, and Mr. Li Wei all of whom are independent non-executive Directors. The Audit Committee has reviewed and discussed the annual report of the Group for the year ended 31 December 2021.

For the year ended 31 December 2021, the Audit Committee had held two physical meetings. The respective attendances of the members of audit committee are presented as follows:

| Members | Attendance |
|---|---|
| Mr. Hooi Hing Lee *(Chairperson)* | 2/2 |
| Mr. Wang Shih-fang | 2/2 |
| Mr. Yan Chi Ming | 2/2 |
| Mr. Gu Qing | 2/2 |
| Mr. Li Wei | 2/2 |

For the year ended 31 December 2021, the Audit Committee had performed the following duties:

– reviewed and commented on the interim results and report of the Group for the six months ended 30 June 2021;

– reviewed and commented on the annual results and report of the Group for the year ended 31 December 2021;

– reviewed the financial matters of the Group, the effectiveness of the Group's risk management and internal control systems;

– reviewed the independent internal control reviewer's findings and recommendations;

– reviewed and recommended the reappointment of the external auditor; and

– reviewed the arrangement for employees of the Group to raise concerns about possible impropriety in financial reporting, internal control and other matters.

## NOMINATION COMMITTEE

The Company established a nomination committee (the "Nomination Committee") with written terms of reference in compliance with the CG Code. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors.

A member of the Nomination Committee shall abstain from voting and shall not be counted in the quorum of a meeting in respect of the resolution where he or any of his associates has any material interest, including the recommendation on nomination for appointment of such person as a Director. The Nomination Committee comprises the executive Director, Madam Maeck Can Yue (Chairperson) and the independent non-executive Directors, Mr. Wang Shih-fang, Mr. Hooi Hing Lee and Mr. Gu Qing.

The Nomination Committee will make arrangements for holding at least one meeting during each financial year. For the year ended 31 December 2021, the Nomination Committee has held one meeting. The respective attendances of the members of nomination committee are presented as follows:

| Members | Attendance |
|---|---|
| Madam Maeck Can Yue *(Chairperson)* | 1/1 |
| Mr. Wang Shih-fang | 1/1 |
| Mr. Hooi Hing Lee | 1/1 |
| Mr. Gu Qing | 1/1 |

For the year ended 31 December 2021, the Nomination Committee had performed the following duties:

– reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board and the board diversity policy, and made recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

– assessed the independence of independent non-executive Directors; and

– reviewed and made recommendation to the Board on re-election of retiring Directors.

## NOMINATION POLICY

The Board has adopted the nomination policy (the "Nomination Policy") on 24 August 2018 which sets out the nomination criteria and procedures for the Company to select candidate(s) for possible inclusion in the Board. The Nomination Policy could assist the Company to achieve board diversity in the Company and enhance the effectiveness of the Board and its corporate governance standard.

When assessing the suitability of a candidate, factors such as the qualifications, skills, integrity and experience will be taken into consideration as a whole. In the case of independent non-executive Directors, they must further satisfy the independence criteria set out within Rule 3.13 of the Listing Rules. Since the selection of candidates should ensure that diversity remains a central feature of the Board, a range of diverse perspectives, including but not limited to gender, age, cultural and educational background, or professional experience would be considered.

The process to identify potential candidates for the Board would be as follows:

(1) identifying potential candidates, including recommendations from the Board members, professional search firms and the shareholders of the Company;

(2) evaluating the candidates based on the approved selection criteria through methods such as reviewing the resume and conducting the background checks;

(3) reviewing the profiles of the shortlisted candidates and interview them; and

(4) making recommendations to the Board on the selected candidates.

The Nomination Policy also includes the Board succession plan to assess whether vacancies on the Board would be created or expected due to the Directors' resignation, retirement, death and other circumstances and to identify candidates in advance if necessary. The Nomination Policy will be reviewed on a regular basis.

## BOARD DIVERSITY POLICY

The Board adopted a board diversity policy (the "Board Diversity Policy") on 24 June 2018.

Below is the summary of the Board Diversity Policy:

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. All Board appointments will be based on meritocracy, and candidates will be considered against selection criteria.

Selection of candidates will be based on a range of diversity perspectives, which would include but not be limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure the effectiveness of the Board Diversity Policy.

## REMUNERATION COMMITTEE

The Company established a remuneration committee (the "Remuneration Committee") with written terms of reference in compliance with the CG Code.

The Remuneration Committee makes recommendations on the remuneration package of Directors and senior management of the Group.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the remuneration policies and structure of the remuneration for the Directors and senior management and to set up a formal and transparent procedure for determination of such remuneration policies. A member of the Remuneration Committee shall abstain from voting in respect of the resolution regarding the remuneration payable to him. The Remuneration Committee comprises Mr. Yan Chi Ming (Chairperson), Mr. Wang Shih-fang, Mr. Hooi Hing Lee and Mr. Gu Qing, all of whom are independent non-executive Directors.

The Remuneration Committee will make arrangements for holding at least one meeting during each financial year. For the year ended 31 December 2021, the Remuneration Committee has held one meeting. The respective attendances of the members of remuneration committee are presented as follows:

| **Members** | **Attendance** |
|---|---|
| Mr. Yan Chi Ming *(Chairperson)* | 1/1 |
| Mr. Wang Shih-fang | 1/1 |
| Mr. Hooi Hing Lee | 1/1 |
| Mr. Gu Qing | 1/1 |

For the year ended 31 December 2021, the Remuneration Committee had performed the following duties:

- reviewed and made recommendation on policy and structure for Directors' and senior management's remuneration;
- reviewed and approved the management's remuneration proposals with reference to the corporate goals and objectives of the Board; and
- reviewed and determined on the remuneration packages of individual executive Directors and senior management.

For the year ended 31 December 2021, the annual salary of the senior management (exclude Directors) of the Company falls within the following bands.

| Remuneration bands | Number of senior management |
|---|---|
| Nil to RMB250,000 | – |
| RMB250,001 to RMB500,000 | 2 |

## CORPORATE GOVERNANCE FUNCTION

The Board is entrusted with the overall responsibility of developing and maintaining sound and effective corporate governance within the Group and is committed to ensuring that an effective governance structure is put in place to continuously review and improve the corporate governance practices within the Group in light of the evolving operating environment and regularity requirements.

The Board has undertaken the day-to-day responsibility for all corporate governance function of the Group. All members of the Board are responsible for performing the corporate governance duties set out in the written terms of reference adopted by the Board on 24 June 2018 and are as follows:

1. to develop and review the Company's policies and practices on corporate governance and make recommendation to the Board;

2. to review and monitor the training and continuous professional development of Directors and senior management;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and

5. to review the Company's compliance with the CG code and disclosure in the Corporate Governance Report.

## AUDITOR'S REMUNERATION

The remunerations in respect of services fees for audit services provided by the Company's auditor, PricewaterhouseCoopers, for the year ended 31 December 2021 are as follows and also included in Note 8 to the consolidated financial statements.

| | RMB'000 |
|---|---|
| Audit services | 1,281 |
| Non-audit services | – |

## ACKNOWLEDGEMENT OF RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities for preparing the consolidated financial statements of the Group. In preparing the consolidated financial statements for the Reporting Period, the Directors have:

– based on a going concern basis;

– selected suitable accounting policies and applied them consistently; and

– made judgements and estimates that were prudent, fair and reasonable.

The report of the auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report from pages 64 to 69 of this report.

## COMPANY SECRETARY

The Company has engaged in a service contract with an external service provider, Ms. Ho Wing Yan ("Ms. Ho"), who was appointed as the Company Secretary. Ms. Li Hongyu, the financial controller of the Company is the primary corporate contact person of the Company with Ms. Ho.

Being the Company Secretary, Ms. Ho plays an important role in supporting the Board by ensuring good information flow within the Board and that the Board policies and procedures are followed. Ms. Ho is responsible for advising the Board on corporate governance matters and should also facilitate induction and professional development of Directors. During the Reporting Period, the Company Secretary has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

## COMMUNICATION WITH SHAREHOLDERS

The Board recognizes the importance of maintaining effective communication with the shareholders of the Company. The Company establishes various communication tools to ensure the shareholders of the Company are kept well informed of timely information of the Company. These include the annual general meeting, extraordinary general meetings, the annual and interim reports, announcements, circulars and notices. Such documents are accessible on the Company's website at www.mijiholdings.com.

## SHAREHOLDERS' RIGHTS

### (a) Procedures for convening of an extraordinary general meeting and putting forward proposals at shareholders' meeting

Shareholders are encouraged to attend all general meetings of the Company. Pursuant to the articles of association of the Company, one or more shareholders who hold in aggregate not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Pursuant to the articles of association of the Company, an annual general meeting of the Company and an extraordinary general meeting of the Company called for the passing of a special resolution shall be called by not less than 21 days' notice in writing and any other extraordinary general meeting of the Company shall be called by not less than 14 days' notice in writing. Pursuant to the CG Code, written notice of an annual general meeting of the Company and written notice of an extraordinary general meeting of the Company shall be sent by the Company to all Shareholders at least 20 clear business days and 10 clear business days respectively before the meeting. Business day under the Listing Rules means any day on which the Stock Exchange is open for business of dealing in securities.

### (b) Procedures for members to propose a person for election as a director of the Company

The procedures for the shareholders of the Company to propose a person for election as a director of the Company are available and accessible on the Company's website at www.mijiholdings.com.

### (c) Procedures for directing enquires to the Company

To direct enquiries to the Board, the shareholders of the Company should submit his/her/its enquires in writing with contact details (including, your registered name, address and telephone number, etc.) to the Company Secretary at the following:

By post to the principal place of business in Hong Kong at Suite 2703, 27/F., Shui On Centre, No. 6–8 Harbour Road, Wan Chai, Hong Kong.
Fax: (852) 2802 0331

### (d) Matters relating to share registration

For share registration related matters, such as share transfer and registration, change of name and address of shareholders of the Company, loss of share certificates or dividend warrants, the shareholders of the Company can contact the Hong Kong branch share registrar and transfer office at the following:

Tricor Investor Services Limited
Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
Tel: (852) 2980 1333
Fax: (852) 2810 8185

## DIVIDEND POLICY

The Board has adopted the dividend policy (the "Dividend Policy") on 24 August 2018 which sets out the appropriate procedure on declaring and recommending the dividend payment of the Company. The Company takes priority to distributing dividends in cash and shares its profits with the shareholders of the Company. The dividend distribution decision of the Company will depend on, among others, the financial results, the current and future operations, liquidity and capital requirements, financial condition and other factors as the Board may deem relevant. The Board may also declare special dividends from time to time. The Dividend Policy will be reviewed on a regular basis.

## CONSTITUTIONAL DOCUMENTS

The Company has published its amended and restated memorandum and articles of association on the designated website of the Stock Exchange and the Company's website. During the Reporting Period, there was no alteration on the constitutional documents of the Company.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board emphasizes on the importance of risk management and internal controls on the Group's business operations and development and acknowledges its overall responsibility for the risk management and internal control systems and the review of their effectiveness.

The Board evaluates and determines the nature and extent of risks it is willing to accept, while achieving the Group's strategic business objectives. The Board also ensures implementation and maintenance of effective risk management and internal control systems; and oversees management in the design, implementation and monitoring of the risk management and internal control systems.

The Board has delegated the responsibility to physically implement and maintain the risk management and internal control systems to the management of the Company. The management, under the supervision of the Board, has implemented and maintained appropriate and effective risk management and internal control system, which aims to manage and reduce (i) risks associated with the Group's daily operations; (ii) risks of failing to achieve business objectives; (iii) risks of asset misappropriation; and (iv) risks of making potential material misstatements or losses. However, the risk management and internal control system can only provide reasonable and not absolute assurance against material misstatements or losses.

The Group does not have an internal audit function. Taking into account the size, nature and complexity of the Group's business, the Board have sufficient capacity to oversee the design and implementation of the risk management and internal control system and to assess its effectiveness, and accordingly there is no immediate need to set up an internal audit function within the Group.

The process to identify, evaluate and manage risks are carried out on a regular and on-going basis. These processes are summarised as follows:

### Risk identification

- Identify risks that may potentially affect the Group's business and operations.

### Risk assessment

- Assess the impact and consequence of the identified risks on the business and the likelihood of their occurrence.

### Response to findings of risk assessment

- Prioritise the risks by comparing the results of the risk assessment; and
- Determine the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

### Risk monitoring and reporting

- Perform ongoing and regular monitoring of the risk and ensure that appropriate internal control processes are in place;
- Enhance the risk management strategies and internal control processes in case of any significant change of situation; and
- Report the results and effectiveness of risk management and internal control to the Board regularly.

In relation to the handling and dissemination of inside information, the Group has implemented in information disclosure policy to ensure potential inside information being captured and confidentiality of such information being maintained until consistent and timely disclosure are made in accordance with the Listing Rules. The policy is summarised as follows:

- Designated reporting channels from different operations informing any potential inside information to designated departments;
- Designated persons and departments to determine further escalation and disclosure as required; and
- Designated persons authorised to act as spokespersons and respond to external enquiries.

During the Reporting Period, the Group engaged an independent consulting firm to review the effectiveness of its risk management and internal control system. The scope of review was determined by the Board. The independent consulting firm submitted a report of findings and areas for improvement to the management. The management presented these findings and areas for improvements to the Board and Audit Committee. Having considered (i) the existence of the risk management and internal control system; (ii) the findings of the independent consulting firm; and (iii) the management will take into account the areas for improvement suggested by the independent consulting firm and further enhance the risk management and internal control system, the Board and Audit Committee were of the view that the Group had no material internal control deficiencies and its risk management and internal control systems were effective and adequate.

## ABOUT THE REPORT

Miji International Holdings Limited and its subsidiaries (collectively the "Group") presents the Environmental, Social and Governance ("ESG") report. This ESG report is intended to share information on the Group's business activities, ESG governance, strategies and performances with the stakeholders of the Group.

## ABOUT THE GROUP

The Group is engaged in the manufacturing and trading of kitchen appliances and over 90% of its revenue derived from the PRC market.

## REPORTING PERIOD

This ESG report highlights the Group's ESG performance from 1 January 2021 to 31 December 2021.

## REPORTING STANDARD

This ESG report was prepared with reference to the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as described in Appendix 27 of the Listing Rules and Guidance set out by the Stock Exchange.

## REPORTING PRINCIPLES

The reporting principles of this ESG report emphasise the following areas:

- Materiality: The threshold at which environmental, social and governance issues become sufficiently important to investors and other stakeholders is the core content of this ESG report.
- Measurability: The key performance indicators used to assess the effectiveness of ESG policies.
- Consistency: Information in this ESG report is consistently presented. If there are any changes in methods or key performance indicators used or other factors affecting a meaningful comparison, these changes will be disclosed in this ESG report.
- Balance: The information is presented without the inappropriate use of selections, omissions or other forms of manipulation that would influence a decision or judgment by the reader.

## REPORTING SCOPE

The Group applied the principle of materiality to determine the scope of this ESG report. The scope of this ESG report covers the Group's business and all entities in the PRC. The Group's operations outside the PRC were not included in the scope as they do not have significant environmental and social impacts.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ESG GOVERNANCE

The Group strictly follows its established ESG policies, commitments, strategies and objectives in order to ensure a sustainable business development. The structure of ESG governance mainly comprised of two components, namely the board of directors (the "Board") and the management team.

The Board holds the overall responsibility for the Group's ESG strategy and reporting by overseeing the overall governance and progress of the Group's ESG management system, policies, commitments, strategies and objectives.

Management of the Group is responsible for the collection and analysis of ESG data, implementation of appropriate strategies to improve the Group's ESG performance, assessment of whether current ESG policies and improvement measures are effective, compliance with relevant ESG laws and regulations and the reporting of major issues to the Board. To assess the effectiveness of the Group's ESG policies, management sets key performance indicators and compares the indicators of current year with those of prior year. Based on the results of this comparison, ESG reports and the feedback from stakeholders, the Board reviews the progress made by the Group against its ESG-related goals and targets. The relevance of ESG-related goals and targets to the Group's business operations are determined by regular communications with stakeholders.

The data and information in this ESG report are sourced from the relevant documents, reports, statistical data, management and operation information collected by the Group. The Board has reviewed the contents of this ESG report.

## ESG STRATEGIES

Key ESG strategies adopted by the Group are set out below:

- Identify material and relevant ESG issues through regular communications with stakeholders

- Perform materiality assessment on the identified ESG issues by considering their potential impact on the environment, society as well as the business operations, financial performance and stakeholders of the Group

- Prioritise the identified ESG issues and design effective strategies to mitigate these issues

- Review the effectiveness of ESG strategies on an annual basis

## STAKEHOLDER ENGAGEMENT

The Group values the contributions from its stakeholders as they can bring potential impacts to the Group's business. The Group maintains regular communications with its stakeholders to collect their views on the ESG aspects that they regard as relevant and important. Its key stakeholders include governments and regulatory bodies, shareholders, employees, customers, suppliers and the public society. The Group maintains an open and transparent dialogue with its stakeholders through various channels including meetings, trade exhibitions, surveys, seminars and workshops.

The following table summarises the main expectations and concerns of the key stakeholders identified by the Group, and the corresponding management responses.

| Stakeholders | Expectations | Management responses/ Communication channels |
|---|---|---|
| Governments and regulatory bodies | • Compliance with laws and regulations<br>• Tax payment in accordance with laws | • Compliance operation<br>• Tax payment in full and on time |
| Shareholders | • Financial results<br>• Corporate transparency<br>• Sound risk control | • To improve profitability<br>• Regular information disclosure<br>• To optimise risk management and internal control |
| Employees | • Career development platform<br>• Salary and benefits<br>• Safe working environment | • Promotion mechanism<br>• Competitive salary and employee benefits<br>• To provide trainings for employees and strengthen their safety awareness |
| Customers | • Logistics and delivery service standards<br>• Customer information security<br>• Customer rights and interests protection | • To get delivery status through product tracking system<br>• Customer privacy protection<br>• Compliance marketing |
| Suppliers | • Integrity cooperation<br>• Business ethics and credibility | • To build a responsible supply chain<br>• To perform the contract according to law |
| Society and the public | • Environmental protection<br>• Employment opportunities | • To reduce environmental pollutions<br>• To provide equal employment opportunities |

## MATERIALITY ASSESSMENT

With reference to the scopes as required under the ESG Reporting Guide and taking into consideration of the Group's business operations, the Group identified the following environmental, social and operating issues that are material and relevant to the Group's business operations during the year ended 31 December 2021. If the Group does not implement effective strategies to monitor and solve these issues, these issues may affect the Group's financial condition or operating performance. Further, the Group made a materiality assessment on these environmental, social and operating issues by conducting interviews with its stakeholders.

| **Environmental issues** | **Social issues** | **Operating issues** |
|---|---|---|
| 1. Greenhouse gas emissions | 8. Local community engagement | 15. Economic value generated |
| 2. Energy consumption | 9. Community investment | 16. Corporate governance |
| 3. Water consumption | 10. Occupational health and safety | 17. Anti-corruption |
| 4. Waste | 11. Labour standards in supply chain | 18. Supply chain management |
| 5. Saving energy measures | 12. Training and development | 19. Customer satisfaction |
| 6. Use of raw materials and packaging materials | 13. Employee welfare | 20. Customer privacy |
| 7. Compliance with laws and regulations relating to environmental protection | 14. Inclusion and equal opportunities | |

The Group prioritised the above-mentioned environmental, social and operating issues in terms of their importance to the Group's stakeholders and business operations.

| **Importance to the Group's stakeholders and business operations** | **ESG risks** |
|---|---|
| High | 1, 2, 5, 6, 7, 10, 14, 15, 16, 17, 18, 19, 20 |
| Medium | 3, 4, 11, 12, 13 |
| Low | 8, 9 |

Based on the results of the Group's materiality assessment, the Group would formulate and implement appropriate strategies to monitor and solve the identified issues and to achieve sustainable business development.

## CONTACT US

The Group welcomes stakeholders to provide their opinions and suggestions. You can provide valuable advice in respect of this Report or the Group's performances in sustainable development to West Building No. 2, 3585 Sanlu Road, Pujiang Industrial Zone, Caohejing Hi-tech Park, Shanghai, China.

## A. ENVIRONMENT

The Group acknowledges its responsibility to protect the environment and it has implemented policies to reduce emissions and improve the efficiency in the use of resources.

The Group's operations are subject to certain environmental requirements pursuant to the laws in the PRC such as the Environmental Protection Law of the PRC, the Prevention and Control of Solid Waste Pollution Law of the PRC, the Law on Prevention and Control of Water Pollution of the PRC and the Law on Prevention and Control of Atmospheric Pollution.

During the year ended 31 December 2021, the Group did not record any material non-compliance with applicable environmental requirements that resulted in prosecution, penalty, administrative fine or sanction being imposed against the Group.

### A.1 Emissions

In order to comply with the applicable environmental protection laws, the Group has implemented environmental protection policies, reducing air and water pollution and electricity consumption. During the year ended 31 December 2021, sources of the Group's emissions mainly included consumption of petrol, electricity, paper and water and business trips.

#### *(i) Air pollutant emissions*

During the year ended 31 December 2021, air pollutant emissions were mainly related to petrol consumption for the use of the Group's self-owned vehicles, which contributed to the emission of 492.90 kg (2020: 82.53 kg) of nitrogen oxides (NOx), 0.61 kg (2020: 0.10 kg) of sulphur oxides (SOx) and 47.23 kg (2020: 7.91 kg) of respiratory suspended particles (PM). As compared with the year ended 31 December 2021, the Group had a relatively lower level of air pollutant emissions for the year ended 31 December 2020 as the Group's business activities were interrupted during the outbreak of novel coronavirus, and hence the Group had a lower petrol consumption for the use of motor vehicles.

#### *(ii) Greenhouse gas emissions*

| | **For the year ended 31 December 2021** | | For the year ended 31 December 2020 | |
|---|---|---|---|---|
| **Scope of greenhouse gas emissions** | **Emission (in $tCO_2e$)** | **Percentage to total emission** | Emission (in $tCO_2e$) | Percentage to total emission |
| **Scope 1 Direct emission** | | | | |
| Combustion of petrol for mobile vehicles | **97.3** | **35.5%** | 16.3 | 9.1% |
| **Scope 2 Indirect emission** | | | | |
| Purchased electricity | **149.7** | **54.7%** | 141.1 | 78.7% |
| **Scope 3 Other indirect emission** | | | | |
| Paper waste disposal | **0.1** | **9.8%** | 0.1 | 12.2% |
| Water consumption | **1.3** | | 1.2 | |
| Business air travel | **25.5** | | 20.5 | |
| Total | **273.9** | **100.0%** | 179.2 | 100.0% |

Notes:

1) Emission factors were made by reference to Appendix 27 of the Main Board Listing Rules and their referred documentation as set out by the Stock Exchange, unless stated otherwise.

2) Combined margin emission factor of 0.7921 $tCO_2$/MWh was used for purchased electricity in Eastern China for the year ended 31 December 2021.

3) The above emission data does not include the removal of $CO_2$ contributed by recycling of paper.

During the year ended 31 December 2021, the Group's activities contributed to 273.9 tonnes (2020: 179.2 tonnes) of carbon dioxide equivalent (carbon dioxide, methane, nitrous oxide and hydrofluorocarbons) emission and the relevant intensity is 0.03 $tCO_2/m^2$ (2020: 0.01 $tCO_2/m^2$). Details of the Group's measures to reduce the consumption of resources and the related emissions are set out below. As a result of these measures, the employees' awareness of reducing the consumption of resources and the related emissions has been increased. Same as the previous two years, the Group did not receive any complaints or warnings on greenhouse gas emissions during the year ended 31 December 2021, and targets to reduce greenhouse gas emissions in 2022.

*Petrol consumption*

During the year ended 31 December 2021, the Group's motor vehicles travelled approximately 556,951 km (2020: 93,252 km), which consumed a total of 41,214 litres of petrol or 166.2 litres of petrol per employee (2020: a total of 6,901 litres of petrol or 30.4 litres of petrol per employee) and contributed to 97.3 tonnes (2020: 16.3 tonnes) of carbon dioxide equivalent emissions. To reduce the emissions arising from petrol consumption, the Group encourages its employees to use public transport when they attend business activities. For business activities that take place within walking distance, the Group encourages its employees to walk or cycle to the destination. The Group targets that its petrol consumption in 2022 will not exceed the level consumed during the year ended 31 December 2021.

*Electricity consumption*

During the year ended 31 December 2021, the Group consumed a total of 188,996 kWh of electricity or 762.1 kWh of electricity per employee (2020: a total of 173,890 kWh of electricity or 766.0 kWh of electricity per employee) in connection with its daily business operations, which contributed to 149.7 tonnes (2020: 141.1 tonnes) of carbon dioxide equivalent emissions. To reduce the emissions arising from electricity consumption, the Group encourages its employees to switch off the lights and other electricity appliances when they leave the office and production premises. The Group targets that its electricity consumption in 2022 will not exceed the level consumed during the year ended 31 December 2021.

*Paper consumption*

During the year ended 31 December 2021, the Group consumed a total of 0.1 tonnes of paper or 0.0004 tonnes of paper per employee (2020: a total of 0.1 tonnes of paper or 0.0004 tonnes of paper per employee) in connection with its daily business operations, which contributed to 0.1 tonnes (2020: 0.1 tonnes) of carbon dioxide equivalent emissions. To reduce the emissions arising from paper usage, the Group encourages its employees to conserve paper, review documents on computers, send messages to customers via emails, use recycled paper and adopt double-sided printing. The Group targets that its paper consumption in 2022 will not exceed the level consumed during the year ended 31 December 2021.

*Water consumption*

During the year ended 31 December 2021, the Group consumed a total of 1.5 tonnes of water or 0.006 tonnes of water per employee (2020: a total of 1.2 tonnes of water or 0.005 tonnes of water per employee) in connection with its daily business operations, which contributed to 1.3 tonnes (2020: 1.2 tonnes) of carbon dioxide equivalent emissions. To reduce the emissions arising from water usage, the Group encourages its employees to conserve water and reminds them to turn off the water tap after use. As a result, the employees have increased their awareness to reduce water consumption. During the year ended 31 December 2021, the Group did not encounter any problems in sourcing water that is fit for purpose. Further, the Group did not consume a significant amount of water that was and disproportional to the scale of its business operations. The Group targets that its water consumption in 2022 will not exceed the level consumed during the year ended 31 December 2021.

*Business air travel*

The Group's business nature requires employees to travel by air to other countries for meetings with customers and suppliers. They would only travel by air when necessary and the Group keeps track of their business air travels. During the year ended 31 December 2021, business air travels of the Group's employees had contributed a total of 25.5 tonnes (2020: 20.5 tonnes) of carbon dioxide equivalent emission and the increase was primarily attributed to the participation in more marketing events. The frequency of business air travels is directly correlated to the Group's business activities. With the use of online meeting apps, the Group targets to reduce the frequency of business air travels in 2022.

### *(iii) Hazardous waste*

During the year ended 31 December 2021, the Group generated minimal amount of hazardous waste. The major hazardous waste generated by the Group was waste light tube. To minimise the impact on environment, the Group has engaged a qualified waste collector to handle and collect the hazardous waste produced. The Group will strive to reduce generation of hazardous waste through upgrading technologies whenever possible. Same as the previous two years, the Group did not receive any complaints or warnings on disposal of its hazardous waste during the year ended 31 December 2021, and targets to achieve the same performance in 2022.

### *(iv) Non-hazardous waste*

During the year ended 31 December 2021, the Group generated a total of 20 tonnes (2020: 20 tonnes) of non-hazardous waste and the relevant intensity was 0.081 tonnes (2020: 0.088 tonnes) per employee. The major non-hazardous waste generated by the Group were packaging materials generated from the production process and domestic waste generated in staff quarters and offices. Most of the non-hazardous waste are recycled or sold to recycling company. The Group regularly reminds its employees to use resources efficiently and try to avoid the generation of waste. As a result, the employees' awareness of waste management has been increased. Same as the previous two years, the Group did not receive any complaints or warnings on disposal of its non-hazardous waste during the year ended 31 December 2021, and targets to achieve the same performance in 2022.

### A.2 Use of resources

Reducing consumption of resources and enhancing utilisation efficiency are the Group's principles in minimising adverse impact on the environment and natural resources that may be caused by its business operations. The Group has adopted a set of guidelines to achieve efficient use of energy, water and other resources for long-term sustainability.

The Group's total consumption of electricity, water and packaging materials during the year ended 31 December 2021 together with the relevant conservation measures adopted by the Group are detailed in the section headed "A.1 Emissions" above.

### A.3 The environment and natural resources

During the year ended 31 December 2021, the Group's business activities did not cause significant adverse impact on the environment and natural resources. To further improve the use of resources, the Group takes the following actions on an ongoing basis:

- keep track of its consumption level of resources;
- review the effectiveness of its conservation measures; and
- design improvement measures

As a result, the Group's employees are more aware of the importance of using resources efficiently.

### A.4 Climate change

The Group manages the climate change risk with reference to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which are structured around four core elements: Governance, Strategy, Risk Management and Metrics and Targets. The Board overseas the governance and reporting of the Group's climate change risk. Management of the Group regularly monitors and identifies climate change risk that is relevant to the Group's business operations. Strategies will be implemented on a timely manner to mitigate such risk.

During the year ended 31 December 2021, the Group identified the following climate-related risks that may have material impacts on the Group's business operations:

#### *Physical risks*

The increased frequency and severity of extreme weather such as typhoons, storms and heavy rains can disrupt the Group's operations by damaging the power grid, and communication infrastructures, and injuring its employees during their work, leading to reduced capacity and decreased in productivity, or expose the Group to risks associated with non-performance and delayed performance. To minimise the potential risks and hazards, the Group has flexible working arrangements and precautionary measures during bad or extreme weather conditions.

***Transition risks***

The Group anticipates that there will be more stringent climate legislations and regulations to support the global vision of carbon neutrality. We acknowledge the requirements to enhance the climate-related information disclosures as a result of the recent update of the ESG Reporting Guide in respect to significant climate-related impact disclosures of an issuer. Stricter environmental laws and regulations may expose enterprises to higher risks of claims and lawsuits. Corporate reputation may also be adversely affected by the failure to meet the compliance requirements for climate change. The Group's related capital investment and compliance costs may increase. In response to the policy and legal risks as well as the reputation risks, the Group regularly monitors existing and emerging trends, policies and regulations relevant to climate and be prepared to alert the Board where necessary to avoid cost increments, penalties for non-compliance and/or reputational risks due to delayed response.

## B. SOCIAL

### B.1 Employment and labour practices

#### *(i) Employment*

*Total employees*

The Group had a total number of 248 full-time employees as at 31 December 2021, of which 239 were located in China, one was located in Hong Kong and eight were located in Germany. During the year ended 31 December 2021, the Group adjusted the number of employees that was suitable for its business needs.

Set forth below is the Group's employee turnover rate by gender, age group and geographical region:

| **Category** | **For the year ended 31 December 2021** | For the year ended 31 December 2020 |
|---|---|---|
| **By gender** | | |
| Male | **1.3%** | 21.9% |
| Female | **4.3%** | 50.0% |
| **By age group** | | |
| 30 or below | **–** | 22.5% |
| 31-40 | **6.1%** | 4.2% |
| 41-50 | **–** | 3.1% |
| 51 or above | **9.2%** | – |
| **By geographical region** | | |
| China | **3.5%** | 10.0% |
| Hong Kong | **–** | – |
| Germany | **–** | – |

Set forth below are the distribution of the Group's employees as at 31 December 2021 by gender and age group:

| Category | Number of employees | Percentage |
|---|---|---|
| **By gender** | | |
| Male | 85 | 34.3% |
| Female | 163 | 65.7% |
| **By age group** | | |
| 30 or below | 38 | 15.3% |
| 31-40 | 85 | 34.3% |
| 41-50 | 94 | 37.9% |
| 51 or above | 31 | 12.5% |

*Employee benefits and welfare*

The Group enters into employment contracts with its employees and the employment contract terms were stipulated under the principles of fairness, voluntarism, mutual consent, integrity and credibility. The remuneration package offered to employees includes salary, bonuses and other subsidies. In general, the remuneration package is based on each employee's qualifications, position, seniority and work performance. The Group carries out an annual review system to assess the performance of its employees, which forms the basis of decisions with respect to salary raises, bonuses and promotions.

During the year ended 31 December 2021, the Group maintains social insurance for its employees pursuant to the applicable PRC laws and regulations by making contributions to the mandatory social insurance and housing provident funds which provide basic retirement, medical, work-related injury, maternity and unemployment benefits.

During the year ended 31 December 2021, the Group complies with the Labour Law of the PRC and did not experience any significant disputes with its employees or any disruption to business operations due to labour disputes. In addition, the Group did not experience any difficulties in the recruitment and retention of experienced core staff or skilled personnel.

*Labour standards*

During the year ended 31 December 2021, there was no child labour nor forced labour working in the Group. The job application requirement specifies that job applicants must be at least 18 years old. To ensure that job applicants can meet the age requirement, identities of job applicants are verified against their valid identity documents, relevant permits and certificates.

The human resources department is required to carry out background checks to authenticate information provided by job applicants and is required to fill in forms that confirm hired employees have met the age requirement. If child labour or forced labour is discovered, such matter will be reported to the human resources department and senior management. The Group will enhance the relevant internal controls to eliminate such matter. No material non-compliance in relation to laws and regulations regarding prevention of child and forced labour was recorded during the year ended 31 December 2021.

*Equal opportunity*

The Group provides equal opportunities for employees in respect of recruitment, job advancement, training and development, etc. Employees are not discriminated against or deprived of such opportunities on the basis of race, nationality, religion, physical condition, disability, gender, pregnancy, sexual orientation, political status, age and any other discrimination prohibited by applicable law. Employees shall not act in discriminatory manner or they can be subject to disciplinary actions.

### *(ii) Employee relations*

The Directors consider that it is important to maintain good relationship with employees. The Group maintains regular communications with its employees by arranging gatherings, celebration activities and trainings. Through these activities, the Group would collect feedback from its employees on job satisfactions and their expectations on the Group and would implement appropriate strategies to improve the work environment and its relationship with the employees.

### *(iii) Employee health and safety*

The Group places emphasis on occupational health and work safety. It provides a safe working environment and training sessions for its employees to ensure that they can work safely. It has also implemented a system of recording and handling accidents. Further, the Group also has dedicated personnel responsible for administering the internal worker safety policies, providing relevant training and education, and conducting regular inspections. During the year ended 31 December 2021, the Group had not experienced any material safety accidents or been penalised for any non-compliance relating to work safety laws and regulations.

| Occupational health and safety data for the three years ended 31 December 2021 | |
|---|---|
| Work related fatality | – |
| Work injury cases >3 days | – |
| Work injury cases <=3 days | – |
| Lost days due to work injury | – |

### *(iv) Development and training*

The Group provides comprehensive training and development opportunities to its employees on a regular basis. The trainings are arranged according to needs of employees, which were identified annually by individual departments:

a. Orientation training – To familiarise employees with the Group's objectives, culture, rules and regulations, safety and product-related knowledge on the first day of work;

b. Pre-job training – To familiarise new employees or transferred employees with their new duties;

c. On-the-job training – To ensure that the employees are familiar with the Group's products, to sharpen the sales technique and customer service standard of sales and marketing personnel and to ensure the production and quality control personnel perform proper quality control procedures.

Set forth below is the number and percentage of training hours completed by the Group's employees by gender and employee category:

| | For the year ended 31 December 2021 | | | |
|---|---|---|---|---|
| **Employee category** | **Male Training hours** | **Female Training hours** | **Total Training hours** | **% of training hours by employee category** |
| Senior management | **50** | **244** | **294** | **2.6%** |
| Middle management | **660** | **477** | **1,137** | **10.2%** |
| Other employees | **3,491** | **6,236** | **9,727** | **87.2%** |
| **Total** | **4,201** | **6,957** | **11,158** | **100.0%** |
| **% of training hours by gender** | **37.7%** | **62.3%** | **100.0%** | |

| | For the year ended 31 December 2020 | | | |
|---|---|---|---|---|
| **Employee category** | Male Training hours | Female Training hours | Total Training hours | % of training hours by employee category |
| Senior management | 366 | 183 | 549 | 4.3% |
| Middle management | 732 | 976 | 1,708 | 13.3% |
| Other employees | 2,806 | 7,808 | 10,614 | 82.4% |
| **Total** | 3,904 | 8,967 | 12,871 | 100.0% |
| **% of training hours by gender** | 30.3% | 69.7% | 100.0% | |

## B.2 Operating practices

### *(i) Supply chain management*

The Group purchases raw materials and equipment based on its own needs, specifications, quality and safety performance of equipment, reputation, after-sales service and delivery time of the supplier. The Group compares different suppliers to select qualified suppliers (based on their product specifications, product compliances, production management, quality management, environmental friendliness and also corporate social responsibility performances) before the Group enters into contract with the qualified suppliers.

When selecting equipment, the Group would also consider whether the equipment is energy efficient and environmental friendly. During the year ended 31 December 2021, all of the Group's 82 suppliers were situated in the PRC.

The Group expects its suppliers to uphold the ESG principles that the Group has adopted into the management of its business operations. In order to ensure that the components and raw materials meet the requisite safety and quality standards, the Group adopts stringent criteria in supplier selection (including but not limited to whether they provide high quality raw materials, whether they maintain a high standard on environmental protection and comply with relevant laws on environmental issues, whether price is comparable to market rate and location of their factories) and continuously monitors existing suppliers on an annual basis, based on criteria such as product quality, product defect ratio, delivery punctuality ratio and responsiveness.

Whether the supplier will continue to be included in the Group's list of approved suppliers depends on the marks it achieved under annual evaluation. The awareness of environmental protection is one of the key criteria for the Group to evaluate the suppliers.

### *(ii) Product responsibility*

*Product assurance and recall*

Product quality is crucial to the Group's continued success. The Group places strong emphasis on achieving a consistently high quality for its products. To achieve such purpose, stringent quality control measures throughout the production process were implemented to ensure the quality and safety of our products. The Group's quality control department performs regular inspections to evaluate the effectiveness of the quality control measures and further enhance these measures when necessary.

As a result of stringent quality control procedures, the Group is accredited with the certification of "ISO 9001:2008 Quality Management System" and the Group did not experience any claims, litigations and arbitrations or material adverse findings in inspection by government authorities with respect to the quality of its products during the year ended 31 December 2021.

The Group generally does not allow product returns except for quality reasons and the unconditional return to the Group within seven days after sale in accordance with PRC customer protection laws.

During the year ended 31 December 2021, the Group did not experience any product recall, material non-compliance with laws and regulations in relation to product health and safety or receive any material complaints from consumers.

The Group has obtained the following product quality standard and control qualifications:

- the certificates for quality management system for compliance of the requirements of GB/T 19001-2016/ISO 9001:2015 for the scope of design, production and service of electronic stoves and induction stoves since 2006 and up to 5 July 2024

- the certificates for China Compulsory Product Certification issued by the China Quality Certification Centre for the Group's hobs and stoves

- the VDE standard mark granted by VDE Association for Electrical, Electronic and Information Technologies for the parts and components of the Group's hobs and stoves

- the CE mark required by the European Economic Area for some of the Group's hobs and stoves which will be exported to European countries

- the GS mark issued by an agency accredited by the German government for proving that the Group's products were tested and comply with the minimum requirements of the German Equipment and Product Safety Act.

*Intellectual Property Rights and Information Security*

The Group registered various trademarks for the Group itself and its products in the PRC, Germany and Hong Kong to foster its corporate image. The Group relies on the relevant laws and regulations to protect its brand names, trademarks and other intellectual property rights.

During the year ended 31 December 2021, the Group was not aware of any material infringement by the Group of any intellectual property rights owned by any third parties. Further, there were no pending or threatened material claims made against the Group with respect to the infringement of intellectual property rights owned by the Group.

### *(iii) Anti-corruption*

According to the Group's anti-corruption policy, all employees shall abide by the laws and regulations of the PRC and shall not engage in any illegal activities. Employees shall uphold the code of ethics, advocate fair competition and act against bribery. Any bribery, fraud, money laundering and embezzlement are prohibited.

Employees must not accept or request any improper benefits including banquets, gifts, securities, valuables and high-expenditure entertainment activities from business partners, suppliers and merchants, etc. When there is any alleged case in violation of laws, regulations, code of conduct or Group's policies, the Group will investigate and impose disciplinary actions upon offenders after verification. Directors and employees received training from time to time to ensure that they comply and familiar with the anti-corruption guides, policies and procedures of the Group.

During the year ended 31 December 2021, the Group complied with all applicable laws on prohibiting corruption and bribery of the PRC and there was no concluded legal case regarding corrupt practices brought against the Group or its employees.

### *(iv) Data protection and privacy policy*

The Group is committed to protecting the privacy of its customers, employees, business partners and suppliers by maintaining a safe and secure data environment. The Group has implemented appropriate policies to ensure that all personal and business data collected during the Group's business activities are organised and secured properly. Computers and servers are protected from access passwords. Employees are instructed of their responsibility to follow the confidentiality code on the access to information and to ensure the safekeeping of all personal, customer and business data, trade secrets and proprietary information. Employees are prohibited from disclosing the information to unauthorised parties.

### B.3 Community investment

The Group acknowledges corporate social responsibility and allocates resources to satisfy the needs of the community. During the year ended 31 December 2021, the Group made donations of RMB1.1 million and it also focused on environmental protection as well as cultural and sport promotion. The Group encouraged its employees to participate charitable events. Going forward, the Group will continue to focus on community needs and increase its investment in community.

## THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED

| Subject areas, aspects, general disclosures and KPIs | Description | Relevant section in the ESG report/Declaration |
|---|---|---|
| **Mandatory Disclosure Requirements** | | |
| Governance Structure | A statement from the board containing the following elements:<br>i) a disclosure of the board's oversight of ESG issues;<br>ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and<br>iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses. | ESG GOVERNANCE<br>ESG STRATEGIES<br>STAKEHOLDER ENGAGEMENT |
| Reporting Principles | A description of, or an explanation on, the application of the reporting principles in the preparation of the ESG Report. | REPORTING PRINCIPLES |
| Reporting Boundary | A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change. | REPORTING SCOPE |

| Subject areas, aspects, general disclosures and KPIs | Description | Relevant section in the ESG report/Declaration |
|---|---|---|
| **Aspect A1: Emissions** | | |
| General Disclosure | Information on:<br><br>(a) the policies; and<br><br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | A. ENVIRONMENT |
| KPI A1.1 | The types of emissions and respective emissions data. | A.1 Emissions |
| KPI A1.2 | Greenhouse gas emissions in total (in tonnes) and intensity. | A.1 Emissions – (ii) Greenhouse gas emissions |
| KPI A1.3 | Total hazardous waste produced (in tonnes) and intensity. | A.1 Emissions – (iii) Hazardous waste (Not applicable – Explained) |
| KPI A1.4 | Total non-hazardous waste produced (in tonnes) and intensity. | A.1 Emissions – (iv) Non-hazardous waste |
| KPI A1.5 | Description of reduction initiatives and results achieved. | A.1 Emissions |
| KPI A1.6 | Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved. | A.1 Emissions – (iii) Hazardous waste<br>A.1 Emissions – (iv) Non-hazardous waste |

| Subject areas, aspects, general disclosures and KPIs | Description | Relevant section in the ESG report/Declaration |
|---|---|---|
| **Aspect A2: Use of Resources** | | |
| General Disclosure | Policies on the efficient use of resources, including energy, water and other raw materials. | A.2 Use of resources |
| KPI A2.1 | Direct and/or indirect energy consumption by type in total and intensity. | A.1 Emissions |
| KPI A2.2 | Water consumption in total and intensity | A.1 Emissions – (ii) Greenhouse gas emissions – Water consumption |
| KPI A2.3 | Description of energy use efficiency initiatives and results achieved. | A.1 Emissions |
| KPI A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved. | A.1 Emissions – (ii) Greenhouse gas emissions – Water consumption |
| KPI A2.5 | Total packaging material used for finished products (in tonnes) and with reference to per unit produced. | A.1 Emissions – (iv) Non-hazardous waste |
| **Aspect A3: The Environment and Natural Resources** | | |
| General Disclosure | Policies on minimising the issuer's significant impact on the environment and natural resources. | A.3 The environment and natural resources |
| KPI A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | A.3 The environment and natural resources |
| **Aspect A4: Climate Change** | | |
| General Disclosure | Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer. | A.4 Climate change |
| KPI A4.1 | Description of significant climate-related issues which have impacted and/or may impact the issuer and the actions taken to manage them. | A.4 Climate change |

| Subject areas, aspects, general disclosures and KPIs | Description | Relevant section in the ESG report/Declaration |
|---|---|---|
| **Aspect B1: Employment** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | B.1 Employment and labour practices |
| KPI B1.1 | Total workforce by gender, employment type, age group and geographical region. | B.1 Employment and labour practices – (i) Employment – Total employees |
| KPI B1.2 | Employee turnover rate by gender, age group and geographical region. | B.1 Employment and labour practices – (i) Employment – Total employees |
| **Aspect B2: Health and Safety** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. | B.1 Employment and labour practices – (iii) Employee health and safety |
| KPI B2.1 | Number and rate of work-related fatalities. | B.1 Employment and labour practices – (iii) Employee health and safety |
| KPI B2.2 | Lost days due to work injury. | B.1 Employment and labour practices – (iii) Employee health and safety |
| KPI B2.3 | Description of occupational health and safety measures adopted, and how they are implemented and monitored. | B.1 Employment and labour practices – (iii) Employee health and safety |

| Subject areas, aspects, general disclosures and KPIs | Description | Relevant section in the ESG report/Declaration |
|---|---|---|
| **Aspect B3: Development and Training** | | |
| General Disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | B.1 Employment and labour practices – (iv) Development and training |
| KPI B3.1 | Percentage of employees trained by gender and employee category. | B.1 Employment and labour practices – (iv) Development and training |
| KPI B3.2 | Average training hours completed by gender and employee category. | B.1 Employment and labour practices – (iv) Development and training |
| **Aspect B4: Labour Standards** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour. | B.1 Employment and labour practices – (i) Employment |
| KPI B4.1 | Description of measures to review employment practices to avoid child and forced labour. | B.1 Employment and labour practices – (i) Employment |
| KPI B4.2 | Description of steps taken to eliminate such practices when discovered. | B.1 Employment and labour practices – (i) Employment |
| **Aspect B5: Supply Chain Management** | | |
| General Disclosure | Policies on managing environmental and social risks of the supply chain. | B.2 Operating practices – (i) Supply chain management |
| KPI B5.1 | Geographical locations of major suppliers | B.2 Operating practices – (i) Supply chain management |
| KPI B5.2 | Description of practices relating to engaging suppliers | B.2 Operating practices – (i) Supply chain management |

| Subject areas, aspects, general disclosures and KPIs | Description | Relevant section in the ESG report/Declaration |
|---|---|---|
| KPI B5.3 | Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored. | B.2 Operating practices – (i) Supply chain management |
| KPI B5.4 | Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored. | B.2 Operating practices – (i) Supply chain management |
| **Aspect B6: Product Responsibility** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | B.2 Operating practices – (ii) Product responsibility |
| KPI B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons. | B.2 Operating practices – (ii) Product responsibility |
| KPI B6.2 | Number of products and service related complaints received and how they are dealt with. | B.2 Operating practices – (ii) Product responsibility |
| KPI B6.3 | Description of practices relating to observing and protecting intellectual property rights. | B.2 Operating practices – (ii) Product responsibility |
| KPI B6.4 | Description of quality assurance process and recall procedures. | B.2 Operating practices – (ii) Product responsibility |
| KPI B6.5 | Description of consumer data protection and privacy policies, and how they are implemented and monitored | B.2 Operating practices – (iv) Data protection and privacy policy |

| Subject areas, aspects, general disclosures and KPIs | Description | Relevant section in the ESG report/Declaration |
|---|---|---|
| **Aspect B7: Anti-corruption** | | |
| General Disclosure | Information on:<br><br>(a) the policies; and<br><br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. | B.2 Operating practices – (iii) Anti-corruption |
| KPI B7.1 | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases. | B.2 Operating practices – (iii) Anti-corruption |
| KPI B7.2 | Description of preventive measures and how they are implemented and monitored. | B.2 Operating practices – (iii) Anti-corruption |
| KPI B7.3 | Description of anti-corruption training provided to directors and staff. | B.2 Operating practices – (iii) Anti-corruption |
| **Aspect B8: Community Investment** | | |
| General Disclosure | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. | B.3 Community investment |
| KPI B8.1 | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport). | B.3 Community investment |
| KPI B8.2 | Resources contributed (e.g. money or time) to the focus area. | B.3 Community investment |

The Directors of the Company are pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2021.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company and the principal activities of the Group are design, manufacturing and trading of premium kitchen appliances. Particulars of the principal activities of the Company's subsidiaries are set out in note 13 to the consolidated financial statements of the Group for the year ended 31 December 2021.

## RESULTS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of comprehensive income on pages 70 to 71.

## DIVIDEND

The Board resolved not to recommend the payment of a final dividend for the year ended 31 December 2021.

## FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group is set out on page 3 of the annual report. This summary does not form part of the audited consolidated financial statements.

## SHARE CAPITAL

Details of the share capital of the Company for the year ended 31 December 2021 are set out in note 24 to the consolidated financial statements.

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

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries for the year ended 31 December 2021.

## RESERVES AND DISTRIBUTABLE RESERVES

Details of the movements in reserves of the Group and the Company during the Reporting Period and distributable reserves of the Company as at 31 December 2021 are set out in pages 74 in the consolidated statement of changes in equity and note 31 to the consolidated financial statements respectively.

## TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief or exemption available to the shareholders by reason of their holding of the Company's securities.

## INTEREST OF COMPLIANCE ADVISER

In accordance with Rule 3A.19 of the Listing Rules, the Company has appointed Dakin Capital Limited ("Dakin Capital") to be the compliance adviser. Dakin Capital, being the sponsor of the Company in relation to the listing of the Company's shares, has declared its independence pursuant to Rule 3A.07 of the Listing Rules. Save as provided for in relation to the share offer and/or disclosed in the Company's prospectus dated 29 June 2018, neither Dakin Capital nor any of its associates and none of the directors or employees of Dakin Capital who have been involved in providing advice to the Company as the sponsor, has or may, as a result of the share offer, have any interest in any securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities).

## PRE-EMPTIVE RIGHTS

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

## PROPERTY, PLANT AND EQUIPMENT

Details of movements during the Reporting Period in property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

The percentage of revenue attributable to the Group's five largest customers to the total revenue of the Group was 53.6% for the year ended 31 December 2021. The percentage of revenue attributable to the Group's largest customer to the total revenue of the Group was 25.0% for the year ended 31 December 2021.

The percentage of purchases attributable to the Group's five largest suppliers to the total purchases of the Group was 50.6% for the year ended 31 December 2021. The percentage of purchases attributable to the Group's largest supplier to the total purchases of the Group was 12.9% for the year ended 31 December 2021.

To the best of the Directors' knowledge, none of the Directors, their close associates or any shareholder who owns more than 5% of the Company's shares had an interest in any of the major customers or suppliers above.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries, which are not contracts of service with any director of the company or any person engaged in the full-time employment of the company, were entered into or existed during the Reporting Period.

## DIRECTORS

The Directors of the Company during the Reporting Period and up to the date of this report are as follows:

Executive Directors:

Madam Maeck Can Yue *(Chairperson and chief executive officer)*
Mr. Walter Ludwig Michel
Mr. Wu Huizhang (appointed on 25 January 2021)

Independent Non-executive Directors:

Mr. Wang Shih-fang
Mr. Yan Chi Ming
Mr. Hooi Hing Lee
Mr. Gu Qing
Mr. Li Wei (appointed on 25 January 2021)

In accordance with article 108(A) of the Company's articles of association, Madam Maeck Can Yue, Mr. Hooi Hing Lee and Mr. Gu Qing will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

The Company has received annual confirmation from each of the independent non-executive Directors as regards their independence to the Company and considers that each of the independent non-executive Directors is independent to the Company.

## DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

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

As at 31 December 2021, the interests and short positions of the Directors and chief executive of the Company in the Shares and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, and Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) are as follows:

### Interest in the Company

| **Name of Director** | **Capacity/nature of interest** | **Number of shares held** (Note 1) | **Percentage of shareholding in the Company** (Approximate) |
|---|---|---|---|
| Madam Maeck Can Yue ("Madam Maeck") (Note 2) | Interest in a controlled corporation | 397,700,000 (L) | 26.51% |
| Mr. Walter Ludwig Michel ("Mr. Michel") (Note 3) | Interest of spouse | 397,700,000 (L) | 26.51% |
| Mr. Wu Huizhang ("Mr. Wu") | Interest in a controlled corporation | 375,000,000 (L) | 25% |

### Interest in associated corporation of the Company, Wide Big Investment Limited ("Wide Big")

| **Name of Director** | **Capacity/nature of interest** | **Number of shares held** (Note 1) | **Percentage of shareholding in the associated corporation** |
|---|---|---|---|
| Madam Maeck (Note 2) | Beneficial owner | 1,000,000 (L) | 100% |
| Mr. Michel (Note 3) | Interest of spouse | 1,000,000 (L) | 100% |

### Interest in associated corporation of the Company, Seashore Global Enterprises Limited ("Seashore Global")

| **Name of Director** | **Capacity/nature of interest** | **Number of shares held** (Note 1) | **Percentage of shareholding in the associated corporation** |
|---|---|---|---|
| Mr. Wu (Note 4) | Beneficial owner | 1 (L) | 100% |

Notes:

1. The letter "L" denotes long position of the shares.

2. The issued shares of Wide Big is wholly-owned by Madam Maeck. Accordingly, Madam Maeck is deemed to be interested in the 397,700,000 ordinary shares of the Company held by Wide Big by virtue of the SFO.

3. Mr. Michel is the spouse of Madam Maeck. Accordingly, Mr. Michel is deemed to be interested in the 397,700,000 ordinary shares of the Company held by Madam Maeck through Wide Big by virtue of the SFO.

4. The issued shares of Seashore Global is wholly-owned by Mr. Wu. Accordingly, Mr. Wu is deemed to be interested in the 375,000,000 ordinary shares of the Company held by Seashore Global by virtue of the SFO.

Save as disclosed above, as at 31 December 2021 none of the Directors or chief executive of the Company and/or any of their respective associates had any interests or short positions in any shares and underlying shares in, and debentures of, the Company or any associated corporations, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

## ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Saved as disclosed in this report, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director of the Company or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

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

As at 31 December 2021, the following person (other than the interests of the Directors or chief executives of the Company as disclosed above) had interests or short positions in the ordinary shares of the Company or underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

| **Name** | **Capacity/nature of interest** | **Number of Shares held** (Note 1) | **Percentage of shareholding in the Company** (Approximate) |
|---|---|---|---|
| Wide Big (Note 2) | Beneficial owner | 397,700,000 (L) | 26.51% |
| Seashore Global (Note 3) | Beneficial owner | 375,000,000 (L) | 25% |

Notes:

1. The letter "L" denotes long position of the shares.

2. The issued shares of Wide Big is wholly-owned by Madam Maeck who is deemed to be interested in the shares held by Wide Big by virtue of the SFO.

3. The issued shares of Wide Big is wholly-owned by Mr. Wu who is deemed to be interested in the shares held by Seashore Global by virtue of the SFO.

Save as disclosed above, as at 31 December 2021, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2021, none of the Directors or the substantial shareholders of the Company or any of their respective associates had any interest in any business which competes or may compete with the business of the Group.

None of the Directors or the substantial shareholders of the Company or any of their respective associates has engaged in or has any interest in any business that competes or may compete with the business of the Group, or has any other conflict of interest with the Group during the Reporting Period and up to the date of this report.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed herein, no Director or his connected entity has or had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries, fellow subsidiaries or its parent company was a party subsisting during or at the end of the year ended 31 December 2021.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 23 June 2022 to Wednesday, 29 June 2022 (both days inclusive), during which period no transfer of the shares will be effected. The holders of shares whose names appear on the register of members of the Company on Wednesday, 29 June 2022 will be entitled to attend and vote at the annual general meeting of the Company. In order to qualify for attending and voting at the annual general meeting of the Company or any adjournment thereof, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Wednesday, 22 June 2022.

## PERMITTED INDEMNITY PROVISION

Pursuant to the articles of association of the Company, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities (to the fullest extent permitted by the Companies Laws of the Cayman Islands) which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto. The Company has also arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

## EQUITY-LINKED AGREEMENTS

### Share Option Scheme

The Company adopted a share option scheme (the "Share Option Scheme") on 24 June 2018, which become effective on 16 July 2018. The purpose of which is to motivate the relevant participants to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain ongoing relationships with such participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

The Board may, at its absolute discretion, grant options to any employee (full-time or part-time), Directors, consultant or adviser of the Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group (together, the "Participants" and each a "Participant").

The maximum number of shares, which may be issued upon exercise of all options granted or to be granted under the Share Option Scheme and any other share option schemes of the Company as from the Adoption Date (excluding shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) shall not in aggregate exceed 10% of the total number of shares in issue as at 16 July 2018, i.e. 150,000,000 shares.

Unless approved by shareholders of the Company in general meeting in the manner stipulated in the Listing Rules, the maximum entitlement for each Participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of the Company in any 12-month period shall not exceed 1% of the total number of shares in issue.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant under the Share Option Scheme. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company HK$1.0 upon acceptance of the grant with 7 days inclusive of the day on which such offer was made.

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a Participant and shall be at least highest of: (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of the option; (b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the option; and (c) the nominal value of a share.

The Share Option Scheme will remain in force for a period of 10 years after the Adoption Date and the remaining life of the Share Option Scheme is 7 years.

There is no option outstanding, granted, exercised, cancelled and lapsed during the year ended 31 December 2021.

As at the date of this report, the total number of securities available for issue under the Share Option Scheme is 150,000,000, representing approximately 10% of the issued shares of the Company.

Save as disclosed above, no equity-linked agreements were entered into during the Reporting Period or subsisted at the end of the Reporting Period.

## RELATED PARTY TRANSACTIONS

Details of material related party transactions entered into by the Group during the Reporting Period are set out in note 29 to the financial statements. For the year ended 31 December 2021, none of these related party transactions are connected transaction which are subject to the disclosure requirements of Chapter 14A of the Listing Rules in respect of such transactions.

## CONNECTED TRANSACTIONS

For the year ended 31 December 2021, there was no transactions which constituted connected transaction(s) or continuing connected transaction(s) of the Company.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this report, the Company has maintained sufficient public float of not less than 25% of its shares in the hands of the public throughout the Reporting Period and up to the date of this report.

## EVENTS AFTER THE REPORTING PERIOD

On 15 March 2022 (after trading hours), the Company and Lucky Stone Investments Limited (the "Purchaser") entered into the Disposal Agreement, pursuant to which the Company conditionally agreed to sell, and the Purchaser conditionally agreed to acquire 33% issued shares of the Target Company owned by the Company, at the consideration of HK$4,500,000 in accordance with the terms and conditions of the Disposal Agreement. Immediately upon Completion, the Company will cease to own any issued shares of the Target Company.

For further details of this transaction, please refer to the announcements made by the Company on 15 March 2022.

During the ongoing COVID-19 pandemic, a series of precautionary and control measures have been and continued to be implemented across the country/region. The Group continue to pay close attention to the development of the COVID-19 pandemic and evaluate its impact on the financial position and operating results of the Group.

Saved as disclosed in this report, there were no important events after the Reporting Period and up to the date of this Report.

## CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report of this report.

## BUSINESS REVIEW

A fair review of the business and outlook of the Company as well as a discussion and analysis of the Group's performance during the year ended 31 December 2021 and the material factors underlying its results and financial position can be found in the Chairperson's Statement on pages 4 to 5 and the Management Discussion and Analysis on pages 6 to 13 of this annual report. An analysis using financial key performance indicators can be found in the Five-year Financial Summary on page 3 of this annual report. These discussions and financial highlights form part of this Directors' Report.

## ENVIRONMENTAL POLICY

The Group is committed to achieve the development of sustainability of communities. An environmental policy has been adopted by the Group for implementation of environmentally friendly measures and practices in the operation of the Group's businesses. The Group adheres to the principle of recycling and reducing and implements green office practices, e.g. using recycled paper, setting up recycling bins, and double-sided printing and copying.

The Group will review the environmental policy from time to time and will consider implementing further environmentally friendly measures and practices in the operation of the Group's businesses. A discussion and analysis of the Group's environmental policy can be found in the Environmental, Social and Governance Report on pages 31 to 52 of this annual report.

## COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Company compiles with the requirements under the Companies Law of the Cayman Islands, the Listing Rules and the SFO for, among other things, the disclosure of information and corporate governance.

During the year ended 31 December 2021, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that have a significant impact on the Group's business.

## PRINCIPAL RISKS AND UNCERTAINTIES

The following lists out the principal risks and uncertainties facing the Group.

### Global Economic Conditions

The global economic condition has been weaker than expected. Downside risks have been increased since there is slowing growth in emerging markets. The continuing adverse economic conditions may affect the results of operations and financial performance of the Group adversely.

To address economic uncertainties, the Group pursues steady earnings growth by strengthening product portfolio, enhancing in-store promotion, adopting careful cautious network diversification plan on points of sales, intensifying cost controlling measures and exploring business diversification opportunities.

### Impact of Local and International Regulations

The business operation of the Group is also subject to government policy, relevant regulations and guidelines established by the regulatory authorities. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of business operation by the authorities. The Group closely monitors changes in government policies, regulations and markets as well as conducting studies to assess the impact of such changes.

## KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognizes the accomplishment of our employees by providing comprehensive benefit package, career development opportunities and internal training appropriate to individual needs. The Group provides a healthy and safe workplace for all employees. No strikes and cases of fatality due to workplace accidents are found in the Reporting Period.

Before placement of purchase orders to its suppliers, the Group considers their product price, product quality, production capacity, financial conditions, delivery schedule, business scale and reputation. The Group builds its business and brand recognition on product quality and customer satisfaction. Its suppliers are required to meet the desired quality standards and deliver their products on time. The Group has implemented a stringent quality control system to ensure that the products from its suppliers can meet the Group's quality standard and any defective products will be returned to suppliers. Further, the Group's procurement team communicates with its suppliers regularly to ensure that the suppliers understand the Group's quality requirements and they can deliver the products on time.

The Group's suppliers generally grant credit period of not exceeding 60 days to the Group. Details of the trade payables of the Group as at 31 December 2021 are set out in note 26 to the financial statements. The Directors confirmed that the Group had no disputes with its suppliers and there had been no material defaults in the settlement of the Group's trade payables during the Reporting Period.

During the Reporting Period, purchases from the Group's largest supplier and the five largest suppliers accounted for approximately 12.9% and 50.6% (2020: 12.0% and 50.6%) of the total purchases, respectively.

The Group's major suppliers are manufacturers of (i) electronic components, control panels and ceramic glass panels used in the production of the Group's hobs and stoves; and (ii) pots and pans. The Group has maintained business relationship with its five largest suppliers during the Reporting Period ranging from one to sixteen years.

None of the Directors of the Company or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

The Group values the views and opinions of all customers through various means and channels, including usage of business intelligence to understand customer trends and needs and regular analyze on customer feedback. The Group also conducts comprehensive tests and checks to ensure that only quality products are offered to the customers.

The Group has implemented various marketing strategies to promote its corporate brand and products and it has also spent plenty of resources to expand its sales channels. It is expected that the marketing effort and resources spent would increase the Group's sales revenue and market share in the PRC's kitchen appliance industry. Along with the increasing sales revenue, the Group also closely monitors credit risk by performing regular review on the credit period granted to its customers and following up on outstanding trade receivables. The Directors confirmed that the Group had no disputes with its customers and there had been no material defaults in the recovery of the Group's trade receivables during the Reporting Period.

The Group generally grant credit period ranging from 30 to 90 days for consignment sales; 30 to 60 days for television sales; and up to six months for corporate sales. For online sales, sales to distributors and new customers with smaller business scale, the Group generally requires them to make full payment before product delivery. Furthermore, the Group offer a 12-month credit period to a customer that has a very long business relationship with the Group. Details of the trade receivables of the Group as at 31 December 2021 are set out in note 21 to the financial statements.

During the Reporting Period, sales to the Group's largest customer and five largest customers accounted for 24.5% and 53.6% (2020: 42.6% and 65.8%) of the total revenue, respectively.

The Group's major customers are distributors or consignees which operate online sales platforms and/or television platforms in the PRC. The Group has maintained business relationship with its five largest customers during the Reporting Period ranging from two to thirteen years.

None of the Directors of the Company or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

The Group encompasses working relationships with suppliers to meet our customers' needs in an effective and efficient manner. The departments work closely to make sure the tendering and procurement process is conducted in an open, fair and just manner.

## CHARITABLE DONATIONS

The Group made donations of RMB1.1 million during the Reporting Period (2020: Nil).

## AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment in the forthcoming Annual General Meeting.

On behalf of the Board
**Miji International Holdings Limited**

**Maeck Can Yue**
*Chairperson*
Hong Kong, 30 March 2022

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**To the Members of Miji International Holdings Limited**
*(incorporated in the Cayman Islands with limited liability)*

## OPINION

### What we have audited

The consolidated financial statements of Miji International Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 70 to 136, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

### Our opinion

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

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

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.

## 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 matters identified in our audit are summarised as follows:

- Impairment of trade receivables
- Revenue recognition

| Key Audit Matter | How our audit addressed the Key Audit Matter |
| --- | --- |
| ***Impairment of trade receivables*** | |
| Refer to Notes 2.9, 3.1(c), 4(a) and 21(a) to the consolidated financial statements.<br><br>As at 31 December 2021, the Group had gross trade receivables of approximately RMB33,832,000, for which a provision for impairment of approximately RMB2,343,000 was recognised.<br><br>The Group applied the HKFRS 9 simplified approach to measure lifetime expected credit losses ("ECL") allowance for all trade receivables. | Our procedures on management's assessment of the impairment of trade receivables included:<br><br>• Understood the management's internal controls over the impairment assessment process and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, in particular those over the identification of receivables with different credit risk characteristics and the calculation of provision according to the lifetime ECL model;<br><br>• Evaluated the outcome of prior year's impairment assessment to assess the effectiveness of management's estimation process and whether that process has been consistently applied in the current year; |

## KEY AUDIT MATTERS *(Continued)*

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| Management estimated impairment of trade receivables that are individually significant by considering the ageing profiles of trade receivables, their knowledge about the customers and the market conditions. Management also grouped the trade receivables with similar credit risk characteristics and ageing profile for collective assessment. The estimated ECL rates were based on historical credit loss rates for different groups and adjusted to reflect the current and multiple forward-looking information on macro-economic factors that are considered relevant to determine the ability of customers to settle the receivables in the future. In assessing the sufficiency of the ECL estimation, management considered factors including the settlement pattern, credit profile and on-going trading relationships with the customers.<br><br>We focused on this area because the estimation of ECL involved a significant level of judgement by management to determine the selection of internal and external data from various sources that were considered to be appropriate in their circumstances to establish the historical credit loss experience and to adjust this experience for expected future changes, recognising that these factors are all subject to a certain level of estimation uncertainty and inherent risk of subjectivity. | • Understood the status of each of the material trade receivables past due as at year end, the Group's on-going business relationships with the relevant customers and past settlement history of the customers through discussion with management;<br><br>• Evaluated management's assessment of the historical credit loss rates by sample checking inputs in respect of the assumptions made, such as historical payment records and correspondence on any disputes or claims with the customers;<br><br>• Evaluated the expected future changes in credit risks in management's assessment by sample checking the inputs of assumptions (e.g. market default rates, unemployment rates) to the relevant external data sources;<br><br>• Performed testing, on a sample basis, of the accuracy of the trade receivables ageing report as at 31 December 2021; and<br><br>• Checked the computation of the amount of provision.<br><br>Based on the results of the procedures performed, we found management's judgement and assumptions applied in respect of the impairment of trade receivables to be supported by available evidence. |

## KEY AUDIT MATTERS *(Continued)*

| Key Audit Matter | How our audit addressed the Key Audit Matter |
| --- | --- |
| ***Revenue recognition*** | |
| Refer to Notes 2.21 and 5 to the consolidated financial statements.<br><br>Revenue from sales of goods amounted to RMB143,873,000 for the year ended 31 December 2021. Revenue is recognised when the Group has satisfied a performance obligation by transferring the control of the promised goods to a customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for the goods.<br><br>We allocated significant resources to perform audit work on this key audit area due to the volume of revenue transactions that were generated from the diversifying sales channels of the Group and the overall magnitude of revenue to the consolidated financial statements. | Our procedures on the revenue recognition of sales of goods included:<br><br>• Understood, evaluated and validated the key controls performed by management over the Group's sales transactions from contract and sales orders approval, delivery of goods, recording of sales to cash receipts;<br><br>• Performed testing, on a sample basis, of revenue transactions covering different customers by examining the relevant customers' sales orders, invoices, goods delivery notes and customers' acknowledgement of receipts, bank statements for cash receipts and where relevant, monthly statements from consignees;<br><br>• Obtained independent confirmations from a selection of customers to confirm the Group's sales transaction amounts to these entities during the year, and tested management's reconciliations for any material differences between the book amounts and the confirmed amounts by checking the relevant supporting documents; and<br><br>• Performed testing, on a sample basis, on sales transactions that took place shortly before and after the financial year end to assess whether revenue was recognised in the proper period.<br><br>Based on the results of the procedures performed, we found the Group's revenue from sales of goods was recognised in a manner consistent with its accounting policy. |

## 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 AUDIT COMMITTEE 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.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

## 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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

- 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.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lee Chun Wah, Ryan.

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 30 March 2022

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

| | Notes | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|---|
| Revenue | 5 | **143,873** | 189,380 |
| Cost of sales | 8 | **(78,603)** | (94,394) |
| **Gross profit** | | **65,270** | 94,986 |
| Other income | 6 | **4,829** | 5,352 |
| Other (losses)/gains, net | 7 | **(812)** | 3,255 |
| Selling and distribution expenses | 8 | **(73,015)** | (93,604) |
| Administrative expenses | 8 | **(27,173)** | (20,335) |
| Research and development expenses | 8 | **(10,535)** | (10,685) |
| Net impairment losses on financial assets | 21 | **(129)** | (1,407) |
| **Operating loss** | | **(41,565)** | (22,438) |
| Finance income | 10 | **92** | 539 |
| Finance costs | 10 | **(1,511)** | (2,451) |
| Finance costs, net | | **(1,419)** | (1,912) |
| Share of net (loss)/profit of associates | 14 | **(736)** | 4,679 |
| **Loss before income tax** | | **(43,720)** | (19,671) |
| Income tax expense | 11 | **(174)** | (279) |
| **Loss for the year** | | **(43,894)** | (19,950) |
| Other comprehensive (loss)/income: | | | |
| Items that may be reclassified to profit or loss | | | |
| Currency translation differences | | **(102)** | 23 |
| Total comprehensive loss for the year | | **(43,996)** | (19,927) |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

| | Notes | **2021 RMB'000** | 2020 RMB'000 |
|---|---|---|---|
| **(Loss)/profit attributable to:** | | | |
| Owners of the Company | | **(44,353)** | (21,128) |
| Non-controlling interests | | **459** | 1,178 |
| | | **(43,894)** | (19,950) |
| **Total comprehensive (loss)/income attributable to:** | | | |
| Owners of the Company | | **(44,455)** | (21,105) |
| Non-controlling interests | | **459** | 1,178 |
| **Total comprehensive loss for the year** | | **(43,996)** | (19,927) |
| **Loss per share attributable to owners of the Company for the year** | | | |
| Basic and diluted (RMB cents) | 12 | **(2.96)** | (1.41) |

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

| | Notes | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 15 | **18,763** | 20,757 |
| Right-of-use assets | 16(a) | **3,632** | 2,813 |
| Land use rights | 17 | **8,585** | 8,795 |
| Investments in associates | 14 | **7,348** | 17,592 |
| Intangible assets | 18 | **715** | 1,022 |
| Deferred income tax assets | 28 | **83** | 212 |
| Deposits | 21 | **753** | – |
| | | **39,879** | 51,191 |
| **Current assets** | | | |
| Inventories | 20 | **64,823** | 66,814 |
| Trade receivables | 21 | **31,489** | 52,501 |
| Other receivables, deposits and prepayments | 21 | **16,194** | 27,652 |
| Amount due from an associate | 30 | **8** | – |
| Restricted bank deposit | 22 | **237** | – |
| Cash and cash equivalents | 22 | **32,346** | 48,184 |
| | | **145,097** | 195,151 |
| Assets classified as held for sale | 23 | **5,747** | – |
| **Total assets** | | **190,723** | 246,342 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | 24 | **12,561** | 12,561 |
| Share premium | 24 | **72,173** | 72,173 |
| Reserves | 25 | **39,534** | 84,015 |
| | | **124,268** | 168,749 |
| Non-controlling interests | 33 | **(120)** | 4,202 |
| **Total equity** | | **124,148** | 172,951 |

| | Notes | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Lease liabilities | 16(a) | **1,282** | 1,710 |
| Borrowings | 27 | **5,047** | 5,676 |
| | | **6,329** | 7,386 |
| **Current liabilities** | | | |
| Trade and other payables | 26 | **26,278** | 26,155 |
| Borrowings | 27 | **23,629** | 27,289 |
| Lease liabilities | 16(a) | **2,958** | 1,972 |
| Amount due to an associate | 30 | **–** | 4,450 |
| Amount due to the then/a non-controlling interest | 33 | **3,509** | 1,004 |
| Contract liabilities | 5 | **3,422** | 4,652 |
| Current income tax liabilities | | **450** | 483 |
| | | **60,246** | 66,005 |
| **Total liabilities** | | **66,575** | 73,391 |
| **Total equity and liabilities** | | **190,723** | 246,342 |

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 70 to 136 were approved for issue by the Board of directors on 30 March 2022 and were signed on its behalf.

**Madam Maeck Can Yue**
*Director*

**Mr. Walter Ludwig Michel**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

| | Attributable to owners of the Company | | | | |
|---|---|---|---|---|---|
| | Share capital RMB'000 | Share premium RMB'000 (Note 24) | Reserves RMB'000 (Note 25) | Non-controlling interest RMB'000 | Total RMB'000 |
| As at 1 January 2020 | 12,561 | 72,173 | 105,120 | 4,988 | 194,842 |
| (Loss)/profit for the year | – | – | (21,128) | 1,178 | (19,950) |
| Other comprehensive income: | | | | | |
| Currency translation differences | – | – | 23 | – | 23 |
| Total comprehensive (loss)/income for the year | – | – | (21,105) | 1,178 | (19,927) |
| Dividends declared to a non-controlling interest (Note 33) | – | – | – | (1,964) | (1,964) |
| Total transactions with owners | – | – | – | (1,964) | (1,964) |
| As at 31 December 2020 | 12,561 | 72,173 | 84,015 | 4,202 | 172,951 |
| As at 1 January 2021 | **12,561** | **72,173** | **84,015** | **4,202** | **172,951** |
| (Loss)/profit for the year | **–** | **–** | **(44,353)** | **459** | **(43,894)** |
| Other comprehensive income: | | | | | |
| Currency translation differences | **–** | **–** | **(102)** | **–** | **(102)** |
| Total comprehensive (loss)/income for the year | **–** | **–** | **(44,455)** | **459** | **(43,996)** |
| Dividends declared to a non-controlling interest (Note 33) | **–** | **–** | **–** | **(2,357)** | **(2,357)** |
| Transactions with a non-controlling interest | **–** | **–** | **(26)** | **(2,424)** | **(2,450)** |
| Total transactions with owners | **–** | **–** | **(26)** | **(4,781)** | **(4,807)** |
| As at 31 December 2021 | **12,561** | **72,173** | **39,534** | **(120)** | **124,148** |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

| | Notes | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net cash used in operations | 29 | **(10,939)** | (17,844) |
| Income tax paid | | **(78)** | (1,349) |
| **Net cash used in operating activities** | | **(11,017)** | (19,193) |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | **(2,220)** | (3,825) |
| Purchase of intangible assets | | **–** | (389) |
| Interest received | | **92** | 539 |
| Dividend received from an associate | | **3,761** | 4,701 |
| Payment for acquisition of investment in associates | | **–** | (11,756) |
| Proceeds from partial disposal of interest in an associate | 29(b) | **5,040** | 2,160 |
| Proceeds from sale of property, plant and equipment | | **2** | – |
| **Net cash generated from/(used in) investing activities** | | **6,675** | (8,570) |
| **Cash flows from financing activities** | | | |
| Interest paid | | **(1,298)** | (2,130) |
| Dividend paid to the then/a non-controlling interest | | **(2,302)** | (960) |
| Proceeds from bank borrowings | | **23,000** | 26,000 |
| Repayment of bank borrowings | | **(27,289)** | (46,547) |
| (Increase)/decrease in restricted bank deposit | | **(237)** | 17,915 |
| Payment for lease liabilities, principal portion | | **(2,405)** | (3,059) |
| Payment for lease liabilities, interest portion | | **(213)** | (321) |
| **Net cash used in financing activities** | | **(10,744)** | (9,102) |
| **Net decrease in cash and cash equivalents** | | **(15,086)** | (36,865) |
| Effect of exchange difference | | **(752)** | (1,660) |
| Cash and cash equivalents at beginning of the year | | **48,184** | 86,709 |
| **Cash and cash equivalents at end of the year** | 22 | **32,346** | 48,184 |

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

## 1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 16 May 2017 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. The address of the Company's registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, the Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively the "Group") mainly engage in the development, manufacturing and selling of kitchen appliances in the People's Republic of China (the "PRC").

The Company commenced its listing on the Main Board of The Stock Exchange of Hong Kong Limited on 16 July 2018.

The consolidated financial statements are presented in thousands of units of Renminbi ("RMB'000") unless otherwise stated.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and the requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared on a historical cost basis, except for assets held for sale which are measured at the lower of carrying amount and fair value less cost to sell.

#### *(a) New and amended standards adopted by the Group*

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021:

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

The amendments listed above did not have any impact on the amounts recognised in prior year and are not expected to significantly affect the current or future periods.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.1 Basis of preparation *(Continued)*

#### *(b) New and revised HKFRSs issued but not yet effective*

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2021 and have not been early adopted by the Group. The management is in the process of assessing the impact of these standards to the Group.

| | | **Effective for accounting periods beginning on or after** |
|---|---|---|
| Accounting Guideline 5 (revised) | Revised Accounting Guideline 5 Merger Accounting for Common Control combinations | 1 January 2022 |
| Amendments to HKAS 16 | Property, Plant and Equipment – Proceeds before Intended Use | 1 January 2022 |
| Amendments to HKFRS 3, HKAS 16 and HKAS 37 | Narrow-scope amendments | 1 January 2022 |
| Amendments to HKAS 37 | Onerous Contracts – Cost Fulfilling a Contract | 1 January 2022 |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework | 1 January 2022 |
| Annual Improvements Projects | Annual Improvements to HKFRSs 2018-2020 (amendments) | 1 January 2022 |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current | 1 January 2023 |
| HKFRS 17 and Amendments to HKFRS 17 | Insurance Contracts | 1 January 2023 |
| HK Interpretation 5 (2020) | Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause | 1 January 2023 |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies | 1 January 2023 |
| Amendments to HKAS 8 | Definition of Accounting Estimates | 1 January 2023 |
| Amendments to HKAS 12 | Deferred tax related to Assets and Liabilities arising from a Single Transaction | 1 January 2023 |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined |

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.2 Principal of consolidation and equity accounting

#### *(i) 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 fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests ("NCI") in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

#### *(ii) Associates*

Associates are entity over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investment in associates are accounted for using the equity method of accounting (see (iii) below), after initially being recognised at cost.

#### *(iii) Equity method*

Under the equity method of accounting, the investment is initially recognised at cost. The Group's interests in associates include goodwill (net of any accumulated impairment loss) identified on acquisition. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired associates at the date of acquisition. Goodwill arising on acquisitions of associates is included in interests in associates and are tested for impairment as part of overall balance.

The Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.2 Principal of consolidation and equity accounting *(Continued)*

#### *(iv) Changes in ownership interests*

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

#### *(v) Separate financial statements*

Investment in a subsidiary are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investment in a subsidiary is required upon receiving a dividend from the investment if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

### 2.3 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 that makes strategic decisions.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.4 Foreign currency translation

#### *(a) Functional and presentation currency*

Items included in the consolidated 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 RMB, which is the Company's functional and the Group's presentation currency.

#### *(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 are presented in the consolidated statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within "other gains, net".

#### *(c) Group companies*

The results and financial position of foreign operations (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:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position
- income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this 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
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.4 Foreign currency translation *(Continued)*

#### (d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in an associate that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

### 2.5 Land use rights and property, plant and equipment

#### Land use rights

Land use rights are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost represents consideration paid for the right to use the land on which various plants and buildings are situated for periods varying from 40-50 years. Depreciation of land use rights is charged to the consolidated financial statements on a straight-line basis over the period of leases or when there is impairment, the impairment is charged to the consolidated financial statements.

#### Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical 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 the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

| | |
|---|---|
| Buildings | 20 years |
| Leasehold improvements | Shorter of remaining lease term or 3 years |
| Furniture and office equipment | 3–5 years |
| Motor vehicles | 5 years |
| Machinery | 3–10 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 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains, net" in the consolidated statement of comprehensive income.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.6 Intangible assets

***Software and website***

Acquired computer software licenses and website are capitalised on the basis of the costs incurred to acquire and bring to use the specific software and website. Intangible assets are amortised over their estimated useful lives of 3 to 10 years.

### 2.7 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets 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). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### 2.8 Non-current assets (or disposal groups) held for sales

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.9 Investment and other financial assets

#### *2.9.1 Classification*

The Group classifies its financial assets in the following measurement categories:

– those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and

– those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

#### *2.9.2 Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair values plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Receivables are subsequently carried at amortised cost using the effective interest method.

#### *2.9.3 Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.9 Investment and other financial assets *(Continued)*

#### *2.9.3 Measurement (Continued)*

*Debt instruments*

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

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated statement of comprehensive income.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

*Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in "other gains, net" in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.9 Investment and other financial assets *(Continued)*

#### *2.9.4 Impairment*

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3 for further details.

### 2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

### 2.11 Trade and other receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair values and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

### 2.12 Inventories

Raw materials and finished goods are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods comprises parts and components, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### 2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks with original maturities of three months or less.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### 2.15 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

### 2.16 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

### 2.17 Borrowings costs

General and specific 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.

All other borrowing costs are recognised in the consolidated statement of comprehensive income in the year in which they are incurred.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, 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.

#### *(a) Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the company's 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.

#### *(b) Deferred income tax*

*Inside basis differences*

Deferred income tax is recognised, using the liability method, 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, the deferred income tax is 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 substantively enacted by the date of statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

*Outside basis differences*

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

#### *(c) Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.19 Employee benefits

#### *(a) Retirement benefit obligations*

Full time employees of the Group's PRC entities participate in a government mandated multi-employer defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. Chinese labour regulations require the Group to accrue for these benefits based on certain percentages of the employees' salaries. Full time employees who have passed the probation period are entitled to such benefits.

The Group also participates in defined contribution schemes which are available to Germany employees. Contributions are made based on a percentage of the employees' basic salaries or a fixed sum and are charged to the profit or loss as incurred. The assets of the schemes are held separately from those of the Group in an independently administered fund.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### *(b) Bonus plans*

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

#### *(c) Employee leave entitlement*

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 date of statement of financial position.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

### 2.20 Provisions

Provisions 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. 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 discount 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods and rendering of services in the ordinary course of the Group's activities.

If contracts involve the sale of multiple elements, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on availability of observable information.

Revenue is recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Control of the good or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;

- creates or enhances and asset that the customer controls as the Group performs; or

- 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.

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

When either party to a contract has performed, the Group presents the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract as a contract liability when the payment is made or a receivables is recorded (whichever is earlier). A contract liability is 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 receivables is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

The Group's revenue is primarily derived from sales of goods.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.21 Revenue recognition *(Continued)*

The Group manufactures and sells a range of kitchen appliances primarily in both wholesale and retail markets. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer other than retail sales has full discretion over the channel and price to resell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

***Revenue from sales of goods***

Revenue from these sales is recognised based on the price specified, net of discounts. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The Group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision in the consolidated statement of financial position, if any.

As receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

### 2.22 Leases – as a lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based 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 that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.22 Leases – as a lessee *(Continued)*

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss without a purchases option. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.23 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants to compensate expenses incurred by the Group are recognised in the consolidated statement of comprehensive income under "other income".

### 2.24 Dividend distribution

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

### 2.25 Research and development costs

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalised as intangible assets when recognition criteria are fulfilled and tests for impairment are performed annually. Other development expenditures that do not meet those criteria are recognised as expenses as incurred. Development costs previously recognised as expenses are not recognised as assets in subsequent periods.

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including cash flow and fair value interest rate risk and foreign currency risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the finance department headed by the financial controller of the Group (the "Finance Department"). The Finance Department identifies and evaluates financial risks in close co-operation within the Group to cope with overall risk management, as well as specific areas, such as fair value interest rate risk, foreign currency risk, credit risk and liquidity risk.

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### 3.1 Financial risk factors *(Continued)*

#### (a) *Cash flow and fair value interest rate risks*

Cash flow and fair value interest rate risks refer to the changes in cash flows or fair value of a financial instrument as a result of fluctuations in market interest rates.

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. In the opinion of directors, the expected change in fair values as a results of change in market interest rates will not be significant, thus no sensitivity analysis is presented.

Restricted bank deposit, cash and cash equivalents and bank borrowings at variable rates expose the Group to cash flow interest-rate risk.

The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. Management monitors interest rate fluctuations to ensure that exposure to interest rate risk is within an acceptable level and will consider hedging significant interest rate exposure should the need arises.

As at 31 December 2021, it is estimated that if restricted bank deposit, cash and cash equivalents and borrowings at variable rates experience a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, the Group's loss for the year would decrease/increase by approximately RMB38,000 (2020: RMB150,000), respectively. The 100 basis point increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

#### (b) *Foreign currency risk*

The Group mainly operates in the PRC and most of their transactions are denominated in Chinese Renminbi ("RMB"). The Group is exposed to foreign exchange risk primarily through its bank balances that are denominated in a currency other than the functional currency of the Company or of its subsidiaries to which they relate.

The Group considers its foreign currency exposure is mainly arising from the exposure of RMB against Hong Kong Dollars ("HK$").

The Group manages its exposures to foreign currency transactions by monitoring the level of foreign currency receipts and payments. The Group ensures that the net exposure to foreign exchange risk is kept to an acceptable level from time to time. The Group has not adopted hedge accounting.

As at 31 December 2021, if RMB strengthened/weakened against HK$ by 5% with all other variables held constant, the Group's loss for the year will be approximately RMB210,000 (2020: RMB1,843,000) higher/lower respectively.

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### 3.1 Financial risk factors *(Continued)*

#### *(c) Credit risk*

The credit risk of the Group mainly arises from restricted bank deposit, cash and cash equivalents, trade receivables and other receivables and deposits.

*(i) Risk management*

In respect of restricted bank deposit and cash and cash equivalents, the credit risk is considered to be low as the counterparties are reputable banks. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rate of cash at bank is assessed to be insignificant and no provision was made as of 31 December 2021.

As at 31 December 2021, there was 3 customers (2020: 3 customers) which individually contributed over 10% of the Group's trade receivables. The amount of trade receivables from these customers amounted to 52.2% (2020: 52.5%) of the Group's total trade receivables. The major debtors of the Group are reputable organisations and with no history of default. Management considers that the credit risk is limited in this regard.

*(ii) Impairment of financial assets*

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on different credit risk characteristics and calculate loss allowance according to the lifetime expected credit losses mode.

For individual assessment, the receivables relating to customers with known financial difficulties or with significant doubt on collection of receivables are assessed individually for provision for impairment allowance. As at 31 December 2021, the balance of individually assessed receivables was RMB1,442,000 (2020: RMB634,000) and the loss allowance in respect of individually assessed receivables was RMB1,442,000 (2020: RMB634,000).

For collective assessment, the expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2021 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors which are expected to affect the ability of the customers to settle the receivables. The Group has identified the market default rate and unemployment rate of the PRC in which it sells of goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### 3.1 Financial risk factors *(Continued)*

#### *(c)* ***Credit risk*** *(Continued)*

*(ii) Impairment of financial assets (Continued)*

The loss allowances as at 31 December 2021 and 31 December 2020 were determined as follows:

| **As at 31 December 2021** | **Lifetime expected loss rate %** | **Gross carrying amount RMB'000** | **Lifetime expected credit loss RMB'000** | **Net carrying amount RMB'000** |
|---|---|---|---|---|
| **Individual assessment** | **100%** | **1,442** | **(1,442)** | **–** |
| **Collective assessment (based on due date)** | | | | |
| Current | **0%*** | **30,329** | **(81)** | **30,248** |
| 1 – 30 days | **13%** | **133** | **(17)** | **116** |
| 31 – 60 days | **22%** | **663** | **(144)** | **519** |
| 61 – 90 days | **31%** | **471** | **(144)** | **327** |
| Over 90 days | **65%** | **794** | **(515)** | **279** |
| | | **33,832** | **(2,343)** | **31,489** |

| As at 31 December 2020 | Lifetime expected loss rate % | Gross carrying amount RMB'000 | Lifetime expected credit loss RMB'000 | Net carrying amount RMB'000 |
|---|---|---|---|---|
| **Individual assessment** | 100% | 634 | (634) | – |
| **Collective assessment (based on due date)** | | | | |
| Current | 0%* | 51,479 | – | 51,479 |
| 1 – 30 days | 3% | 238 | (8) | 230 |
| 31 – 60 days | 6% | 120 | (7) | 113 |
| 61 – 90 days | 65% | 1,013 | (659) | 354 |
| Over 90 days | 74% | 1,231 | (906) | 325 |
| | | 54,715 | (2,214) | 52,501 |

* Expected credit loss is insignificant as these trade receivables have no recent history of default.

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### 3.1 Financial risk factors *(Continued)*

#### *(c) Credit risk* *(Continued)*

*(ii) Impairment of financial assets (Continued)*

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

The credit quality of other receivables and deposits excluding prepayments has been assessed with reference to historical settlement record, past experience as well as forward-looking factors. The directors are of the opinion that the credit risk of other receivables and deposits is low due to the sound collection history of the receivables due from them. Therefore, expected credit loss rate of the other receivables and deposits excluding prepayments is assessed to be insignificant and no provision was made as of 31 December 2021.

#### *(d) Liquidity risk*

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the shorter and longer term.

As at 31 December 2021, the Group held cash and cash equivalents totalled RMB32,346,000 (2020: RMB48,184,000), that are expected to be readily available to generate cash inflows for managing liquidity risk.

The Group maintains liquidity by a number of sources including receivables and certain assets that the Group considers appropriate and short term financing. The Group aims to maintain flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest bearing borrowings which enable the Group to continue its business for the foreseeable future.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity grouping based on the remaining period at as 31 December 2021 to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

# 3 FINANCIAL RISK MANAGEMENT *(Continued)*

## 3.1 Financial risk factors *(Continued)*

### *(d)* *Liquidity risk* *(Continued)*

| | Less than 1 year RMB'000 | Between 1 to 2 years RMB'000 | Between 2 to 5 years RMB'000 | Over 5 years RMB'000 | Total contractual cash flows RMB'000 |
|---|---|---|---|---|---|
| **As at 31 December 2021** | | | | | |
| Trade and other payables | **20,820** | **–** | **–** | **–** | **20,820** |
| Borrowings | **23,946** | **946** | **2,838** | **2,286** | **30,016** |
| Amount due to the then/a non-controlling interest | **3,509** | **–** | **–** | **–** | **3,509** |
| Lease liabilities | **3,099** | **1,240** | **65** | **–** | **4,404** |
| | **51,374** | **2,186** | **2,903** | **2,286** | **58,749** |

| | Less than 1 year RMB'000 | Between 1 to 2 years RMB'000 | Between 2 to 5 years RMB'000 | Over 5 years RMB'000 | Total contractual cash flows RMB'000 |
|---|---|---|---|---|---|
| **As at 31 December 2020** | | | | | |
| Trade and other payables | 18,679 | – | – | – | 18,679 |
| Borrowings | 27,667 | 946 | 2,838 | 3,232 | 34,683 |
| Amount due to an associate | 4,450 | – | – | – | 4,450 |
| Amount due to a non-controlling interest | 1,004 | – | – | – | 1,004 |
| Lease liabilities | 2,125 | 1,770 | – | – | 3,895 |
| | 53,925 | 2,716 | 2,838 | 3,232 | 62,711 |

## 3.2 Capital management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the following gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. The capital is calculated as "equity" as show in the foreseeable consolidated statement of financial position plus net debt.

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### 3.2 Capital management *(Continued)*

The gearing ratios of the Group are as follows:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Borrowings (Note 27) | **28,676** | 32,965 |
| Less: cash and bank balances (Note 22) | **(32,583)** | (48,184) |
| Net debt | **N/A** | N/A |
| Total equity | **124,148** | 172,951 |
| Total capital | **124,148** | 172,951 |
| Gearing ratio | **N/A** | N/A |

### 3.3 Fair value estimation

The carrying value less impairment of provision of trade receivables, other receivables and restricted bank deposit, cash and cash equivalents, trade and other payables, borrowings, lease liabilities, amount due to an associate, amount due to the then/a non-controlling interest are approximation to their fair value due to short maturities.

The Group does not have any financial assets/liabilities that are subject to offsetting, enforceable master netting arrangements and similar agreements during the year.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

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) Impairment of receivables

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses significant judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3.

### (b) Impairment of inventories

The Group makes provision for inventories based on an assessment of the realisability of inventories. Provisions are recognised where events or changes in circumstances indicate that the carrying value of inventories may not be realised. The identification of provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and provision for inventories in the period in which such estimate has been changed.

### (c) Income tax

Significant judgement is required in determining the provision for income taxes and deferred income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax liabilities have not been established for withholding tax that would be payable on certain profits of PRC subsidiaries to be repatriated and distributed by way of dividends as the directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future.

## 5 SEGMENT INFORMATION AND REVENUE

The chief operating decision-makers have been identified as the directors of the Company. Management has determined the operating segments based on the information reviewed by the directors for the purpose of allocating resources and assessing performance. The only component in internal reporting to the directors is the Group's development, manufacturing and selling of kitchen appliances. In this regard, management considers there is only one operating segment under the requirements of HKFRS 8 Operating Segment.

The Group's activities are mainly carried out in the PRC and a majority of the Group's assets and liabilities of the operating companies are located in the PRC. As at 31 December 2021, non-current assets of RMB31,894,000 (2020: RMB38,674,000) of the Group were located in the PRC. For the year ended 31 December 2021, revenue of RMB142,795,000 (2020: RMB188,276,000) was derived from external customers in the PRC. Revenues of approximately RMB35,910,000 (2020 RMB80,694,000 and RMB29,363,000) were derived from one (2020: two) individual external customer, each of which contributed more than 10% of Group's revenue.

### (a) Revenue from contracts with customers

| | **2021 RMB'000** | 2020 RMB'000 |
|---|---|---|
| **Revenue** | | |
| Sales of goods | **143,873** | 189,380 |
| **Timing of revenue recognition** | | |
| At a point in time | **143,873** | 189,380 |

### (b) Liabilities related to contracts with customers

The Group has recognised the following liabilities related to contracts with customers:

| | **2021 RMB'000** | 2020 RMB'000 |
|---|---|---|
| Contract liabilities – sales of goods (Notes) | **3,422** | 4,652 |

Notes:

(i) Significant changes in contract assets and liabilities

Contract liabilities for sales of goods have decreased by RMB1,230,000 as a result of the satisfaction of performance obligations and a decrease in overall contract activity.

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities:

| | **2021 RMB'000** | 2020 RMB'000 |
|---|---|---|
| Revenue recognised that was included in the contract liabilities balance at the beginning of the year | | |
| Sales of goods | **4,652** | 720 |

## 6 OTHER INCOME

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Government grants (Note) | 423 | 1,025 |
| Licensing income from an associate (Note 30(b)) | 3,487 | 3,671 |
| Management fee income from an associate (Note 30(b)) | 440 | 440 |
| Sundry income | 479 | 216 |
| | 4,829 | 5,352 |

Note: The amounts mainly represent the Group's entitlements to value-added tax refund and government subsidies as an incentive to the Group for the devotion of resources to stimulate the PRC's economic development. There are no unfulfilled conditions or other contingencies attached to the government grant recognised during the years ended 31 December 2021 and 2020.

## 7 OTHER (LOSSES)/GAINS, NET

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Gain on partial disposal of investment in an associate | – | 5,812 |
| Loss on disposal of property, plant and equipment | (5) | (20) |
| Net exchange loss | (948) | (2,553) |
| Others | 141 | 16 |
| | (812) | 3,255 |

## 8 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses, research and development expenses and administrative expenses are analysed as follows:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Cost of materials used | **73,301** | 87,668 |
| Auditor's remuneration | | |
| – Audit services | **1,324** | 1,747 |
| – Non-audit services | **–** | – |
| Legal and professional fees | **5,381** | 3,849 |
| Depreciation of property, plant and equipment (Note 15) | **4,180** | 3,540 |
| Depreciation of right-of-use assets (Note 16(b)) | **2,144** | 3,413 |
| Depreciation and amortisation of land use rights (Note 17) | **210** | 210 |
| Amortisation of intangible assets (Note 18) | **277** | 243 |
| Employee benefit expenses (including directors' emoluments) (Note 9) | **30,108** | 25,634 |
| Consignment fee | **25,377** | 46,190 |
| Short-term lease expenses (Note 16(b)) | **1,628** | 882 |
| Decoration expenses | **3,573** | 3,379 |
| Advertising and promotion expenses | **8,686** | 10,600 |
| Product design and inspection fee | **3,290** | 3,058 |
| Sundry expenses of consignment stores | **6,258** | 7,344 |
| Travelling and entertainment expenses | **2,021** | 2,547 |
| Transportation expenses | **4,963** | 5,643 |
| Donation expenses | **1,100** | – |
| Office expenses | **2,097** | 1,781 |
| Exhibition expenses | **3,444** | 1,662 |
| Utilities expenses | **1,223** | 700 |
| Others | **8,741** | 8,928 |
| **Total cost of sales, selling and distribution expenses, research and development expenses and administrative expenses** | **189,326** | 219,018 |

## 9 EMPLOYEE BENEFIT EXPENSES

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Wages, salaries and benefits in kind (including directors' emoluments) | **25,555** | 23,107 |
| Bonuses | **93** | 862 |
| Retirement benefit costs | | |
| – defined contribution plans | **4,460** | 1,665 |
| | **30,108** | 25,634 |

## 9 EMPLOYEE BENEFIT EXPENSES *(Continued)*

### (a) Pensions – defined contribution plans

During the year ended 31 December 2021, no forfeited contributions were utilised by the Group to reduce its contributions for the current year (2020: same), leaving no balances available at the year-end to reduce future contributions.

### (b) Five highest paid individuals

For the year ended 31 December 2021, the five individuals whose emoluments were the highest in the Group include 1 director (2020: 2), whose emoluments have been reflected in the analysis in Note 32. The emoluments paid/payable to the remaining individuals are as follows:

| | **2021**<br>**RMB'000** | 2020<br>RMB'000 |
|---|---|---|
| Wages, salaries and benefits in kind | **1,429** | 1,155 |
| Retirement benefit costs – defined contribution plans | **449** | 159 |
| Discretionary bonuses | **–** | – |
| Inducement fee to join or upon joining the Group | **–** | – |
| Compensation for losses of office: | | |
| – Contractual payments | **–** | – |
| – Other payment | **–** | – |
| | **1,878** | 1,314 |

The emoluments of the highest paid individuals fell within the following band:

| | **Number of individuals** | |
|---|---|---|
| | **2021** | 2020 |
| **Emolument band** | | |
| Nil to HK$1,000,000 | **4** | 3 |

## 10 FINANCE COSTS, NET

| | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|
| Interest income: | | |
| – Bank interest income | **92** | 539 |
| Finance income | **92** | 539 |
| Interest expenses: | | |
| – Borrowings | **(1,298)** | (2,130) |
| – Lease liabilities | **(213)** | (321) |
| Finance costs | **(1,511)** | (2,451) |
| Finance costs, net | **(1,419)** | (1,912) |

## 11 INCOME TAX EXPENSES

| | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|
| Current income tax | **45** | 336 |
| Deferred income tax (Note 28) | **129** | (57) |
| | **174** | 279 |

### (i) Cayman Islands profits tax

The Company is not subject to any taxation in the Cayman Islands (2020: Same).

### (ii) Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group does not have any assessable profits in Hong Kong during the year ended 31 December 2021 (2020: Same).

## 11 INCOME TAX EXPENSES *(Continued)*

### (iii) The PRC enterprise income tax ("EIT")

Under the Enterprise Income Tax Law of the PRC (the "New EIT Law"), the applicable income tax rate for the Group's entities in the PRC, except for Miji Electronics and Appliance (Shanghai) Limited ("Miji Shanghai"), is 25%.

Pursuant to the New EIT Law, with respect to a new and high technology enterprise, the tax levied on income of Miji Shanghai will be charged at a preferential rate of 15% after obtaining the High New Technology Enterprise Certificate (the "Certificate") and completing the tax reduction and exemption filing with the tax authorities. Miji Shanghai has renewed the Certificate and will be expired on 11 November 2023.

The Group is entitled to a tax relief from the tax authority in the PRC on eligible research and development cost incurred for the years ended 31 December 2021 and 2020. The Group can claim an extra 75% tax deduction based on those eligible research and development cost incurred at an applicable tax rate. It is credited to the condensed consolidated interim statement of comprehensive income during the period in which they are incurred.

### (iv) Corporate income tax in Germany

Income tax on profits arising from Germany has been calculated on the estimated assessable profits for the year at the rate of approximately 30%.

### (v) Withholding tax on distributed profits

Pursuant to the New EIT Law, a 10% withholding tax is levied on dividends declared by the PRC companies to their foreign investors. Deferred income tax liabilities have not been established for withholding tax that would be payable on certain profits of PRC subsidiaries to be repatriated and distributed by way of dividends as the directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future.

## 11 INCOME TAX EXPENSES *(Continued)*

The tax on the Group's loss before income tax differs from the theoretical amount that used arise using the enacted tax rate applicable to loss of the Group's entities as follows:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| **Loss before income tax** | **(43,720)** | (19,671) |
| Less: Share of net loss/(profit) of associates | **736** | (4,679) |
| | **(42,984)** | (24,350) |
| Tax calculated at domestic tax rates applicable to loss in the respective jurisdictions | **(10,082)** | (5,493) |
| Effects of the preferential tax rates | **3,059** | 1,798 |
| Expenses not deductible for tax purposes | **1,967** | 1,419 |
| Income not subject to tax | **(121)** | (121) |
| Tax losses for which no deferred tax assets was recognised | **5,351** | 2,676 |
| Income tax expenses | **174** | 279 |

## 12 LOSS PER SHARE

### (a) Basic

Basic loss per share is calculated by dividing the loss attributable to equity holder of the Company by the weighted average number of ordinary shares in issue during the year:

| | 2021 | 2020 |
|---|---|---|
| Loss attributable to owners of the Company (RMB'000) | **(44,353)** | (21,128) |
| Weighted average number of ordinary shares in issue | **1,500,000,000** | 1,500,000,000 |
| Basic loss per share (RMB cents) | **(2.96)** | (1.41) |

### (b) Diluted

Diluted loss per share is the same as the basic loss per share as there were no potential dilutive ordinary shares in existence during both years presented.

## 13 SUBSIDIARIES

The following is a list of the principal subsidiaries at as 31 December 2021:

| Name | Place of incorporation/ establishment and kind of legal entity | Principal activities and place of operation | Issued and paid up capital | Effective interest held as at 2021 | 2020 |
|---|---|---|---|---|---|
| **Directly held by the Company:** | | | | | |
| Miji Holdings Limited ("Miji Holdings") | British Virgin Islands (the "BVI"), limited liability company | Investment holding, Hong Kong | USD100 | **100%** | 100% |
| **Indirectly held by the Company:** | | | | | |
| Miji International Group Limited ("Miji International") | The BVI, limited liability company | Investment holding, Hong Kong | USD1 | **100%** | 100% |
| Miji Hong Kong Investments ("Miji Investments") | Hong Kong, limited liability company | Investment holding and sale of cooking appliances, Hong Kong | HK$20,000 | **100%** | 100% |
| Miji Shanghai | The PRC, limited liability company | Design, manufacture and sale of cooking appliances, the PRC | USD6,750,000 | **100%** | 100% |
| MKY Shanghai Mikaiyi Kitchen Co. Limited* | The PRC, limited liability company | Distribution of cabinets, electrical appliances and equipment for kitchen use, the PRC | RMB3,000,000 | **100%** | 100% |
| Miji GmbH | Germany, limited liability company | Design, manufacture and sale of cooking appliances, Germany | EUR225,000 | **100%** | 100% |
| Beijing Miji Electronics and Appliances Limited* | The PRC, limited liability company | Design, manufacture and sale of cooking appliances, the PRC | RMB1,000,000 | **80%** | 80% |
| Miji Smart Home Appliance Manufacturing (Shanghai) Co., Ltd. (formerly known as "Miji Yongxing")* | The PRC, limited liability company | Sale of components of cooking appliances, the PRC | RMB5,000,000 | **100%** | 51% |
| Shanghai Miji Huiwu Cehua Company Limited* | The PRC, limited liability company | Events planning and organising | RMB0 | **100%** | 100% |
| Shanghai Miwu Keji Company Limited* | The PRC, limited liability company | Research and development | RMB0 | **100%** | 100% |

During the year ended 31 December 2021, the Group acquired 49% equity interest in Miji Yongxing from a substantial shareholder of Miji Yongxing at a cash consideration of RMB2,450,000. Upon the completion of the above transaction, Miji Yongxing become a wholly-owned subsidiary of the Company.

* For identification purpose only

## 14 INVESTMENTS IN ASSOCIATES

The amount recognised in the consolidated statement of financial position is as follows:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| As at 1 January | **17,592** | 7,246 |
| Investment in an associate | **–** | 11,756 |
| Disposal of interest in an associate | **–** | (1,388) |
| Share of (loss)/profit | **(736)** | 4,679 |
| Dividend received | **(3,761)** | (4,701) |
| | **13,085** | 17,592 |
| Transfer to assets classified as held for sale (Note 23) | **(5,747)** | – |
| As at 31 December | **7,348** | 17,592 |

Set out below is the information of the associates of the Group as at 31 December 2021 and 2020. The associates listed below have share capital consisting solely of ordinary shares, which are held by the Group.

Nature of investment in associates:

| Name | Place of incorporation | Principal activities | Effective interest held as at 31 December 2021 | Effective interest held as at 31 December 2020 |
|---|---|---|---|---|
| Miji Xuanshang Intelligence Home Appliances (Shanghai) Company Limited ("Miji Xuanshang")* | The PRC | Trading of home & electric appliances | – | 40% |
| Sky Asia Construction Engineering Limited ("Sky Asia") | Hong Kong | Holding of yacht | 33% | 33% |

* For identification purpose only

During the year ended 31 December 2021, the Group has entered into a sale and purchase agreement to dispose of its 40% equity interest in Miji Xuanshang with a carrying amount of RMB5,747,000 to independent third parties at a cash consideration of RMB12,000,000. Upon the completion of the above transaction, the Group will cease to have any equity interest in Xuanshang.

As at 31 December 2021, the Group still hold 40% equity interest in Xuanshang as the transaction has not yet completed as at 31 December 2021.

During the year ended 31 December 2020, the Group invested HK$12,870,000 (equivalent to RMB11,756,000), represents 33% equity interest, in Sky Asia.

## 14 INVESTMENT IN ASSOCIATES *(Continued)*

During the year ended 31 December 2020, the Group disposed 9% of its equity interest with a carrying value of RMB1,388,000 in Miji Xuanshang to an independent third party at a cash consideration of RMB7,200,000.

Miji Xuanshang and Sky Asia are private companies and there is no quoted market price available for its shares.

The management assessed that the Group has significant influence but not control over Miji Xuanshang and Sky Asia, as such, Miji Xuanshang and Sky Asia are accounted for associates of the Group under equity method.

| | Note | **2021**<br>**RMB'000** | 2020<br>RMB'000 |
|---|---|---|---|
| Carrying amount of the Group's interest in: | | | |
| Miji Xuanshang | | **5,747** | 6,164 |
| Sky Asia | | **7,348** | 11,428 |
| | | **12,942** | 17,592 |
| Transfer to assets classified as held for sale | 23 | **(5,747)** | – |
| | | **7,348** | 17,592 |

There are no contingent liabilities relating to the Group's interests in the associates.

### Summarised financial information for material associates

Set out below is the summarised financial information of Miji Xuanshang which are accounted for by the Group using the equity method and in the opinion of the directors, is material to the Group:

#### *Miji Xuanshang*

| | 2020<br>RMB'000<br>(Unaudited) |
|---|---|
| **Assets and liabilities** | |
| Total current assets | 63,123 |
| Total non-current assets | 25 |
| Total current liabilities | (49,413) |
| Net assets | 13,735 |
| **Profit for the year** | |
| Revenue | 184,686 |
| Profit and total comprehensive income for the year | 10,219 |
| Dividend received from the associate by the Group | 4,701 |

The information above reflects the amounts presented in the financial statements of the associates (and not Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associates.

## 14 INVESTMENT IN ASSOCIATES *(Continued)*

### Reconciliation of summarised consolidated financial information

Reconciliation of the summarised consolidated financial information presented to the carrying amount of its interest in Miji Xuanshang:

***Miji Xuanshang***

| | 2020<br>RMB'000<br>(Unaudited) |
|---|---|
| Closing net assets | 13,735 |
| Group's share in % | 40% |
| Group's share in RMB | 5,494 |
| Goodwill | 670 |
| Carrying value | 6,164 |

## 15 PROPERTY, PLANT AND EQUIPMENT

| | Buildings<br>RMB'000 | Leasehold improve-ments<br>RMB'000 | Furniture, fixtures and office equipment<br>RMB'000 | Motor vehicles<br>RMB'000 | Machinery<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|---|---|---|
| **Balance as at 1 January 2020** | | | | | | |
| Cost | 14,857 | 10,597 | 3,956 | 2,000 | 2,694 | 34,104 |
| Accumulated depreciation | (4,258) | (3,163) | (3,126) | (1,184) | (1,895) | (13,626) |
| **Net book amount** | 10,599 | 7,434 | 830 | 816 | 799 | 20,478 |
| **Year ended 31 December 2020** | | | | | | |
| Opening net book amount | 10,599 | 7,434 | 830 | 816 | 799 | 20,478 |
| Additions | – | 2,442 | 399 | 266 | 718 | 3,825 |
| Disposals | – | – | (4) | (16) | – | (20) |
| Depreciation (Note 8) | (669) | (1,719) | (384) | (508) | (260) | (3,540) |
| Currency translation differences | – | – | 4 | 8 | 2 | 14 |
| **Closing net book amount** | 9,930 | 8,157 | 845 | 566 | 1,259 | 20,757 |
| **Balance as at 31 December 2020 and 1 January 2021** | | | | | | |
| Cost | 14,857 | 13,039 | 4,328 | 2,136 | 3,416 | 37,776 |
| Accumulated depreciation | (4,927) | (4,882) | (3,483) | (1,570) | (2,157) | (17,019) |
| **Net book amount** | 9,930 | 8,157 | 845 | 566 | 1,259 | 20,757 |

## 15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

| | Buildings RMB'000 | Leasehold improve-ments RMB'000 | Furniture, fixtures and office equipment RMB'000 | Motor vehicles RMB'000 | Machinery RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2021** | | | | | | |
| Opening net book amount | 9,930 | 8,157 | 845 | 566 | 1,259 | 20,757 |
| Additions | – | 1,985 | 133 | 95 | 7 | 2,220 |
| Disposals | – | – | (4) | – | (3) | (7) |
| Depreciation (Note 8) | (670) | (2,844) | (175) | (190) | (301) | (4,180) |
| Currency translation differences | – | – | (2) | (20) | (5) | (27) |
| **Closing net book amount** | 9,260 | 7,298 | 797 | 451 | 957 | 18,763 |
| **Balance as at 31 December 2021** | | | | | | |
| Cost | 14,857 | 15,024 | 4,406 | 2,114 | 3,381 | 39,782 |
| Accumulated depreciation | (5,597) | (7,726) | (3,609) | (1,663) | (2,424) | (21,019) |
| **Net book amount** | 9,260 | 7,298 | 797 | 451 | 957 | 18,763 |

Amortisation and depreciation were included in the following categories in the consolidated statement of comprehensive income:

| | **2021 RMB'000** | 2020 RMB'000 |
|---|---|---|
| Cost of sales | **1,595** | 1,697 |
| Distribution and selling expenses | **278** | 346 |
| Administrative expenses | **1,943** | 1,165 |
| Research and development expenses | **364** | 332 |
| | **4,180** | 3,540 |

As at 31 December 2021, the Group's buildings amounting to RMB9,260,000 (2020: RMB9,930,000), were pledged as collateral for the Group's bank borrowings. Details of which are set out in Note 27.

## 16 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

### (a) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| **Right-of-use assets** | | |
| Office premises and warehouses | **3,632** | 2,813 |
| **Lease liabilities** | | |
| Current | **2,958** | 1,972 |
| Non-current | **1,282** | 1,710 |
| | **4,240** | 3,682 |

Additions to the right-of-use assets during the year ended 31 December 2021 were RMB2,963,000 (2020: Nil). There was no modification of a lease during the year ended 31 December 2021 and 2020.

## 16 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(Continued)*

### (b) Amounts recognised in the consolidated statement of comprehensive income

| | Notes | **2021 RMB'000** | 2020 RMB'000 |
|---|---|---|---|
| **Depreciation charge of right-of-use assets** | | | |
| Office premises and warehouses | 8 | **(2,144)** | (3,413) |
| Interest expense (included in finance cost) | 10 | **(213)** | (321) |
| Expense relating to short-term leases (included in cost of sales, selling and distribution expenses, research and development expenses and administrative expenses) | 8 | **(1,628)** | (882) |

The total cash outflow for leases for the year ended 31 December 2021 was RMB4,246,000 (2020: RMB4,262,000).

### (c) The Group's leasing activities and how these are accounted for

The Group leases various offices and warehouses. Rental contracts are typically made for fixed periods of 6 months to 54 months without extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

**(d)** There are no variable lease payments contained in the leases.

## 17 LAND USE RIGHTS

The Group's interests in land use rights represent right-of-use assets for land and their net carrying values are analysed as follows:

| | RMB'000 |
|---|---|
| **As at 1 January 2020** | |
| Cost | 9,386 |
| Accumulated amortisation | (381) |
| **Net book amount** | 9,005 |
| **Year ended 31 December 2020** | |
| Opening net book amount | 9,005 |
| Depreciation | (210) |
| As at 31 December 2020 | 8,795 |
| **As at 31 December 2020 and 1 January 2021** | |
| Cost | 9,386 |
| Accumulated amortisation | (591) |
| **Net book amount** | 8,795 |
| **Year ended 31 December 2021** | |
| Opening net book amount | **8,795** |
| Depreciation | **(210)** |
| As at 31 December 2021 | **8,585** |
| **As at 31 December 2021** | |
| Cost | **9,386** |
| Accumulated amortisation | **(801)** |
| **Net book amount** | **8,585** |

As at 31 December 2021, the Group's land use rights amounting to RMB8,585,000 (2020: RMB8,795,000), were pledged as collateral for the Group's bank borrowings. Details of which are set out in Note 27.

## 18 INTANGIBLE ASSETS

| | Software RMB'000 | Website RMB'000 | Total RMB'000 |
|---|---|---|---|
| **As at 1 January 2020** | | | |
| Cost | 1,365 | 462 | 1,827 |
| Accumulated amortisation | (601) | (356) | (957) |
| **Net book amount** | 764 | 106 | 870 |
| **Year ended 31 December 2020** | | | |
| Opening net book amount | 764 | 106 | 870 |
| Additions | – | 389 | 389 |
| Amortisation | (124) | (119) | (243) |
| Currency translation differences | – | 6 | 6 |
| **Closing net book amount** | 640 | 382 | 1,022 |
| **As at 31 December 2020 and 1 January 2021** | | | |
| Cost | 1,365 | 851 | 2,216 |
| Accumulated amortisation | (725) | (469) | (1,194) |
| **Net book amount** | 640 | 382 | 1,022 |
| **Year ended 31 December 2021** | | | |
| Opening net book amount | **640** | **382** | **1,022** |
| Amortisation | **(124)** | **(153)** | **(277)** |
| Currency translation differences | **–** | **(30)** | **(30)** |
| **Closing net book amount** | **516** | **199** | **715** |
| **As at 31 December 2021** | | | |
| Cost | **1,365** | **382** | **1,747** |
| Accumulated amortisation | **(849)** | **(183)** | **(1,032)** |
| **Net book amount** | **516** | **199** | **715** |

Amortisation was included in administrative expenses in the consolidated statement of comprehensive income.

## 19 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets at amortised cost

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| **Assets as per consolidated statement of financial position** | | |
| Trade receivables | **31,489** | 52,501 |
| Other receivables and deposits | **4,783** | 12,190 |
| Restricted bank deposits | **237** | – |
| Cash and cash equivalents | **32,346** | 48,184 |
| **Total** | **68,855** | 112,875 |

| | Financial liabilities at amortised cost<br>2021<br>RMB'000 | <br><br>2020<br>RMB'000 |
|---|---|---|
| **Liabilities as per consolidated statement of financial position** | | |
| Trade and other payables | **20,820** | 18,679 |
| Borrowings | **28,676** | 32,965 |
| Lease liabilities | **4,240** | 3,682 |
| Amount due to an associate | **–** | 4,450 |
| Amount due to the then/a non-controlling interest | **3,509** | 1,004 |
| **Total** | **57,245** | 60,780 |

## 20 INVENTORIES

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Parts and components | **6,989** | 7,680 |
| Finished goods | **57,834** | 59,134 |
| | **64,823** | 66,814 |

For the year ended 31 December 2021, the cost of inventories recognised as expense and included in cost of sales amounted to approximately RMB73,301,000 (2020: RMB87,668,000).

## 21 TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

### (a) Trade receivables

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Trade receivables | 33,832 | 54,715 |
| Less: loss allowance | (2,343) | (2,214) |
| | 31,489 | 52,501 |

The carrying amounts of the trade receivables approximate their fair value and are denominated in RMB.

The Group's credit terms to trade receivables are generally 30 to 180 days. The ageing analysis of the gross trade receivables, based on invoice date, is as follows:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| 0 – 30 days | 22,052 | 19,055 |
| 31 – 60 days | 3,255 | 10,875 |
| 61 – 90 days | 417 | 7,863 |
| Over 90 days | 8,108 | 16,922 |
| | 33,832 | 54,715 |

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Movements in the Group's provision for loss allowance of trade receivables are as follows:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Beginning of year | 2,214 | 807 |
| Increase in loss allowance recognised in profit or loss during the year | 129 | 1,407 |
| End of year | 2,343 | 2,214 |

Information about the impairment of trade receivables and the Group's exposure to credit risk can be found in Note 3.1.

## 21 TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

### (b) Other receivables, deposits and prepayments

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| **Non-current** | | |
| Deposits | **753** | – |
| **Current** | | |
| Prepayments | **11,977** | 15,217 |
| Deposits paid to consignment stores | **3,542** | 5,196 |
| Value added tax recoverable | **187** | 245 |
| Other receivables | **488** | 6,994 |
| | **16,194** | 27,652 |
| | **16,947** | 27,652 |

The carrying amounts of trade receivables, other receivables and deposits approximate their fair values and are mainly denominated in RMB.

## 22 RESTRICTED BANK DEPOSIT AND CASH AND CASH EQUIVALENTS

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Restricted bank deposit (Note) | **237** | – |
| Cash and cash equivalents | | |
| – Cash at bank | **32,273** | 48,100 |
| – Cash on hand | **73** | 84 |
| Total cash and bank balances | **32,583** | 48,184 |

## 22 RESTRICTED BANK DEPOSIT AND CASH AND CASH EQUIVALENTS *(Continued)*

The carrying amounts of restricted bank balance and cash and cash equivalents approximate their fair values and are denominated in the following currencies:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| RMB | **27,172** | 10,473 |
| EUR | **399** | 214 |
| HK$ | **5,012** | 37,497 |
| | **32,583** | 48,184 |

For the year ended 31 December 2021, the bank balances generated interest at prevailing market interest rates of approximately 0.23% (2020: 0.35%) per annum.

As at 31 December 2021, the Group had cash at banks amounting to approximately RMB27,067,000 (2020: RMB10,369,000) which are subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

Note: As at 31 December 2021, restricted bank deposit was held at bank as a security for bank borrowings of the Group (2020: Nil) (Note 27).

## 23 ASSETS CLASSIFIED AS HELD FOR SALE

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Investment in an associate: | | |
| Miji Xuanshang | **5,747** | – |

During the year ended 31 December 2021, the Group has entered into a sale and purchase agreement to dispose of its 40% equity interest in Miji Xuanshang with a carrying amount of RMB5,747,000 to independent third parties at a cash consideration of RMB12,000,000.

Upon the completion of the above transaction, the Group will cease to have any equity interest in Xuanshang.

## 24 SHARE CAPITAL AND SHARE PREMIUM

| | Number of shares | Nominal value of ordinary shares HK$ |
|---|---|---|
| **Authorised:** | | |
| As at 1 January 2020, 31 December 2020 and 2021 | 10,000,000,000 | 100,000,000 |

| | Number of shares | Nominal value of ordinary shares HK$'000 | Equivalent nominal value of ordinary shares RMB'000 | Share premium RMB'000 |
|---|---|---|---|---|
| **Issued:** | | | | |
| As at 1 January 2020, 31 December 2020 and 2021 | 1,500,000,000 | 15,000 | 12,561 | 72,173 |

## 25 RESERVES

The reserve movements of the Group are as follows:

| | Statutory reserves RMB'000 | Exchange reserves RMB'000 | Other reserves RMB'000 | Retained earnings/ (accumulated losses) RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| As at 1 January 2020 | 14,853 | (3) | 46,371 | 43,899 | 105,120 |
| Loss for the year | – | – | – | (21,128) | (21,128) |
| Transfer to statutory reserves (Note i) | 243 | – | – | (243) | – |
| Currency translation differences | – | 23 | – | – | 23 |
| As at 31 December 2020 | 15,096 | 20 | 46,371 | 22,528 | 84,015 |
| As at 1 January 2021 | **15,096** | **20** | **46,371** | **22,528** | **84,015** |
| Loss for the year | **–** | **–** | **–** | **(44,353)** | **(44,353)** |
| Transfer to statutory reserves (Note i) | **151** | **–** | **–** | **(151)** | **–** |
| Transactions with a non-controlling interest (Note ii) | **–** | **–** | **(26)** | **–** | **(26)** |
| Currency translation differences | **–** | **(102)** | **–** | **–** | **(102)** |
| As at 31 December 2021 | **15,247** | **(82)** | **46,345** | **(21,976)** | **39,534** |

Notes:

(i) In accordance with the Laws of the PRC on Enterprises Operated Exclusively with Foreign Capital and the Articles of Association of the Group's subsidiaries incorporated in the PRC, an appropriation to the statutory reserves has to be made prior to profit distribution to the investor. The appropriation to the statutory reserve of these foreign investment enterprises shall be no less than 10% of the net profit until the accumulated appropriation exceeds 50% of the registered capital.

(ii) On 22 December 2021, the Group completed the acquisition of 49% equity interest in Miji Yongxing at a total consideration of RMB2,450,000. Miji Yongxing is engaged in the sale of components of cooking appliances in the PRC.

## 26 TRADE AND OTHER PAYABLES

| | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|
| Trade payables (Note (a)) | **16,172** | 14,213 |
| Other payables and accruals (Note (b)) | **10,106** | 11,942 |
| | **26,278** | 26,155 |

Trade payables and other payables approximate their fair values and are denominated in RMB.

Notes:

**(a) Trade Payables**

As at 31 December 2021, the ageing analysis of the trade payables, based on invoice date, is as follows:

| | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|
| 1 – 30 days | **12,039** | 10,101 |
| 31 – 60 days | **3,221** | 3,485 |
| 61 – 90 days | **527** | 270 |
| Over 90 days | **385** | 357 |
| | **16,172** | 14,213 |

**(b) Other payables**

| | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|
| Accrued staff costs | **1,607** | 2,016 |
| Accrual for social security costs | **1,716** | 3,440 |
| VAT payable | **2,135** | 2,020 |
| Security deposit from customers | **2,409** | 2,344 |
| Other payables | **2,239** | 2,122 |
| Total | **10,106** | 11,942 |

## 27 BORROWINGS

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| **Current** | | |
| Borrowings | **23,629** | 27,289 |
| **Non-current** | | |
| Borrowings | **5,047** | 5,676 |
| | **28,676** | 32,965 |

As at 31 December 2021, the borrowings amounting to RMB28,676,000 were carried at floating rate (31 December 2020: RMB32,269,000 and RMB696,000 were carried at floating rate and fixed rate respectively.) The weighted average interest rates are 5.1% (2020: 5.0%) per annum.

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Borrowing – unsecured | **–** | 3,715 |
| Borrowing – secured | **28,676** | 29,269 |
| | **28,676** | 32,984 |
| Adjusted by: unamortised loan arrangement fees | **–** | (19) |
| | **28,676** | 32,965 |

As at 31 December 2021, bank borrowings of RMB28,676,000 (2020: RMB29,269,000) were secured by the land use rights (Note 17), buildings (Note 15) with total value of RMB17,845,000 (2020: RMB18,725,000) and restricted bank deposit (Note 22) (2020: Nil).

As at 31 December 2021, the Group's borrowings were repayable as follows:

| | As at 31 December | |
|---|---|---|
| | 2021<br>RMB'000 | 2020<br>RMB'000 |
| Within 6 months | **23,310** | 26,988 |
| Between 6 and 12 months | **319** | 301 |
| Between 1 and 2 years | **667** | 629 |
| Between 2 and 5 years | **2,253** | 2,125 |
| Over 5 years | **2,127** | 2,922 |
| | **28,676** | 32,965 |

## 28 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off and the deferred income taxes relate to the same tax jurisdiction.

| | **2021**<br>**RMB'000** | 2020<br>RMB'000 |
|---|---|---|
| At beginning of the year | **212** | 155 |
| (Charged)/credited to consolidated statement of comprehensive income | **(129)** | 57 |
| At end of the year | **83** | 212 |

The movements in deferred income tax assets and liabilities during the year without taking into consideration the offsetting of balances with the same tax jurisdiction, are as follows:

| | **Right-of-use assets and lease liabilities**<br>RMB'000 | **Elimination on unrealised profit**<br>RMB'000 | **Total**<br>RMB'000 |
|---|---|---|---|
| **Deferred income tax assets** | | | |
| As at 1 January 2020 | 161 | 98 | 259 |
| Credited to the consolidated statement of comprehensive income | 89 | 20 | 109 |
| **As at 31 December 2020** | 250 | 118 | 368 |
| As at 1 January 2021 | **250** | **118** | **368** |
| Charged to the consolidated statement of comprehensive income | **(65)** | **(11)** | **(76)** |
| **As at 31 December 2021** | **185** | **107** | **292** |

## 28 DEFERRED INCOME TAX *(Continued)*

| | **Decelerated tax depreciation** RMB'000 |
|---|---|
| **Deferred income tax liabilities** | |
| As at 1 January 2020 | (104) |
| Charged to the consolidated statement of comprehensive income | (52) |
| **As at 31 December 2020** | (156) |
| As at 1 January 2021 | (156) |
| Charged to the consolidated statement of comprehensive income | (53) |
| **As at 31 December 2021** | (209) |

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2021, the Group did not recognise deferred income tax assets of RMB8,495,000 (2020: RMB3,287,000) in respect of accumulated losses amounting to RMB50,838,000 (2020: RMB17,654,000) that can be carried forward against future taxable income. As at 31 December 2021, in respect of the accumulated losses, RMB132,000, RMB773,000, RMB535,000, RMB13,063,000 and RMB32,502,000 will expire in 2022, 2023, 2024, 2025 and 2026 respectively, while RMB3,833,000 (2020: RMB2,582,000) does not have any expiry date.

As at 31 December 2021, management is of the view that undistributed earnings totaling RMB36,954,000 (2020: RMB57,590,000) are for re-investment in the PRC subsidiaries and not for distribution. Accordingly, deferred income tax liabilities of RMB3,695,000 (2020: RMB5,759,000) have not been recognised for the withholding tax that would be payable upon distribution of profits of the subsidiaries in the PRC.

The analysis of deferred income tax assets and liabilities is as follows:

| | **2021** **RMB'000** | 2020 RMB'000 |
|---|---|---|
| Deferred income tax assets: | | |
| – Recoverable within 12 months | **204** | 234 |
| – Recoverable after 12 months | **88** | 134 |
| | **292** | 368 |
| Deferred income tax liabilities: | | |
| – Recoverable after 12 months | **(209)** | (156) |
| | **83** | 212 |

## 29 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### Reconciliation of loss before income tax to cash used in operations

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss before income tax | **(43,720)** | (19,671) |
| Adjustments for: | | |
| Finance income | **(92)** | (539) |
| Finance costs related to borrowing | **1,298** | 2,130 |
| Finance costs related to leases | **213** | 321 |
| Loss on disposal of property, plant and equipment (Note a) | **5** | 20 |
| Gain on disposal of investment in an associate (Note b) | **–** | (5,812) |
| Depreciation of property, plant and equipment | **4,180** | 3,540 |
| Depreciation and amortisation of land use rights | **210** | 210 |
| Depreciation on right-of-use assets | **2,144** | 3,413 |
| Amortisation of intangible assets | **277** | 243 |
| Net impairment losses on financial assets | **129** | 1,407 |
| Net exchange loss | **707** | 1,663 |
| Share of net loss/(profit) of associates | **736** | (4,679) |
| | **(33,913)** | (17,754) |
| Changes in working capital: | | |
| Inventories | **1,991** | (10,633) |
| Trade receivables | **20,883** | 13,242 |
| Other receivables, deposits and prepayments | **5,665** | 9,748 |
| Trade and other payables | **123** | (19,852) |
| Contract liabilities | **(1,230)** | 3,932 |
| Balance with an associate | **(4,458)** | 3,473 |
| Net cash used in operations | **(10,939)** | (17,844) |

Notes:

(a) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| Net book amount | **7** | 20 |
| Loss on disposal of property, plant and equipment | **(5)** | (20) |
| Proceeds from disposal of property, plant and equipment | **2** | – |

## 29 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

### Reconciliation of loss before income tax to cash used in operations *(Continued)*

Notes: (Continued)

(b) In the consolidated statement of cash flows, proceeds from partial disposal of investment in an associate comprise:

| | 2020<br>RMB'000 |
|---|---|
| Net book amount of investment in an associate (Note 14) | 1,388 |
| Gain on partial disposal of investment in an associate (Note 7) | 5,812 |
| Total consideration (Note 14) | 7,200 |
| Consideration not yet settled and recognised in other receivables | (5,040) |
| Proceeds from partial disposal of investment in an associate | 2,160 |

(c) Non-cash transaction:

During the year ended 31 December 2021, dividends payables of RMB2,357,000 (2020: RMB1,964,000) were transferred to the amount due to the then/a non-controlling interest.

### Reconciliation of liabilities arising from financing activities

This section sets out the reconciliation of liabilities arising from financing activities for the years ended 31 December 2021 and 2020.

| | Bank borrowings<br>RMB'000 | Lease liabilities<br>RMB'000 | Amount due to a non controlling interest<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|---|
| **As at 1 January 2020** | 53,512 | 6,741 | – | 60,253 |
| Financing cash flows | (20,547) | (3,380) | (960) | (24,887) |
| Finance cost | – | 321 | – | 321 |
| Dividend declared | – | – | 1,964 | 1,964 |
| **As at 31 December 2020** | 32,965 | 3,682 | 1,004 | 37,651 |
| **As at 1 January 2021** | **32,965** | **3,682** | **1,004** | **37,651** |
| Financing cash flows | **(4,289)** | **(2,618)** | **(2,302)** | **(9,209)** |
| Addition of lease liabilities | **–** | **2,963** | **–** | **2,963** |
| Finance cost | **–** | **213** | **–** | **213** |
| Consideration payables to non-controlling interest | **–** | **–** | **2,450** | **2,450** |
| Dividend declared | **–** | **–** | **2,357** | **2,357** |
| **As at 31 December 2021** | **28,676** | **4,240** | **3,509** | **36,425** |

## 30 RELATED PARTIES BALANCES AND TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

**(a)** The directors of the Company are of the view that the following companies were related parties that had transactions or balances with the Group during the year ended 31 December 2021:

| Name of the related party | Relationship with the Group |
|---|---|
| Miji Xuanshang | Associate of the Group |

### (b) Transactions with related party

Save as disclosed elsewhere in the consolidated financial statements, during the year ended 31 December 2021, the following transactions were carried out with related party at terms mutually agreed by both parties:

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| **Sales of goods to** | | |
| – Miji Xuanshang | **31** | 210 |
| **Purchases of goods from** | | |
| – Miji Xuanshang | **7,606** | 18,740 |
| **Licensing income from** | | |
| – Miji Xuanshang | **3,487** | 3,671 |
| **Management fee from** | | |
| – Miji Xuanshang | **440** | 440 |

The pricing of these transactions was determined based on mutual negotiation between the Group and the related parties.

## 30 RELATED PARTIES BALANCES AND TRANSACTIONS *(Continued)*

### (c) Key management compensation

Key management includes executive and non-executive directors and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

| | **2021** **RMB'000** | 2020 RMB'000 |
|---|---|---|
| Salaries, allowances and benefits in kind | **2,008** | 2,022 |
| Retirement benefit cost – defined contribution plans | **103** | 54 |
| | **2,111** | 2,076 |

### (d) Balances with related party

| | **2021** **RMB'000** | 2020 RMB'000 |
|---|---|---|
| Amount due from/(to) an associate | | |
| Miji Xuanshang (note) | **8** | (4,450) |

Note: As at 31 December 2021, the balances represent prepayment for purchase of goods. As at 31 December 2020, the balances were trading in nature, unsecured, interest free with credit terms of 180 days. As at 31 December 2020, the balances were not yet due. These balances were denominated in RMB.

## 31 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

| | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Investment in a subsidiary | **73,113** | 73,113 |
| Investment in an associate | **7,348** | 11,428 |
| | **80,461** | 84,541 |
| **Current assets** | | |
| Amounts due from subsidiaries | **34,832** | 31,483 |
| Prepayments and other receivables | **5,379** | 3,384 |
| Cash and cash equivalents | **4,846** | 19,723 |
| | **45,057** | 54,590 |
| **Total assets** | **125,518** | 139,131 |
| **EQUITY AND LIABILITIES** | | |
| **Equity attributable to owners of the Company** | | |
| Share capital | **12,561** | 12,561 |
| Share premium (note) | **72,173** | 72,173 |
| Reserves (note) | **28,872** | 42,159 |
| **Total equity** | **113,606** | 126,893 |
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Other payables | **1,600** | 1,665 |
| Amount due to a subsidiary | **10,312** | 10,573 |
| | **11,912** | 12,238 |
| **Total liabilities** | **11,912** | 12,238 |
| **Total equity and liabilities** | **125,518** | 139,131 |

The statement of financial position of the Company was approved by the Boards of directors on 30 March 2022 and were signed on its behalf.

| **Madam Maeck Can Yue**<br>*Director* | **Mr. Walter Ludwig Michel**<br>*Director* |
|---|---|

## 31 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY
*(Continued)*

Note:

Share premium and reserves movement of the Company

| | **Share premium** RMB'000 | **Other reserves** RMB'000 (Note (a)) | **Accumulated losses** RMB'000 | **Total** RMB'000 |
|---|---|---|---|---|
| As at 1 January 2020 | 72,173 | 73,113 | (22,653) | 122,633 |
| Loss for the year | – | – | (8,301) | (8,301) |
| As at 31 December 2020 | 72,173 | 73,113 | (30,954) | 114,332 |
| As at 1 January 2021 | **72,173** | **73,113** | **(30,954)** | **114,332** |
| Loss for the year | **–** | **–** | **(13,287)** | **(13,287)** |
| As at 31 December 2021 | **72,173** | **73,113** | **(44,241)** | **101,045** |

Note (a): The investment in a subsidiary was accounted for using the net asset value at the date of the reorganisation. The difference between the net asset value and the nominal value of issued share capital for the acquisition amounted to approximately RMB73,113,000 was credited as other reserves.

## 32 BENEFITS AND INTERESTS OF DIRECTORS

### (a) Directors' and chief executive's emoluments

For the year ended 31 December 2021:

| Name | Fees RMB'000 | Salary RMB'000 | Discretionary bonuses RMB'000 | Housing allowance RMB'000 | Estimated money value of other benefits RMB'000 | Employer's contribution to a retirement benefit scheme RMB'000 | Remunerations paid or receivable in respect of accepting office as director RMB'000 | Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its Subsidiary undertaking RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | | | | |
| Madam Maeck Can Yue (Chairperson) | – | 660 | – | – | – | – | – | – | 660 |
| Mr. Michel Walter Ludwig | – | 381 | – | – | – | – | – | – | 381 |
| Mr. Wu Huizhang | – | – | – | – | – | – | – | – | – |
| | – | 1,041 | – | – | – | – | – | – | 1,041 |
| **Independent non-executive directors** | | | | | | | | | |
| Mr. Wang Shih-Fang | 100 | – | – | – | – | – | – | – | 100 |
| Mr. Yan Chi Ming | 100 | – | – | – | – | – | – | – | 100 |
| Mr. Hooi Hing Lee | 100 | – | – | – | – | – | – | – | 100 |
| Mr. Gu Qing | 100 | – | – | – | – | – | – | – | 100 |
| Mr Li Wei | – | – | – | – | – | – | – | – | – |
| **Total** | 400 | 1,041 | – | – | – | – | – | – | 1,441 |

Mr. Wu Huizhang and Mr. Li Wei were appointed as the Company's executive director and independent non-executive director respectively on 25 January 2021.

## 32 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

### (a) Directors' and chief executive's emoluments *(Continued)*

For the year ended 31 December 2020:

| Name | Fees RMB'000 | Salary RMB'000 | Discretionary bonuses RMB'000 | Housing allowance RMB'000 | Estimated money value of other benefits RMB'000 | Employer's contribution to a retirement benefit scheme RMB'000 | Remunerations paid or receivable in respect of accepting office as director RMB'000 | Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its Subsidiary undertaking RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | | | | |
| Madam Maeck Can Yue (Chairperson) | – | 660 | – | – | – | – | – | – | 660 |
| Mr. Michel Walter Ludwig | – | 386 | – | – | – | – | – | – | 386 |
| Mr. Chen Liang | – | – | – | – | – | – | – | – | – |
| | – | 1,046 | – | – | – | – | – | – | 1,046 |
| **Independent non-executive directors** | | | | | | | | | |
| Mr. Wang Shih-Fang | 107 | – | – | – | – | – | – | – | 107 |
| Mr. Yan Chi Ming | 107 | – | – | – | – | – | – | – | 107 |
| Mr. Hooi Hing Lee | 107 | – | – | – | – | – | – | – | 107 |
| Mr. Gu Qing | 62 | – | – | – | – | – | – | – | 62 |
| **Total** | 383 | 1,046 | – | – | – | – | – | – | 1,429 |

Mr. Gu Qing was appointed as the Company's independent non-executive director and Mr. Chen Liang was resigned as the Company's executive director on 21 May 2020.

There was no arrangement under which a director waived or agreed to waive any emoluments during the year (2020: same).

## 32 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

### (b) Directors' retirement benefits

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

### (c) Directors' termination benefits

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

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

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

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

Save as disclosed in Note 29, there are no loans, quasi-loans and other dealing in favour of directors, controlling bodies corporate by and connected entities with such directors during the year ended 31 December 2021 (2020: Nil).

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

No significant transactions, arrangements and contracts in relation to the Company'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 year ended 31 December 2021 (2020: Nil).

## 33 NON-CONTROLLING INTEREST ("NCI") AND AMOUNT DUE TO THE THEN/A NCI

### (a) Summarised financial information for the subsidiaries that have NCI

Set out below is summarised financial information for Miji Yongxing which has non-controlling interest that is material to the Group. The amounts disclosed are before inter-company eliminations.

***Miji Yongxing***

| | 2020<br>RMB'000 |
|---|---|
| Current assets | 14,372 |
| Current liabilities | (5,970) |
| **Current net assets** | 8,402 |
| Non-current assets | 320 |
| Non-current liabilities | – |
| **Non-current net assets** | 320 |
| **Net assets** | 8,722 |
| Accumulated NCI (2020: 49%) | 4,274 |

| | 2020<br>RMB'000 |
|---|---|
| Revenue | 23,456 |
| Total comprehensive income | 2,430 |
| Profit allocated to NCI | 1,190 |
| Dividends payable/paid to NCI | 1,964 |

## 33 NON-CONTROLLING INTEREST ("NCI") AND AMOUNT DUE TO THE THEN/A NCI *(Continued)*

### (a) Summarised financial information for the subsidiaries that have NCI *(Continued)*

***Miji Yongxing*** *(Continued)*

| | 2020<br>RMB'000 |
|---|---|
| Cash flows generated from operating activities | 5,087 |
| Cash flows generated from investing activities | 1 |
| Cash flows used in financing activities | (5,006) |
| Net increase in cash and cash equivalents | 82 |

As at 31 December 2021 and 2020, all the cash and bank balances of Miji Yongxing amounting to RMB151,000 (2020: RMB157,000) was held in the PRC. These cash and bank balances are subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

### (b) Amount due to the then/a NCI

The amount payable to a NCI are unsecured, interest-free and repayable on demand. The balance was denominated in RMB.

As at 31 December 2021, the amount payable to the then/a NCI represent the dividend payables and consideration payable for the acquisition of 49% equity interest in Miji Yongxing amounted to RMB1,059,000 and RMB2,450,000 respectively (2020: dividend payables amounted to RMB1,004,000). The balance was denominated in RMB.

## 34 EVENTS OCCURRING AFTER THE REPORTING PERIOD

(i) Subsequent to the reporting period, the Group entered into a sales and purchase agreement to dispose of its 33% equity interest in Sky Asia to an independent third party at a consideration of HK$4,500,000. Upon completion, the Group will cease to have any equity interest in Sky Asia.

(ii) During the ongoing COVID-19 pandemic, a series of precautionary and control measures have been and continued to be implemented across the country/region. The Group continue to pay close attention to the development of the COVID-19 pandemic and evaluate its impact on the financial position and operating results of the Group.